Investor Report FY23

Insurance Australia Group Limited
This release has been authorised by the Board of Insurance Australia Group Limited
21 August 2023
ABN 60 090 739 923

IMPORTANT INFORMATION

This report contains general information current as at 21 August 2023 (unless otherwise stated) and is not a recommendation or advice in relation to any product or service offered by Insurance Australia Group Limited or its subsidiaries (IAG or the Group). It presents financial information on both a statutory basis (prepared in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis. This report is not an invitation, solicitation, recommendation or offer to buy, issue or sell securities or other financial products in any jurisdiction.

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

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

Any forward-looking statements, opinions and estimates in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. This includes statements regarding IAG's targets, goals, ambitions, intent, belief, objectives, commitments 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. Guidance on future earnings or performance are also forward looking statements. 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 adverse natural peril events causing losses to exceed forecasts, and uncertainties in the Australian and global economic environment). This may cause actual results, outcomes, conditions or circumstances to differ from those expressed, anticipated or implied in such statements. For further information on IAG's risks see the ‘Strategy and risk management’ section of IAG's FY23 Annual Report.

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 FY24. 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 each of its 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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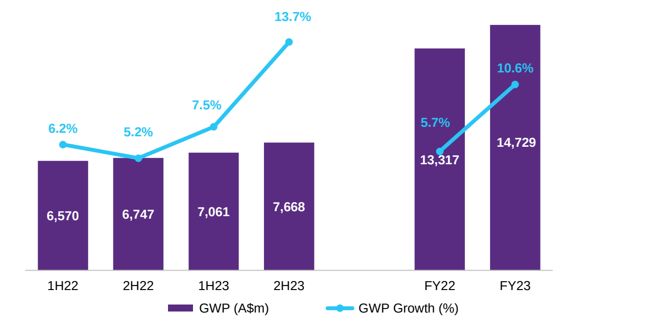
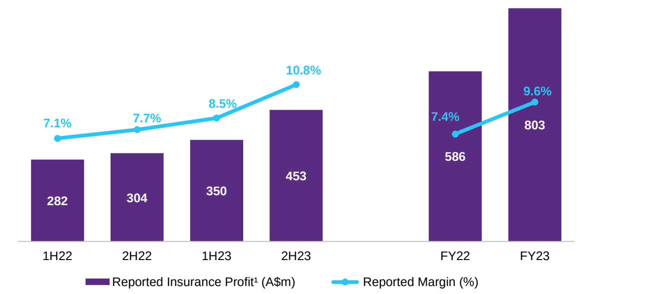
FY23 RESULTS

KEY RESULTS	FY22 A$m	1H23 A$m	2H23 A$m	FY23 A$m	FY23 vs FY22 Mvt
Gross written premium (GWP)	**13,317**	**7,061**	**7,668**	**14,729**	**+10.6%**
Net earned premium (NEP)	7,909	4,113	4,213	8,326	+5.3%
Insurance profit[1]	**586**	**350**	**453**	**803**	**+37.0%**
Net profit/(loss) after tax	347	468	364	832	+139.8%
Cash earnings	**213**	**223**	**229**	**452**	**+112.2%**
Reported insurance margin	7.4%	8.5%	10.8%	9.6%	+220bps
Underlying insurance margin[2]	**14.6%**	**10.7%**	**14.6%**	**12.6%**	**-200bps**
Diluted EPS (cents per share)	13.33	17.62	14.03	32.20	+141.6%
Cash EPS (cents per share)	8.65	9.07	9.35	18.41	+112.8%
Diluted cash EPS (cents per share)	8.49	8.92	9.34	18.40	+116.7%
Cash return on equity (ROE)	3.4%	7.0%	6.9%	7.0%	+360bps
Dividend (cents per share)	**11.0**	**6.0**	**9.0**	**15.0**	**+36.4%**
Common Equity Tier 1 Capital (CET1) multiple	0.97	1.11	1.12	1.12	+15pts

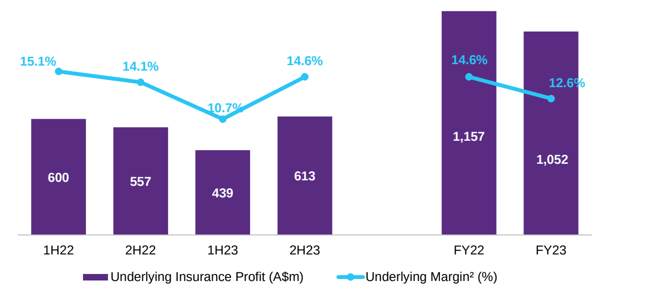
GWP GROWTH



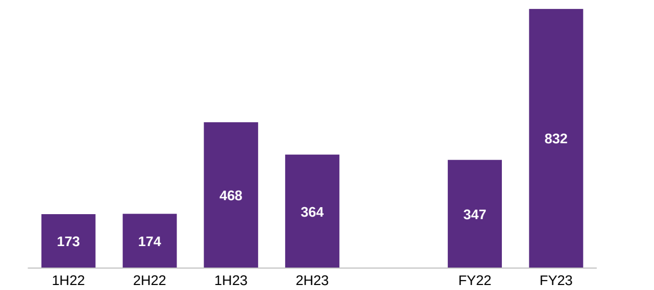
REPORTED INSURANCE PROFIT & MARGIN



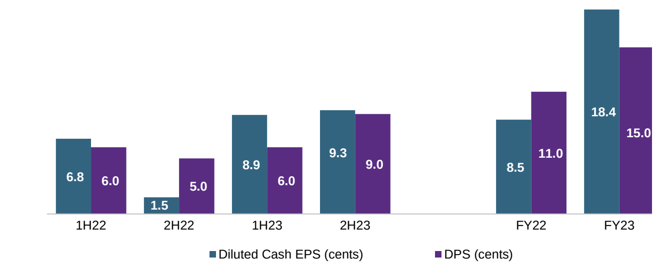
UNDERLYING INSURANCE PROFIT & MARGIN



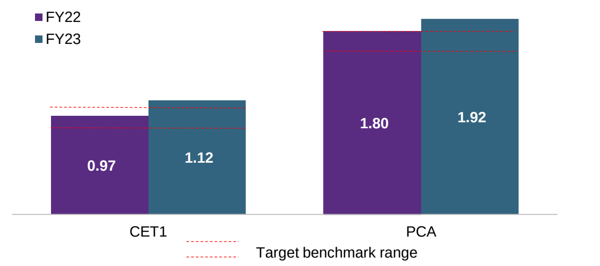
NET PROFIT/(LOSS) AFTER TAX (A$M)



DILUTED CASH EPS & DPS



REGULATORY CAPITAL (MULTIPLE)



[1]The FY23 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 FY23 Financial Report (Appendix 4E). A reconciliation between the two is provided on page 42 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 of 10.6%
- Progress in all four strategic priorities: customer growth, building better businesses, digital and risk
- Cash Earnings $452 million, up 112% (FY22: $213 million)
- Net Profit After Tax $832 million, up 140% (FY22: $347 million)

GROSS WRITTEN PREMIUM

- 13.7% GWP growth in the second half of the year with strong contributions from all divisions
- Growth predominantly rate-drive across all segments
- ~1% unit growth in Australian direct home and motor with retention rates remaining over 95% and 90%.

INSURANCE PROFITABILITY

- Insurance profit $803 million, up 37% (FY22: $586 million)
- Improved reported insurance margin of 9.6% (FY22: 7.4%)
- Underlying insurance profit of $1,052 million down 9.1% (FY22: $1,157 million) impacted by elevated inflation and reinsurance reinstatement costs
- Underlying insurance margin of 12.6% (FY22:14.6%) increases to 13.4% after adjusting for reinsurance reinstatement costs
- Group expenses held flat at ~$2.5 billion for third year delivering an improvement in the expense ratio to 23.1% (FY22: 23.7%)

DIRECT INSURANCE AUSTRALIA (DIA) HIGHLIGHTS

- GWP growth of 10.0% accelerating during FY23 with second half personal short-tail growth of 12.4%
- Underlying margin of 15.7% impacted by higher claims inflation (FY22: ~19% excluding COVID-19 related frequency benefits) with a material improvement in 2H23 to 18.2%.

INTERMEDIATED INSURANCE AUSTRALIA (IIA) HIGHLIGHTS

- 12% GWP growth, with momentum increasing this to ~14% excluding one-off impacts in 2H23
- Reported insurance profit of $209 million, a strong turnaround from a $103 million loss in FY22
- Underlying margin improved to 7.7% (FY22: 5.0%)

NEW ZEALAND HIGHLIGHTS

- GWP growth of 9.8% (NZ$ ~12%) largely driven by rate increases across all key portfolios
- Strong retention across direct and commercial lines and volume growth in some commercial lines
- Underlying margin of 13.5% (FY22: 16.8%) impacted by claims inflation and higher reinsurance costs particularly following North Island events

ADDITIONAL MATTERS

- Balance sheet total equity increased to $7,049 million (30 June 2022: $6,500 million)
- Business interruption provision releases of $560 million pre-tax ($392 million post-tax) with $400 million remaining at 30 June 2023
- Business interruption provision release and reduction in open claims in DIA and IIA contributed to reduction in risk margin to 17% of net central estimate (FY22: 20%)
- Net corporate expenses includes a $20 million charge for lease impairment

CAPITAL & DIVIDENDS

- Final dividend of 9 cents per share, 30% franked (FY22: 5 cents per share, 70% franked)
- Total FY23 dividends of 15 cents per share (FY22: 11 cents per share)
- Strong CET1 ratio at 1.12 above 0.9 to 1.1 target level

2. STRATEGY

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

IAG's trusted brands, established supply chain, deep data assets and financial strength are key attributes, providing competitive advantage.

IAG's long-term objective remains: the delivery of top quartile Total Shareholder Return, with a sustainable growth profile. To realise this, IAG has a 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.

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

Purpose

We make your world a safer place

Strategy

Create a stronger, more resilient IAG

Focus	Approach	Outcomes
Grow with our customers	Deliver outstanding personalised service when our customers need us the most	More customers, more products and greater scale
Build better businesses	Focus on underwriting expertise, active portfolio management and pricing excellence	Stable and growing earnings over time
Create value through digital	Create connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	Better customer experiences at a lower cost
Manage our risks	Actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives	Disciplined execution, enhanced accountability and appropriate returns

People

Our people are the difference: bringing our purpose to life and delivering our strategy

3. GROUP RESULTS

FINANCIAL PERFORMANCE

GROUP RESULTS	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Gross written premium	**6,570**	**6,747**	**7,061**	**7,668**	**13,317**	**14,729**
Gross earned premium	6,515	6,457	6,853	6,985	12,972	13,838
Reinsurance expense	(2,552)	(2,511)	(2,740)	(2,772)	(5,063)	(5,512)
Net earned premium	**3,963**	**3,946**	**4,113**	**4,213**	**7,909**	**8,326**
Net claims expense	(2,725)	(2,490)	(2,911)	(2,955)	(5,215)	(5,866)
Commission expense	(347)	(347)	(366)	(394)	(694)	(760)
Underwriting expense	(602)	(574)	(575)	(593)	(1,176)	(1,168)
Underwriting profit/(loss)	**289**	**535**	**261**	**271**	**824**	**532**
Investment income on technical reserves	(7)	(231)	89	182	(238)	271
Insurance profit/(loss)	**282**	**304**	**350**	**453**	**586**	**803**
Net corporate expense	-	200	353	184	200	537
Interest	(47)	(46)	(64)	(81)	(93)	(145)
Profit/(loss) from fee-based business	(13)	(21)	(14)	(23)	(34)	(37)
Share of profit/(loss) from associates	8	9	(8)	(5)	17	(13)
Investment income on shareholders' funds	53	(158)	72	140	(105)	212
Profit/(loss) before income tax and amortisation	**283**	**288**	**689**	**668**	**571**	**1,357**
Income tax expense	(77)	(63)	(213)	(216)	(140)	(429)
Profit/(loss) after income tax (before amortisation)	**206**	**225**	**476**	**452**	**431**	**928**
Non-controlling interests	(30)	(47)	(6)	(87)	(77)	(93)
Profit/(loss) after income tax and non-controlling interests (before amortisation)	**176**	**178**	**470**	**365**	**354**	**835**
Amortisation and impairment	(4)	(3)	(2)	(1)	(7)	(3)
Profit/(loss) attributable to IAG shareholders from continuing operations	**172**	**175**	**468**	**364**	**347**	**832**
Net profit/(loss) after tax from discontinued operations	1	(1)	-	-	-	-
Profit/(loss) attributable to IAG shareholders	**173**	**174**	**468**	**364**	**347**	**832**

Insurance Ratios - Continuing Business	1H22	2H22	1H23	2H23	FY22	FY23
Loss ratio	68.8%	63.1%	70.8%	70.1%	65.9%	70.5%
Immunised loss ratio	70.1%	69.0%	72.1%	71.2%	69.6%	71.6%
Expense ratio	24.0%	23.3%	22.9%	23.5%	23.7%	23.1%
Commission ratio	8.8%	8.8%	8.9%	9.4%	8.8%	9.1%
Administration ratio	15.2%	14.5%	14.0%	14.1%	14.9%	14.0%
Combined ratio	92.8%	86.4%	93.7%	93.6%	89.6%	93.6%
Immunised combined ratio	94.1%	92.3%	95.0%	94.7%	93.3%	94.7%
Reported insurance margin	**7.1%**	**7.7%**	**8.5%**	**10.8%**	**7.4%**	**9.6%**
Underlying insurance margin	**15.1%**	**14.1%**	**10.7%**	**14.6%**	**14.6%**	**12.6%**

Key Financial Metrics (Total Operations)	1H22	2H22	1H23	2H23	FY22	FY23
Cash earnings ($m)	176	37	223	229	213	452
Reported ROE (average equity) (% pa)	5.6%	5.6%	14.7%	11.0%	5.6%	13.0%
Cash ROE (average equity) (% pa)	**5.7%**	**1.2%**	**7.0%**	**6.9%**	**3.4%**	**7.0%**
Basic EPS (cents per share)	7.03	7.05	19.02	14.86	14.09	33.92
Diluted EPS (cents per share)	6.64	6.69	17.62	14.03	13.33	32.20
Cash EPS (cents per share)	7.15	1.50	9.07	9.35	8.65	18.41
Diluted cash EPS (cents per share)	**6.77**	**1.50**	**8.92**	**9.34**	**8.49**	**18.40**
DPS (cents per share)	**6.00**	**5.00**	**6.00**	**9.00**	**11.00**	**15.00**
Probability of adequacy	90%	90%	90%	90%	90%	90%
CET1 multiple	**1.02**	**0.97**	**1.11**	**1.12**	**0.97**	**1.12**
PCA multiple	1.82	1.80	2.01	1.92	1.80	1.92

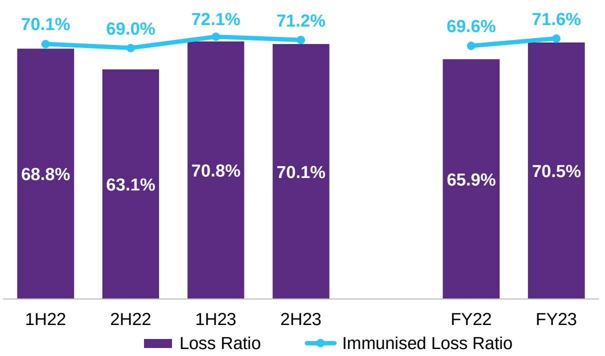
KEY FOREIGN EXCHANGE RATES APPLIED

Units of foreign currency per A$	Balance Sheet (spot rate)		Income Statement (average rate)	
	FY22	FY23	FY22	FY23
New Zealand dollar	1.1060	1.0865	1.0666	1.0922

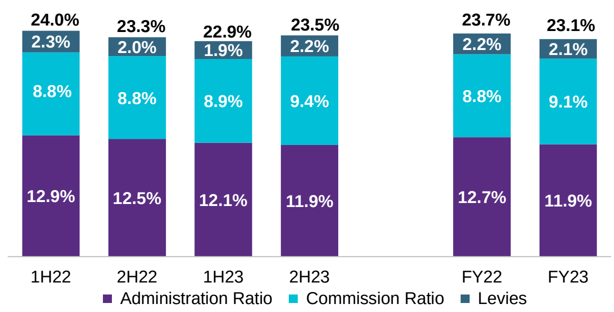
3. GROUP RESULTS

INSURANCE RATIOS

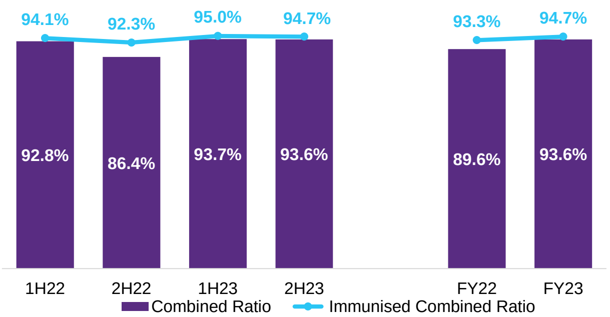
LOSS RATIO



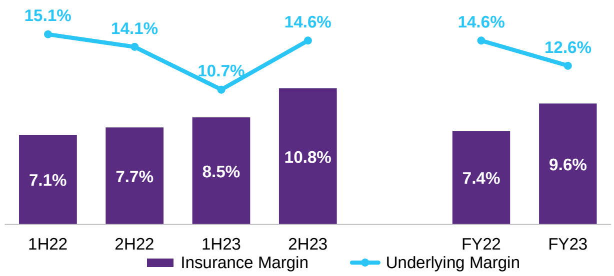
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



FY23 DIVISIONAL FINANCIAL PERFORMANCE

	Direct Insurance Australia		Intermediated Insurance Australia		New Zealand		Corporate & Other		Total	
	FY22 A$m	FY23 A$m	FY22 A$m	FY23 A$m	FY22 A$m	FY23 A$m	FY22 A$m	FY23 A$m	FY22 A$m	FY23 A$m
Gross written premium	**6,036**	**6,640**	**4,289**	**4,805**	**2,991**	**3,284**	**1**	**-**	**13,317**	**14,729**
Gross earned premium	5,865	6,287	4,227	4,491	2,878	3,060	2	-	12,972	13,838
Reinsurance expense	(2,262)	(2,489)	(1,640)	(1,786)	(1,159)	(1,236)	(2)	(1)	(5,063)	(5,512)
Net earned premium	**3,603**	**3,798**	**2,587**	**2,705**	**1,719**	**1,824**	**-**	**(1)**	**7,909**	**8,326**
Net claims expense	(2,405)	(2,743)	(1,721)	(1,750)	(1,088)	(1,373)	(1)	-	(5,215)	(5,866)
Commission expense	(110)	(126)	(397)	(428)	(189)	(206)	2	-	(694)	(760)
Underwriting expense	(535)	(539)	(422)	(404)	(218)	(225)	(1)	-	(1,176)	(1,168)
Underwriting profit/(loss)	**553**	**390**	**47**	**123**	**224**	**20**	**-**	**(1)**	**824**	**532**
Investment income on technical reserves	(84)	161	(150)	86	(4)	24	-	-	(238)	271
Insurance profit/(loss)	**469**	**551**	**(103)**	**209**	**220**	**44**	**-**	**(1)**	**586**	**803**
Profit/(loss) from fee based business	(13)	(10)	1	(9)	-	-	(22)	(18)	(34)	(37)
Share of profit/(loss) from associates	(7)	(13)	-	-	-	-	24	-	17	(13)
Total divisional results	**449**	**528**	**(102)**	**200**	**220**	**44**	**2**	**(19)**	**569**	**753**
Insurance Ratios										
Loss ratio	66.7%	72.2%	66.5%	64.7%	63.3%	75.3%			65.9%	70.5%
Expense ratio	17.9%	17.5%	31.6%	30.7%	23.7%	23.6%			23.7%	23.1%
Commission ratio	3.1%	3.3%	15.3%	15.8%	11.0%	11.3%			8.8%	9.1%
Administration ratio	14.8%	14.2%	16.3%	14.9%	12.7%	12.3%			14.9%	14.0%
Combined ratio	84.6%	89.7%	98.1%	95.4%	87.0%	98.9%			89.6%	93.6%
Insurance margin	13.0%	14.5%	(4.0%)	7.7%	12.8%	2.4%			7.4%	9.6%
Underlying insurance margin	20.5%	15.7%	5.0%	7.7%	16.8%	13.5%			14.6%	12.6%

3. GROUP RESULTS

PREMIUMS

Reported FY23 GWP of $14,729 million increased by 10.6%. On an underlying basis, adjusting for currency impacts, portfolio exits and multi-year policies, GWP growth was 11.1%.

Reported GWP growth of 10.6% in FY23

- Growth of 10.0% to $6,640 million was achieved in DIA and comprised:
  - Increased GWP momentum in 2H23 with growth of 10.9%, building on 9.0% growth in 1H23. Growth was primarily rate driven with ~1% volume growth in personal short-tail classes.
  - Personal short-tail growth was 11.3% for FY23, with momentum increasing to 12.4% in 2H23.
- Growth of 12.0% to $4,805 million was achieved in IIA and comprised:
  - Rate increases across IIA's portfolios averaged 13% during FY23 with an ongoing focus on underwriting discipline; and
  - Underlying growth was 13.8% with portfolio exits having a negative 3.6% impact and multi-year workers' compensation policies, contributing a positive 1.8% impact on reported GWP in FY23.
- Growth of 9.8% in New Zealand to $3,284 million, up ~12% in local currency terms:
  - Both Business and Direct divisions delivered strong growth, 15.5% and 11.2% 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	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Underlying insurance profit	**600**	**557**	**439**	**613**	**1,157**	**1,052**
Reserve releases/(strengthening)	(37)	(135)	(48)	11	(172)	(37)
Natural perils	(681)	(438)	(524)	(682)	(1,119)	(1,206)
Natural peril allowance	382	383	454	455	765	909
Credit spreads	18	(63)	29	56	(45)	85
Reported insurance profit[1]	**282**	**304**	**350**	**453**	**586**	**803**
Underlying insurance margin	**15.1%**	**14.1%**	**10.7%**	**14.6%**	**14.6%**	**12.6%**
Reserve releases/(strengthening)	(0.9%)	(3.4%)	(1.2%)	0.3%	(2.2%)	(0.4%)
Natural perils	(17.2%)	(11.1%)	(12.7%)	(16.2%)	(14.1%)	(14.5%)
Natural peril allowance	9.6%	9.7%	11.0%	10.8%	9.7%	10.9%
Credit spreads	0.5%	(1.6%)	0.7%	1.3%	(0.6%)	1.0%
Reported insurance margin[2]	**7.1%**	**7.7%**	**8.5%**	**10.8%**	**7.4%**	**9.6%**

(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 $1,363 million (FY22: $774 million).(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 16.4% (FY22: 9.8%).

IAG's FY23 underlying insurance margin was 12.6%, lower than the 14.6% in FY22 due to the impact of short-tail claims inflation.

Adjusted underlying margin of 13.4%

Taking into account the additional $67 million in reinsurance reinstatement costs in FY23, the adjusted underlying insurance margin is 13.4%. The FY22

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underlying margin of 14.6% included a COVID-19 impact of lower claims frequency and would have been 13.9% without this benefit.

The reduction in the underlying margin reflects a combination of influences. On the positive side:

- A ~210bps improvement from the increase in the underlying investment yield on technical reserves to 4.3% (FY22: 1.8%); and
- An underlying improvement in the expense ratio of 30bps which takes into account additional Covid-related costs in FY22.

These positive factors were more than offset by:

- A ~120bps impact from the increase in the natural perils allowance from $765 million to $909 million
- A ~250bps increase in the claims ratio primarily due to the inflationary impacts driving a significant increase in the average claims size of motor and home claims.

The reported insurance profit of $803 million in FY23 (FY22: $586 million) equates to a reported margin of 9.6% (FY22: 7.4%). In addition to the underlying margin influences outlined above, this included:

- Unfavourable net natural perils costs of $297 million (FY22: $354 million);
- A $37 million impact from strengthening of prior year reserves (FY22: $172 million); and
- A positive impact from narrowing of credit spreads of $85 million (FY22: negative $45 million).

DIVISIONAL INSURANCE MARGINS

	1H22		2H22		1H23		2H23		FY22		FY23	
DIVISIONAL INSURANCE MARGINS	$	%	$	%	$	%	$	%	$	%	$	%
Direct Insurance Australia												
Underlying insurance profit/margin	391	21.8%	348	19.2%	247	13.2%	351	18.2%	739	20.5%	598	15.7%
Reported insurance profit/margin	189	10.5%	280	15.5%	167	8.9%	384	20.0%	469	13.0%	551	14.5%
Intermediated Insurance Australia												
Underlying insurance profit/margin	65	5.0%	65	5.1%	76	5.7%	133	9.8%	130	5.0%	209	7.7%
Reported insurance profit/margin	(4)	(0.3%)	(99)	(7.7%)	49	3.6%	160	11.8%	(103)	(4.0%)	209	7.7%
New Zealand												
Underlying insurance profit/margin	146	16.8%	143	16.8%	118	13.2%	128	13.8%	289	16.8%	246	13.5%
Reported insurance profit/margin	99	11.4%	121	14.3%	136	15.2%	(92)	(9.9%)	220	12.8%	44	2.4%

Insurance margin is on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for the current year is 14.5% (FY22: 12.5%) for DIA, 28.4% (FY22: 4.1%) for IIA and 2.4% (FY22 12.8%) 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 15.7% reflects the impact of higher claims inflation, with a delay in the earned-through effect of higher premium rates. The comparative 20.5% in FY22 included COVID-19 benefits due to lower motor claims frequency. Excluding COVID-19 benefits, the underlying margin in FY22 was around 19%.

DIA underlying margin impacted by claims inflation

The DIA reported margin of 14.5% was impacted by natural perils $74 million above the allowance and short-tail reserve strengthening of $19 million which was partially offset by gains of $46 million from a narrowing in credit spreads.

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

IIA's underlying margin of 7.7% continued to improve despite the inflationary impact on short-tail personal claims. The 7.7% underlying margin in FY23

3. GROUP RESULTS

(5.0% in FY22) is the same as the reported margin and demonstrates the progress towards the insurance profit target of at least $250 million in FY24.

New Zealand's FY23 underlying margin of 13.5% (FY22: 16.8%) was impacted by similar inflationary impacts on short-tail personal claims as the Australian divisions.

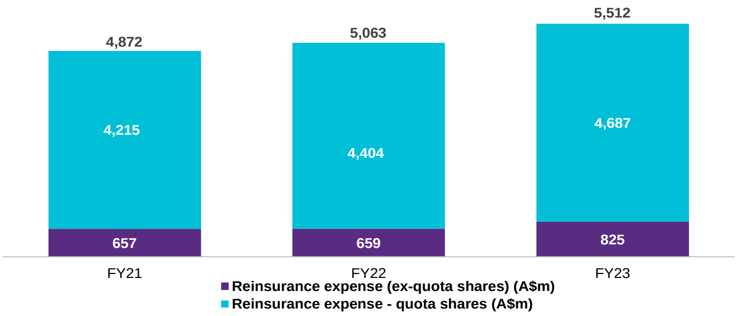
The New Zealand reported insurance margin of 2.4% (FY22: 12.8%) was significantly reduced by the two major weather events in early 2023.

REINSURANCE EXPENSE

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

The FY23 reinsurance expense of $5,512 million compares to $5,063 million in FY22, an increase of approximately 8.9%.

REINSURANCE EXPENSE



Quota share-related reinsurance expense increased 6.4%, as a result of the significant increase in gross earned premium. Non-quota share reinsurance expenses also increased to $825 million (FY22: $659 million) due to a hardening global reinsurance market and $67 million in reinsurance reinstatement costs.

CLAIMS

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 56.7% in FY23, a significant increase on the 53.3% in FY22 reflecting inflationary impacts. This ratio excludes all prior year reserve releases or strengthening, natural perils costs and discount rate adjustments.

IMMUNISED LOSS RATIO Continuing Business	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Immunised underlying net claims expense	**2,062**	**2,151**	**2,392**	**2,329**	**4,213**	**4,721**
Discount rate adjustment	(55)	(234)	(53)	(45)	(289)	(98)
Reserving and perils effects	718	573	572	671	1,291	1,243
Reported net claims expense[1]	**2,725**	**2,490**	**2,911**	**2,955**	**5,215**	**5,866**
Immunised underlying loss ratio	**52.0%**	**54.5%**	**58.2%**	**55.3%**	**53.3%**	**56.7%**
Discount rate adjustment	(1.3%)	(5.9%)	(1.3%)	(1.1%)	(3.7%)	(1.1%)
Reserving and perils effects	18.1%	14.5%	13.9%	15.9%	16.3%	14.9%
Reported loss ratio[2]	**68.8%**	**63.1%**	**70.8%**	**70.1%**	**65.9%**	**70.5%**

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 $5,306 million (FY22: $5,015 million) due to the pre-tax $560 million release from the Business Interruption provision (FY22: $200 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 63.7% (FY22: 63.4%).

3. GROUP RESULTS

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Underlying claims trends

At a Group level, the immunised underlying loss ratio of 56.7% increased on the prior year (FY22: 53.3%), partially due to a ~100bps benefit in the prior corresponding period from the COVID-19 impact resulting in lower claims frequency.

On the positive side, the ratio benefitted from the earn-through of higher premium rates. This was more than offset by:

- Double digit increases in average motor claims costs driven by parts inflation and disruption in the supply chain network; and
- Higher average home claims costs driven by increases in the price of labour and materials.

Underlying claim trends impacted by elevated inflation

Reserve Releases / Strengthening

Prior period reserve strengthening of $37 million occurred in FY23 (FY22: $172 million).

Adverse claim development in short-tail classes occurred due to inflation-driven increases in claims settlements in the first half of the financial year. In long-tail classes, an assessment of inflation rates resulted in some reserve strengthening.

These totalled $19 million in DIA, $48 million in IIA and were partially offset by $30 million in releases in New Zealand.

Strengthening across personal short-tail lines

Natural Perils

Net natural perils claim costs in FY23 were $1,206 million, well above the original allowance of $909 million (FY22: $1,119 million, $354 million above allowance). The net costs of the Auckland flooding event in January 2023 and Cyclone Gabrielle in February 2023, New Zealand's second and third largest peril events on record, were $284 million. This amount was reduced by recoveries under IAG's reinsurance program.

Net natural perils claim costs $297 million above allowance

FY23 NATURAL PERILS COSTS BY EVENT	A$m
East Coast Low NSW and Heavy Rain NZ (July 2022)	57
Vic/Tas Heavy Rain and Flooding (October 2022)	84
SA/Vic Thunderstorms and Central West NSW Floods (November 2022)	61
Auckland Rain and Floods NZ (January 2023)	216
Dubbo Thunderstorms (February 2023)	44
Cyclone Gabrielle NZ (February 2023)	68
Central Coast and Hunter (NSW) Hail (May 2023)	44
Other events (<AUD$25m)	632
Total	**1,206**

EXPENSES

Gross operating costs (excluding commissions, pre-quota share) were $2,494 million in FY23, consistent with the Group's target of holding costs at around the $2.5 billion level (FY22: $2,531 million).

3. GROUP RESULTS

GROSS OPERATING COSTS	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m	FY23 vs FY22 Mvt
Gross underwriting expense ex levies[1]	890	862	879	879	1,752	1,758	0.3%
Claims handling and fee based expense	413	366	366	370	779	736	(5.5%)
Total gross operating costs	**1,303**	**1,228**	**1,245**	**1,249**	**2,531**	**2,494**	**(1.5%)**

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 1.5% reduction in gross operating costs was a function of IAG's ongoing focus on financial discipline. Included in costs for FY23 is amortisation of IAG's Enterprise Platform technology investment, an ongoing program to transform IAG's capacity to meet the needs of customers and drive operational excellence. This includes investments in automation and artificial intelligence to unlock efficiencies central to reducing expenses.

IAG continues to manage expenses to maintain the Group's operating capacity with a focus on automation, efficiency and effectiveness, and thereby constrain growth in the total gross expense base.

Within gross operating costs, administration ratio reduced 90bps to 14%. The administration ratio on an ex-levies basis reduced to 11.9% (FY22: 12.7%) with the commission ratio increasing slightly to 9.1%.

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

EXPENSES	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m	FY23 vs FY22 Mvt
Gross underwriting expense ex levies	890	862	879	879	1,752	1,758	0.3%
Levies	135	121	110	140	256	250	(2.3%)
Total gross underwriting expenses	**1,025**	**983**	**989**	**1,019**	**2,008**	**2,008**	-
Gross commission expense	522	498	550	591	1,020	1,141	11.9%
Total gross expenses	**1,547**	**1,481**	**1,539**	**1,610**	**3,028**	**3,149**	4.0%
Reinsurance commission revenue	(598)	(560)	(598)	(623)	(1,158)	(1,221)	5.4%
Total net expenses - represented by:	**949**	**921**	**941**	**987**	**1,870**	**1,928**	3.1%
Net underwriting expense	*602*	*574*	*575*	*593*	*1,176*	*1,168*	(0.7%)
Net commission expense	*347*	*347*	*366*	*394*	*694*	*760*	9.5%
Total net expenses	**949**	**921**	**941**	**987**	**1,870**	**1,928**	3.1%

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 $1,928 million (FY22: $1,882 million).

INVESTMENT INCOME ON TECHNICAL RESERVES

Higher average yield on technical reserves

Investment income on technical reserves contributed $271 million in FY23 (FY22: $238 million loss) despite the portfolio reducing to $7.4 billion at 30 June 2023 (30 June 2022: $7.7 billion). The portfolio reduction is driven by the combined impact of the lower business interruption provision and increased discount rates.

Key components of the investment return were:

- An underlying yield of $325 million representing an annualised return of ~4.3%;

- $85 million in gains from a net narrowing in credit spreads; and
- A negative impact of $139 million from an ongoing increase in risk free rates during FY23 leading to mark-to-market losses.

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

ADDITIONAL MATTERS

Provision for potential business interruption claims

The total pre-tax net provision for business interruption claims associated with COVID-19 was $400 million at 30 June 2023 ($975 million at 30 June 2022). During the first half of the financial year, following the High Court of Australia's decision on 14 October 2022 to deny special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case handed down in February 2022, the net provision was reduced by $360 million.

A further review of the provision, following additional communication with potentially impacted customers in the second half of FY23, resulted in a further $200 million reduction of the provision. The provision also reduced due to claims payments of $6 million and an adjustment to discount rates on the provision of $9 million.

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

Insurance Australia Limited continues to process existing and new business interruption claims and defend a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies. The ultimate impact from these claims, including legal costs expected to be incurred in the defence of the claims, are expected to be covered by the provision for business interruption claims.

Trade Credit and Greensill

Insurance Australia Limited (IAL) is one of a number of parties defending a significant number of proceedings in New South Wales courts relating to claims under policies purportedly issued by a trade credit insurance underwriting agency, BCC Trade Credit Pty Ltd, in which IAL previously held an interest. There is complexity around the matters that will need to be determined by the court and IAL expects it will take a number of years before those matters are resolved. Further details regarding the claims which are now subject of litigation, any potential exposure to IAL and other relevant matters are contained in Note 2.2 of the Financial Statements in IAG's FY23 Annual Report.

OTHER PROFIT AND LOSS DRIVERS

Net corporate expense

Net corporate expense in FY23 includes the $560 million pre-tax benefit from reduction in the provision for business interruption related claims (FY22: $200 million), a $20 million charge for lease impairment and $3 million related to other items.

3. GROUP RESULTS

Fee-based business

Fee-based business contributed a loss of $37 million in FY23 (FY22: $34 million loss) reflecting investment in new businesses aligned with IAG's strategy, focusing on advanced technologies, data asset capabilities, innovation and mobility initiatives, including:

- Customer Loyalty Platform costs of ~$8 million to leverage data and analytics to unify brands, products and services, and deliver better customer experiences with rewards for risk mitigating behaviours and loyalty
- InsureTech innovation activities of $6.5 million;
- Net costs from the Ambiata specialist data activation business and from the innovation hubs run by Firemark Labs of ~$6 million;
- Net costs from the ongoing development of the Carbar digital car-trading platform business of ~$5 million;
- Innovation funds in DIA and IIA of ~$5 million;
- Net costs on the development of the Cylo cyber insurance product of ~$3 million; and
- A loss of ~$2 million from Motorserve's car servicing activities (FY22: ~$6 million loss).

IAG has reviewed the operation of its innovation functions and has restructured activities to reduce the loss on fee-based businesses in future years.

Fee-based loss of $37m reflecting IAG's investment in innovation and advanced technologies

Investment income on shareholders' funds

Investment income on shareholders' funds was a profit of $212 million (FY22: $105 million loss) reflecting:

- A return of $109 million from fixed interest and cash;
- A return of $54 million from equities: and
- A return of $49 million from alternatives and other adjustments

At 30 June 2023, the weighting to defensive assets (fixed interest and cash) in the shareholders' funds was ~72%, compared to ~68% at 30 June 2022.

Profit on shareholders' funds includes positive equity market performances

Tax expense

IAG reported a tax expense of $429 million in FY23, a significant increase on the $140 million in FY22 due to the increase in pre-tax earnings. IAG's effective tax rate (pre-amortisation and impairment) was ~31.6%. The difference between the effective tax rate and the Australian corporate rate of 30% is due to the non-deductible items, primarily the $40 million ASIC civil penalty for contraventions of the Australian Securities and Investments Commission Act 2001 (Cth) and capital note payments. The effective tax rate is also higher than previous years due to the lower contribution from New Zealand which has a 28% tax rate.

Effective FY23 tax rate of ~31.6%

Non-controlling interests

Non-controlling interests reduced IAG's profits after tax by $93 million (FY22: $77 million).

Non-controlling interests are principally represented by RACV's 30% interest in Insurance Manufacturers of Australia Pty Limited (IMA), whose short tail business lines in NSW, Victoria and the ACT form a significant part of DIA.

Non-controlling interests reflect higher IMA earnings

Amortisation and impairment

A modest amortisation and impairment expense of $3 million was recorded in FY23 compared to $7 million in FY22.

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

Net profit after tax of $832 million (FY22: $347 million) represents a diluted EPS of 32.20 cents (FY22: 13.33 cents).

Diluted cash EPS in FY23 was 18.40 cents (FY22: 8.49 cents). Diluted EPS was based on 2,845.2 million shares after allowance for potential equity issuance from hybrid and debt conversion.

On 17 October 2022, IAG announced that it would undertake an on-market share buy-back of up to $350 million of its ordinary shares. At 30 June 2023, approximately $123 million in consideration had been paid for 24,554,658 shares. The share buy-back commenced in November 2022 and currently has a proposed end date of 16 October 2023. IAG intends to extend the proposed end date of the share buy-back by up to 12 months.

ORDINARY ISSUED CAPITAL	Shares (m)
Balance at the beginning of the financial year	2,465.1
On Market Buyback	(24.6)
Balance at the end of the financial year	**2,440.5**
Average weighted shares on issue	2,455.1
Less: Treasury shares held in trust	(1.8)
Average weighted shares on issue - basic EPS	**2,453.3**
Add: Treasury shares held in trust	1.8
Add: Potential dilutionary issues from hybrid debt instruments	390.1
Average weighted potential shares on issue - diluted EPS	**2,845.2**

Cash earnings of $452 million are up 112% (FY22: $213 million). Cash earnings reflect the Net Profit After Tax adjusted for acquired intangible assets and unusual items. Unusual items in FY23 included the pre-tax release from the business interruption provision, an impairment to lease assets following a review of IAG's property requirements and other smaller adjustments including profit adjustments on the completion of the sale of Strata Unit Underwriters (SUU) and AmGeneral Insurance Berhad and customer refund provision adjustment.

CASH EARNINGS	FY23 A$m
Net profit/(loss) after tax	**832**
Acquired intangible amortisation and impairment	3
Unusual items:	
- BI provision release	(560)
- Lease impairment charge	20
- Other	3
- Tax effect on net corporate expenses	154
Cash earnings	**452**

Notes: (1) Cash earnings used for targeted ROE and defined as net profit/(loss) attributable to IAG shareholders plus amortisation and impairment of acquired identifiable intangibles, excluding any unusual items. (2) Cash earnings represent non-IFRS financial information.

3. GROUP RESULTS

DIVIDEND

The Board has determined to pay a final dividend of 9.0 cents per share, with 30% franking. The final dividend is payable on 28 September 2023 to shareholders registered as at 5pm Australian Eastern Standard Time (AEST) on 30 August 2023.

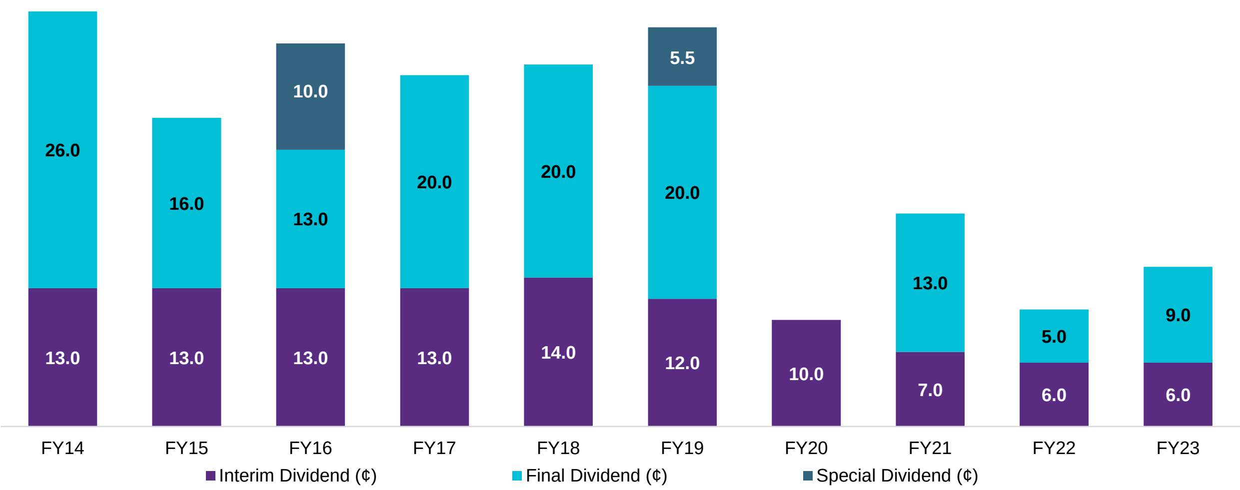
Final dividend of 9 cents per share, 30% franked

This brings the full year dividend to 15.0 cents per share, which equates to a payout ratio of approximately 83% of reported NPAT excluding the after-tax impact from releases from the business interruption provision.

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

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

DIVIDEND HISTORY – FY14-FY23



At 30 June 2023, IAG had approximately $320 million franking balance on a consolidated basis. The holding company, Insurance Australia Group Limited currently has approximately $22.5 million franking credits available for distribution.

The lower franking balance reflects tax losses in the holding company and minimal tax payable by the IAG tax consolidated group in Australia in FY20 and FY21.

The franking rate of 30% will apply to the final dividend and relevant distributions on the Capital Notes 2 during the first half of the 2024 financial year.

The dividend reinvestment plan (DRP) will operate for the final dividend for DRP-registered shareholders as at 5pm AEST on 31 August 2023. 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.

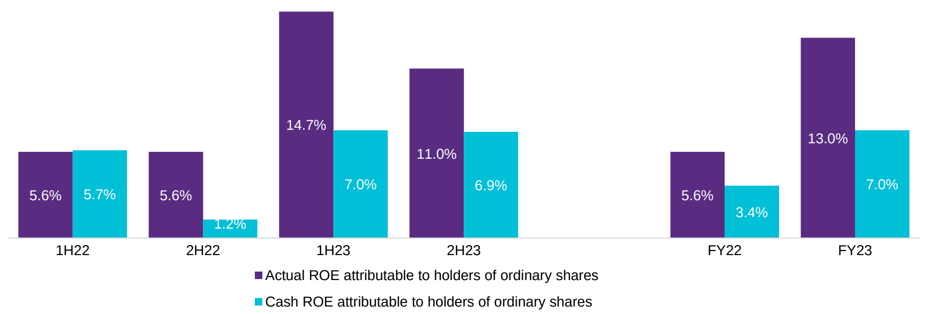
3. GROUP RESULTS

RETURN ON EQUITY

IAG has an aspirational goal to achieve a reported ROE of 13% to 14% on a through the cycle basis, excluding the benefit of business interruption provision releases. In FY23, IAG delivered a cash ROE of 7.0% (FY22: 3.4%). The reported ROE for FY23, which includes the benefit of the business interruption provision release was 13.0% (FY22: 5.6%)

Cash ROE of 7.0%

RETURN ON EQUITY (ANNUALISED)



Note: Cash ROE represents non-IFRS financial information.

BALANCE SHEET

Total equity increased to $7,049 million at 30 June 2023 from $6,500 million at 30 June 2022. Business growth resulted in a ~$1 billion increase in total assets to ~$35 billion. Total liabilities increased ~$400 million with an increase in unearned premiums offsetting a reduction in outstanding claims.

Net outstanding claims liability at 30 June 2023 stood at $5,700 million, compared to $6,078 million at 30 June 2022. The reduction reflects the releases from the business interruption provision.

Following the releases from the business interruption provision and a lower volume of open claims, the risk margin applied to the net central estimate of the outstanding claims liability reduced to approximately 17% at 30 June 2023 (FY22: 20%). This is consistent with historical pre-Covid levels.

CAPITAL

IAG has a very strong capital position at 30 June 2023 with a CET1 ratio of 1.12, above the top of the target range of 0.9 to 1.1. On a pro-forma basis, adjusting for the payment of the final dividend and assuming completion of the on-market buyback, the CET1 ratio would be 0.95.

CET1 ratio of 1.12, above the target range

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

IAG's probability of adequacy for the outstanding claims liability remained 90% at 30 June 2023.

3. GROUP RESULTS

FY24 GUIDANCE AND OUTLOOK

IAG's confidence in its strong underlying business is reflected in guidance for FY24 which includes:

- GWP growth of 'low double digits'. 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 13.5% to 15.5% which assumes:
  - Continued momentum in the underlying performance of IAG's businesses, supported by increased investment yields;
  - An increase in the natural peril allowance to $1,147 million, which represents an increase of $238 million or 26% on the FY23 allowance;
  - 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 is expected to deliver an Insurance Profit of between approximately $1.2 billion and $1.45 billion.

This guidance aligns to IAG's revised aspirational goals to deliver a 15% insurance margin and a reported ROE of 13% to 14% on a 'through the cycle' basis. As previously outlined, IAG also has ambitions of:

- One million additional direct customers;
- An IIA insurance profit of at least $250 million in FY24;
- $400 million in value from DIA claims and supply chain cost reductions on a run-rate basis from FY26; and
- Further simplification and efficiencies to reduce the Group's administration ratio.

These goals and ambitions are subject to assumptions and dependencies, including that there are no material adverse developments in macro-economic conditions and disruptions or events beyond IAG's control (for example, natural perils events in excess of IAG's allowances). As they span a number of years, these assumptions and dependencies have a greater level of uncertainty than the FY24 guidance. Refer to the Important Information disclaimer of this report for further detail.

4. DIRECT INSURANCE AUSTRALIA

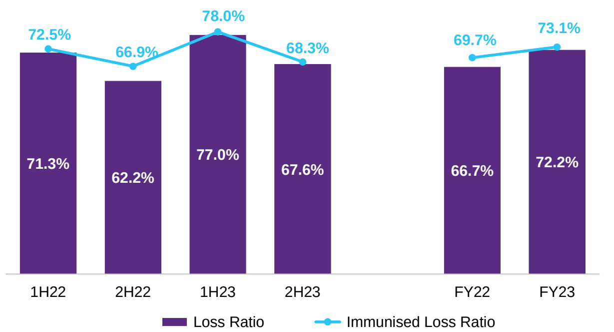
FINANCIAL PERFORMANCE

DIRECT INSURANCE AUSTRALIA	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Gross written premium	**2,952**	**3,084**	**3,219**	**3,421**	**6,036**	**6,640**
Gross earned premium	2,919	2,946	3,097	3,190	5,865	6,287
Reinsurance expense	(1,122)	(1,140)	(1,223)	(1,266)	(2,262)	(2,489)
Net earned premium	**1,797**	**1,806**	**1,874**	**1,924**	**3,603**	**3,798**
Net claims expense	(1,282)	(1,123)	(1,443)	(1,300)	(2,405)	(2,743)
Commission expense	(55)	(55)	(61)	(65)	(110)	(126)
Underwriting expense	(271)	(264)	(255)	(284)	(535)	(539)
Underwriting profit/(loss)	**189**	**364**	**115**	**275**	**553**	**390**
Investment income on technical reserves	-	(84)	52	109	(84)	161
Insurance profit/(loss)	**189**	**280**	**167**	**384**	**469**	**551**
Profit/(loss) from fee-based business	(6)	(7)	(4)	(6)	(13)	(10)
Share of profit/(loss) from associates	(4)	(3)	(8)	(5)	(7)	(13)
Total divisional result	**179**	**270**	**155**	**373**	**449**	**528**

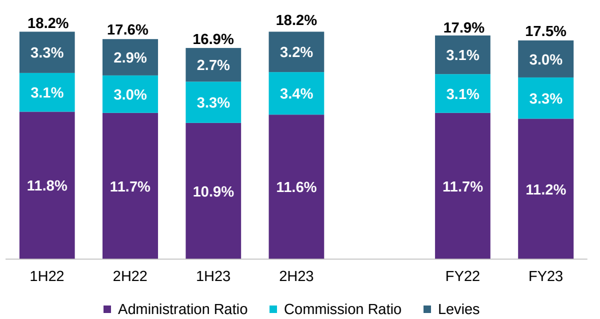
Insurance Ratios	1H22	2H22	1H23	2H23	FY22	FY23
Loss ratio	71.3%	62.2%	77.0%	67.6%	66.7%	72.2%
Immunised loss ratio	72.5%	66.9%	78.0%	68.3%	69.7%	73.1%
Expense ratio	18.2%	17.6%	16.9%	18.2%	17.9%	17.5%
Commission ratio	3.1%	3.0%	3.3%	3.4%	3.1%	3.3%
Administration ratio	15.1%	14.6%	13.6%	14.8%	14.8%	14.2%
Combined ratio	89.5%	79.8%	93.9%	85.8%	84.6%	89.7%
Immunised combined ratio	90.7%	84.5%	94.9%	86.5%	87.6%	90.6%
Reported insurance margin	10.5%	15.5%	8.9%	20.0%	13.0%	14.5%
Underlying insurance margin	21.8%	19.2%	13.2%	18.2%	20.5%	15.7%

INSURANCE RATIOS

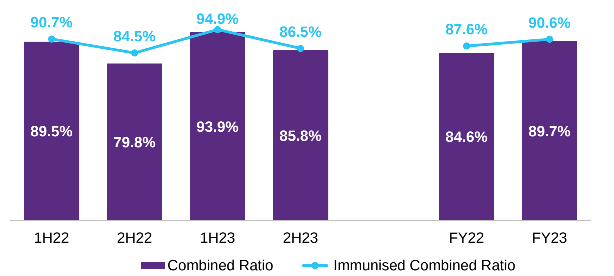
LOSS RATIO



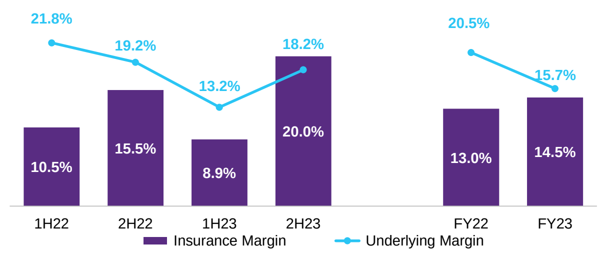
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



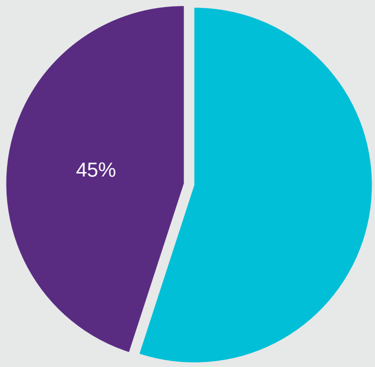
4. DIRECT INSURANCE AUSTRALIA

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 expanding the breadth and depth of our customer base
- DIA holds a leading market share in direct personal insurance in Australia, with products sold under well-known brands in Australia including NRMA Insurance and RACV together with our new digital brand 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 business

DIA - % Group GWP



FY23 Performance

- Served over 5 million customers holding ~8.5 million policies
- Net customer growth of ~132k during FY23
- GWP grew 10.0% driven by personal short tail growth of 11.3% including volume growth of 1.2%
- Underlying margin of 15.7% (FY22: ~19% excluding COVID-19 benefits), impacted by adverse claims experience and higher reinsurance costs which more than offset higher investment returns
- Reported margin of 14.5% (FY22: 13.0%) included lower peril costs, modest reserve strengthening and a positive credit spread effect
- 2H23 underlying margin improvement supported by earn-through of rate increases and moderating claims inflation

PREMIUMS

DIA reported GWP of $6,640 million in FY23, an increase of 10.0%. Growth was driven by rate increases to address claims inflation, an increased natural perils allowance and higher reinsurance costs. Volume growth was 1.2%, primarily driven by the NSW CTP and Home portfolios. Strong and steady retention levels continued in DIA.

DIRECT INSURANCE AUSTRALIA GWP	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m	GWP Growth 1H23 vs 1H22	GWP Growth 2H23 vs 2H22	GWP Growth FY23 vs FY22
Motor	1,440	1,534	1,555	1,722	2,974	3,277	8.0%	12.3%	10.2%
Home	995	1,008	1,127	1,133	2,003	2,260	13.3%	12.4%	12.8%
Niche & Other	64	63	73	72	127	145	14.1%	14.3%	14.2%
Personal Short Tail	**2,499**	**2,605**	**2,755**	**2,927**	**5,104**	**5,682**	**10.2%**	**12.4%**	**11.3%**
CTP	353	372	354	382	725	736	0.3%	2.7%	1.5%
Total Personal	**2,852**	**2,977**	**3,109**	**3,309**	**5,829**	**6,418**	**9.0%**	**11.2%**	**10.1%**
Commercial	100	107	110	112	207	222	10.0%	4.7%	7.2%
Total GWP	**2,952**	**3,084**	**3,219**	**3,421**	**6,036**	**6,640**	**9.0%**	**10.9%**	**10.0%**

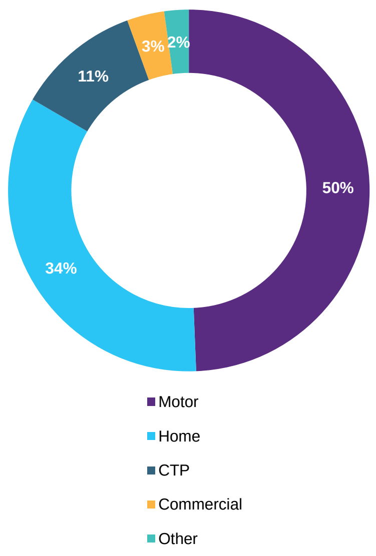
4. DIRECT INSURANCE AUSTRALIA

Personal short tail

Personal short tail GWP growth was 11.3%, with a blend of rate and volume growth supported by high retention rates on the existing customer base. Progress against IAG's strategic objective to 'Grow with our Customers' in FY23 remained positive despite the focus being on mitigating margin reduction caused by the increase in claims and reinsurance costs.

- Motor GWP increased by 10.2%. This was driven by rate increases to address claims inflation, supplemented by strong retention across all states. Volume growth was close to 1%. Key drivers:
  - Double digit average rate increases in 2H23, reflecting inflation pressures;
  - Continued volume growth through the RACV brand in Victoria; and
  - Strong and stable retention rates with most states above 90%.
- Home GWP rose by 12.8%, primarily derived from rate increases. Volume growth of around 1% was supported by growth in RACV and the NRMA Insurance brand rollout in WA. Key drivers:
  - Double digit average rate increases, reflecting increased inflation, natural perils allowance and reinsurance costs;
  - Continued strong and stable retention rates with most states sitting above 94%; and
  - Higher ESL collection (~$24m).

DIA FY23 GWP – BY CLASS

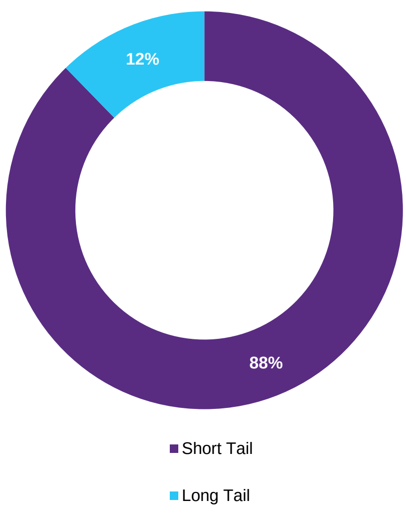


Personal long tail

Long tail (CTP) GWP increased by 1.5% compared to FY22, this reflected:

- An overall 3.5% increase in NSW GWP, driven by higher new business volumes and higher retention rates (FY23: ~84%, FY22: ~83%), partially offset by lower average premiums. NRMA Insurance maintained the leading market share in NSW CTP at ~31%;
- Australian Capital Territory GWP decreased by 1.2%. This was driven by lower average premium offset by volume growth. Volume growth was driven by a favourable price position and strong brand presence in the ACT. IAG's share of CTP registrations remained stable at ~57%; and
- South Australia GWP decreased ~11%. Market share initially dropped due to the entrance of a new competitor and a change in Claimant Service Rating (CSR) before recovering in 2H23 following an improvement in the CSR. Market share has now recovered to ~25% in June 2023 from ~23% in December 2022 but down from ~30% in June 2022.

DIA FY23 GWP - TAIL



4. DIRECT INSURANCE AUSTRALIA

Direct commercial

Continued investment was made to enable the Direct SME growth strategy with a focus on driving brand awareness, digital optimisation and innovation. This was supported by an enhanced delivery model which has accelerated speed to market. Substantial improvement in customer experience across target industries has resulted in new business volume growth through digital channels of 12%, strong retention rates and overall GWP growth of ~7%. GWP growth in 2H23 was impacted by timing of renewals, looking through this, growth was consistent through both halves.

DIA Strategic Initiatives

Aligned to IAG's ambition to increase its customer base by 1 million, DIA's strategy is to deliver 750,000 additional customers, and generate $400 million of value through claims and supply chain benefits by FY26.

Grow with our Customers

DIA has grown its customer base by 132,000 in FY23 and 81,500 in FY22 with a strong and increased retention of existing customers. Some of the key drivers of growth have been:

- Leveraging the NRMA Insurance brand to extend and build relationships with customers across Australia, including transition of IAG customers in Western Australia, South Australia and Northern Territory from the SGIO and SGIC brands;
- Launch of the NRMA Insurance partnership with Cricket Australia;
- Strengthening customer retention by encouraging engagement through Help Hub, NRMA Insurance's rewards program. This program was expanded in FY23, affording customers the opportunity to earn Help Points for activities and redeem these for available benefits within Help Hub; and
- Marketing and targeted offers to attract culturally and linguistically diverse customers (CALD) including the launch of a Mandarin translated NRMA Insurance webpage and the use of social media platform WeChat.

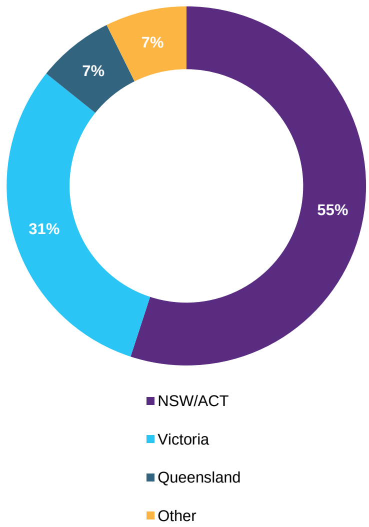
Build Better Businesses

- Digitised the SME proposition through enhancement of SME web content and digital capability to increase search engine optimisation, improve quote experiences and provide digital expert advice which provides tailored and unique digital propositions to attract SME customers in key occupations;
- Support of adjacent businesses to create sustainable value across Australia, including leveraging Carbar, a car-trading and subscription platform, whose capabilities are being used to source and replace motor vehicles for total losses.

Create Value through Digital

- Created connected experiences that seamlessly assist and reward our customers. Online sales channel growth for NRMA Insurance now accounts for ~43% of new business sales and ~40% of renewals (FY22: 37% and 39% respectively); and
- Improved claims experience – fast, easy, efficient and automated– through artificial intelligence and advanced analytics to deliver quality customer outcomes and sustainable value. The focus for FY23 was on scaling these benefits to help deliver the $400 million strategic initiative.

DIA FY23 SHORT TAIL GWP – STATE/TERRITORY



New business and renewal growth in digital channels

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4. DIRECT INSURANCE AUSTRALIA

INSURANCE PROFIT

DIA reported an insurance profit of $551 million in FY23 (FY22: $469 million) and a reported insurance margin of 14.5% (FY22: 13.0%). This included an improvement in the 2H23 margin supported by the earn-through of higher rates. The result featured lower natural perils and higher investment returns offset by higher claims inflation and reinsurance costs. The COVID-19 benefit in FY22, which largely related to lower motor frequency, did not repeat in FY23.

INSURANCE MARGIN IMPACTS Direct Insurance Australia	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Underlying insurance profit	**391**	**348**	**247**	**351**	**739**	**598**
Reserve releases/(strengthening)	(28)	4	(20)	1	(24)	(19)
Natural perils	(354)	(214)	(291)	(218)	(568)	(509)
Natural peril allowance	172	173	218	217	345	435
Credit spreads	8	(31)	13	33	(23)	46
Reported insurance profit	**189**	**280**	**167**	**384**	**469**	**551**
Underlying insurance margin	**21.8%**	**19.2%**	**13.2%**	**18.2%**	**20.5%**	**15.7%**
Reserve releases/(strengthening)	(1.6%)	0.2%	(1.1%)	0.1%	(0.7%)	(0.5%)
Natural perils	(19.7%)	(11.8%)	(15.5%)	(11.3%)	(15.8%)	(13.4%)
Natural peril allowance	9.6%	9.6%	11.6%	11.3%	9.6%	11.5%
Credit spreads	0.4%	(1.7%)	0.7%	1.7%	(0.6%)	1.2%
Reported insurance margin	**10.5%**	**15.5%**	**8.9%**	**20.0%**	**13.0%**	**14.5%**

DIA recorded an underlying margin of 15.7% in FY23 (FY22: ~19% excluding COVID-19 benefit). Impacts relative to FY22 included:

- High single digit claims inflation across Motor and Home;
- Higher large loss claims in Home; and
- An increase in the natural perils allowance (~190bps impact).

These were partially offset by:

- An increase in the running yield on investments; and
- Increased net earned premium notably in 2H23, which will continue to expand in FY24 as premium increases are earned through.

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

Underlying margin of 15.7% significantly impacted by claims inflation

Underlying Claims Experience

DIA's underlying claims ratio (excluding reserve movements, natural perils and discount rate adjustments) was 59.2% in FY23, an increase on 53.1% in the prior year.

4. DIRECT INSURANCE AUSTRALIA

IMMUNISED LOSS RATIO Direct Insurance Australia	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Immunised underlying net claims expense	**920**	**998**	**1,150**	**1,098**	**1,918**	**2,248**
Discount rate adjustment	(20)	(85)	(18)	(15)	(105)	(33)
Reserving and perils effects	382	210	311	217	592	528
Reported net claims expense	**1,282**	**1,123**	**1,443**	**1,300**	**2,405**	**2,743**
Immunised underlying loss ratio	**51.2%**	**55.3%**	**61.4%**	**57.1%**	**53.1%**	**59.2%**
Discount rate adjustment	(1.2%)	(4.7%)	(1.0%)	(0.7%)	(2.9%)	(0.9%)
Reserving and perils effects	21.3%	11.6%	16.6%	11.2%	16.5%	13.9%
Reported loss ratio	**71.3%**	**62.2%**	**77.0%**	**67.6%**	**66.7%**	**72.2%**

This reflects the net effect of a few key factors:

- Motor collision claims frequency back to pre-COVID-19 levels (~170bps or $55 million-$65 million impact);
- High single digit increase in motor inflation driven by total loss claims due to higher average used car prices, supply chain network challenges, repairer capacity and third-party costs;
- High single digit increases (excluding the impact of large fires) in home claim costs driven by increases in the price of labour and materials; and
- The timing impact of the earn-through of rate increases against the higher input costs. This improved in 2H23 as earned premium continued to increase.

Some upward pressure on claims costs being covered by premium increases

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

Reserve Releases / Strengthening

Drivers of the $19 million strengthening (1H23: $20 million strengthening, 2H23: $1 million release) include:

- Higher than expected inflation in settling prior period short tail claims, including perils; offset by
- CTP releases.

Natural Perils

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

Expenses

Total commission and underwriting expenses increased to $665 million (FY22: $645 million) driven by an increase in commission expense related to business mix changes. Underwriting expenses remain broadly in line with FY22 and the administration ratio declined to 14.2% (FY22: 14.8%).

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.

4. DIRECT INSURANCE AUSTRALIA

The FY23 overall fee-based result was a $10 million loss (FY22: $13 million loss) which was in line with expectations given the stage of development of these fee-based businesses. This included:

- Motorserve's car servicing activities recorded a modest loss. This represents a recovery post COVID-19 lockdowns; and
- Net costs associated with digital initiatives consistent with last financial year.

The $13 million loss from associates predominantly relates to the Home Trades Hub Australia operations. IAG completed the sale of its 50% ownership stake in Home Trades Hub Australia to RACV in March 2023.

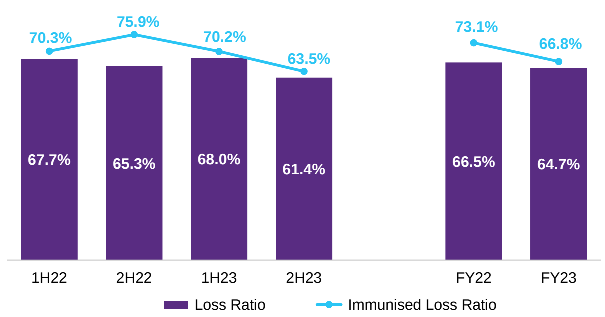
5. INTERMEDIATED INSURANCE AUSTRALIA

INTERMEDIATED INSURANCE AUSTRALIA	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Gross written premium	**2,136**	**2,153**	**2,303**	**2,502**	**4,289**	**4,805**
Gross earned premium	2,140	2,087	2,270	2,221	4,227	4,491
Reinsurance expense	(844)	(796)	(923)	(863)	(1,640)	(1,786)
Net earned premium	**1,296**	**1,291**	**1,347**	**1,358**	**2,587**	**2,705**
Net claims expense	(878)	(843)	(916)	(834)	(1,721)	(1,750)
Commission expense	(195)	(202)	(206)	(222)	(397)	(428)
Underwriting expense	(215)	(207)	(207)	(197)	(422)	(404)
Underwriting profit/(loss)	**8**	**39**	**18**	**105**	**47**	**123**
Investment income on technical reserves	(12)	(138)	31	55	(150)	86
Insurance profit/(loss)	**(4)**	**(99)**	**49**	**160**	**(103)**	**209**
Profit/(loss) from fee-based business	4	(3)	(1)	(8)	1	(9)
Total divisional result	**-**	**(102)**	**48**	**152**	**(102)**	**200**

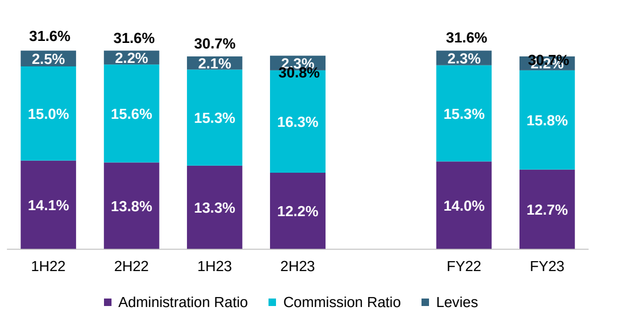
Insurance Ratios	1H22	2H22	1H23	2H23	FY22	FY23
Loss ratio	67.7%	65.3%	68.0%	61.4%	66.5%	64.7%
Immunised loss ratio	70.3%	75.9%	70.2%	63.5%	73.1%	66.8%
Expense ratio	31.6%	31.6%	30.7%	30.8%	31.6%	30.7%
Commission ratio	15.0%	15.6%	15.3%	16.3%	15.3%	15.8%
Administration ratio	16.6%	16.0%	15.4%	14.5%	16.3%	14.9%
Combined ratio	99.3%	96.9%	98.7%	92.2%	98.1%	95.4%
Immunised combined ratio	101.9%	107.5%	100.9%	94.3%	104.7%	97.5%
Reported insurance margin	(0.3%)	(7.7%)	3.6%	11.8%	(4.0%)	7.7%
Underlying insurance margin	5.0%	5.1%	5.7%	9.8%	5.0%	7.7%

INSURANCE RATIOS

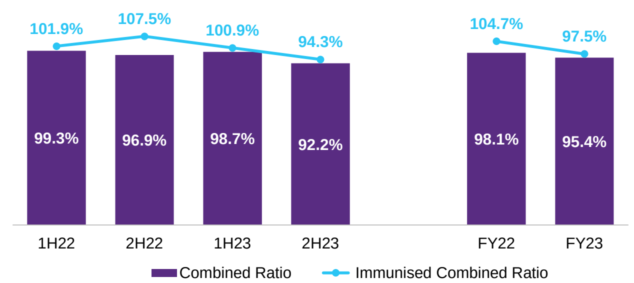
LOSS RATIO



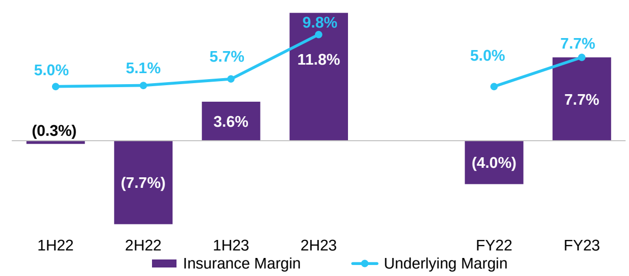
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



5. INTERMEDIATED INSURANCE AUSTRALIA

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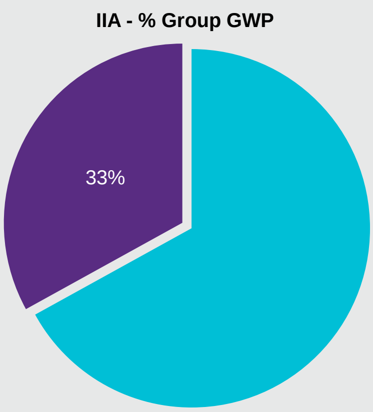
EXECUTIVE SUMMARY

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 is 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'

FY23 Performance

- Strong GWP growth of 12%, with double digit growth achieved across all major classes on an underlying basis
- Rate increases remain the dominant growth driver at ~13%
- Volume growth achieved in select portfolios with retentions holding steady, offset by some volume reductions due to targeted underwriting decisions including the exit of IAL Steadfast Personal Lines
- Underlying margin of 7.7% in FY23 (FY22: 5%) driven by enhanced core insurance capabilities, disciplined cost base management and uplift in investment returns; IIA continues to progress towards its insurance profit target of at least $250 million in FY24
- Insurance profit of $209 million is an improvement on FY22 ($103 million loss) driven by lower natural perils costs and lower prior year reserve strengthening



PREMIUMS

IIA reported GWP of $4,805 million in FY23, a 12% increase compared to FY22. Reported growth of 7.8% in 1H23 increased to 16.2% in 2H23. Normalising for workers' compensation multi year policies and exited portfolios such as IAL Steadfast, underlying growth across the halves was stable at ~14%.

Rate increases remain the dominant feature of the underlying GWP growth, and averaged ~13% across FY23, building upon the strong momentum seen in FY22 (~9%) with some pockets of volume growth supplemented by stable overall retention. In 2H23, personal lines retention was lower following strong rate increases.

Ongoing rate-driven premium growth

5. INTERMEDIATED INSURANCE AUSTRALIA

INTERMEDIATED INSURANCE AUSTRALIA GWP	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m	GWP Growth 1H23 vs 1H22	GWP Growth 2H23 vs 2H22	GWP Growth FY23 vs FY22
Commercial Short Tail	1,030	1,032	1,168	1,115	2,062	2,283	13.4%	8.0%	10.7%
Commercial Long Tail	473	551	547	665	1,024	1,212	15.6%	20.7%	18.4%
Personal	633	570	588	722	1,203	1,310	(7.1%)	26.7%	8.9%
Total GWP	**2,136**	**2,153**	**2,303**	**2,502**	**4,289**	**4,805**	**7.8%**	**16.2%**	**12.0%**

Commercial Short Tail

Commercial short tail GWP grew by 10.7% in FY23 with growth of 13.4% in 1H23 reducing to 8% in 2H23 as 1H23 was boosted by the recognition of record crop yields. Key drivers include:

- Varying rate movements across portfolios being achieved with an average increase of ~10%;
- Commercial SME packages achieved high-single digit rate increases with double-digit rate changes achieved in a number of CGU lines, including property, construction & engineering and country packages with overall retention holding steady;
- Overall increase in volumes, particularly in NTI and SUU agencies, partly offset by new business reductions in packaged products, property and construction & engineering; and
- Improved crop volumes owing to a bumper crop harvest.

Commercial Long Tail

Commercial long tail GWP grew by 18.4% in FY23, including the impact of workers' compensation multi-year policies ($86 million). Excluding this underlying growth was 10.6%. Key drivers include:

- Double-digit rate increases to counter elevated claims inflation across professional risk and liability classes with retention levels holding steady;
- Workers' compensation growth driven by wage inflation and high-single digit rate increases with steady retention and strong new business wins, partly offset by active portfolio management of under-performing accounts; and
- Strong volume growth in professional risks from scheme businesses.
- Targeted underwriting actions and decisions on specific industries have resulted in lower retention in underwritten liability portfolio.

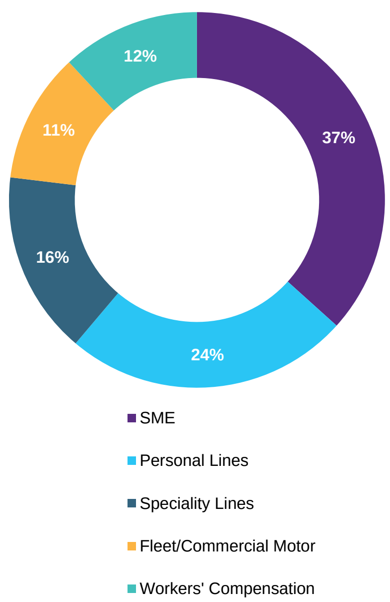
Personal

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

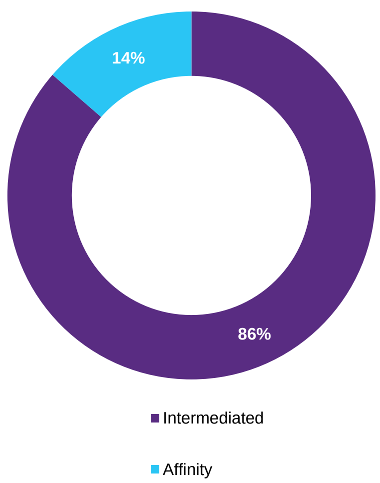
Personal lines GWP grew by 8.9% in FY23. Key drivers include:

- Partnered channels high double-digit rate increases over the period to address inflationary pressures and additional reinsurance costs, and this has impacted new business volumes and retention rates.
- Growth in the broker personal lines portfolio, with double-digit rate increases and retention in line with plan from targeted volume growth. IIA continues active portfolio management and will either remediate or exit underperforming portfolios.

IIA FY23 GWP – CLASS



IIA FY23 GWP – CHANNEL



Digital initiatives and underwriting actions

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

Grow with our Customers

- CGU has entered into a long term distribution agreement with ANZ to provide its banking customers with home, landlord and motor insurance from July 2023.

Build Better Businesses

- Delivery of targeted uplift in pricing capability focussed on liability and rural products across WFI and CGU.
- Reset of portfolio strategy including improved processes and alignment across portfolio, distribution and pricing.

Create Value through Digital

- The IIA and Group technology leadership teams spent significant time during FY23 planning the Commercial Enablement program, which will commence in FY24. This transformational initiative will support the 'value levers' that deliver improved productivity, risk outcomes and underwriting performance, setting IIA on a path to achieve its long-term strategic objectives.
- Self-service claims tracker enabling customers to track their claims online providing an end-to-end digital claims experience, including the ability to pay excess online.

Manage our Risks

- Uplift insurance risk management to deliver program of work that realigned reserving, underwriting and claims practices to deliver consistently enhanced outcomes.

INSURANCE PROFIT

IIA delivered an insurance profit of $209 million in FY23 (1H23: $49 million profit; 2H23: $160 million profit). The key drivers of the improvement in the reported profit relative to FY22 ($103 million loss) were lower natural peril costs, lower prior year reserve strengthening and a benefit from credit spreads narrowing.

Reported insurance result improvement driven by lower perils costs and prior year reserve strengthening

5. INTERMEDIATED INSURANCE AUSTRALIA

INSURANCE MARGIN IMPACTS Intermediated Insurance Australia	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Underlying insurance profit	**65**	**65**	**76**	**133**	**130**	**209**
Reserve releases/(strengthening)	(17)	(134)	(29)	(19)	(151)	(48)
Natural perils	(224)	(160)	(176)	(143)	(384)	(319)
Natural peril allowance	162	162	168	169	324	337
Credit spreads	10	(32)	10	20	(22)	30
Reported insurance profit	**(4)**	**(99)**	**49**	**160**	**(103)**	**209**
Underlying insurance margin	**5.0%**	**5.1%**	**5.7%**	**9.8%**	**5.0%**	**7.7%**
Reserve releases/(strengthening)	(1.3%)	(10.4%)	(2.2%)	(1.4%)	(5.8%)	(1.8%)
Natural perils	(17.3%)	(12.4%)	(13.1%)	(10.5%)	(14.8%)	(11.8%)
Natural peril allowance	12.5%	12.5%	12.5%	12.4%	12.5%	12.5%
Credit spreads	0.8%	(2.5%)	0.7%	1.5%	(0.9%)	1.1%
Reported insurance margin	**(0.3%)**	**(7.7%)**	**3.6%**	**11.8%**	**(4.0%)**	**7.7%**

IIA's underlying margin of 7.7% in FY23 (1H23: 5.7%, 2H23: 9.8%) was 270bps higher than FY22. The division has delivered steady progress towards its insurance profit target of at least $250 million in FY24.

The key drivers of the underlying margin improvement were an improvement in investment yields and a lower expense ratio. The main drivers of IIA's underlying and reported insurance profit are discussed in more detail below.

Underlying Claims Experience

IIA's underlying claims ratio (excluding reserve movements, natural perils and discount rate adjustments) was 53.2%, a 70bps deterioration compared to 52.5% recorded in FY22.

IMMUNISED LOSS RATIO INTERMEDIATED INSURANCE AUSTRALIA	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Immunised underlying net claims expense	**670**	**686**	**740**	**701**	**1,356**	**1,441**
Discount rate adjustment	(33)	(137)	(29)	(29)	(170)	(58)
Reserving and perils effects	241	294	205	162	535	367
Reported net claims expense	**878**	**843**	**916**	**834**	**1,721**	**1,750**
Immunised underlying loss ratio	**51.7%**	**53.1%**	**54.9%**	**51.6%**	**52.5%**	**53.2%**
Discount rate adjustment	(2.6%)	(10.6%)	(2.2%)	(2.1%)	(6.6%)	(2.1%)
Reserving and perils effects	18.6%	22.8%	15.3%	11.9%	20.6%	13.6%
Reported loss ratio	**67.7%**	**65.3%**	**68.0%**	**61.4%**	**66.5%**	**64.7%**

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

- Inflation was above expectations, which we continue to address through underwriting and pricing actions.
- Large losses experienced volatility above plan in 2H23, this increase occurred in traditional commercial property and strata portfolios.
- Improvement across long-tail classes, notably in the second half through a combination of active portfolio management, rate increases, claims initiatives, reduced claim frequency and risk margin benefits.
- Management actions resulting in open perils claims reducing from ~18,000 in 1H23 to ~12,500 at 30 June 2023.

Inflationary impacts drive increase in underlying claims ratio

5. INTERMEDIATED INSURANCE AUSTRALIA

Reserve Releases / Strengthening

Prior year reserve strengthening of $48 million mostly occurred within personal lines classes from elevated claims inflation.

Reserve strengthening largely attributable to personal lines

Natural Perils

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

Expenses

Underwriting expenses reduced by $18 million to $404 million in FY23, reflecting ongoing disciplined cost management despite increased technology and system spending and further investment in risk and regulatory functions.

The administration ratio decreased over the year by 140bps to 14.9% in FY23 while an increase in the commission ratio to 15.8% (FY22: 15.3%) was driven by changes in the portfolio mix during the period including the impact of exited partner businesses.

6. NEW ZEALAND

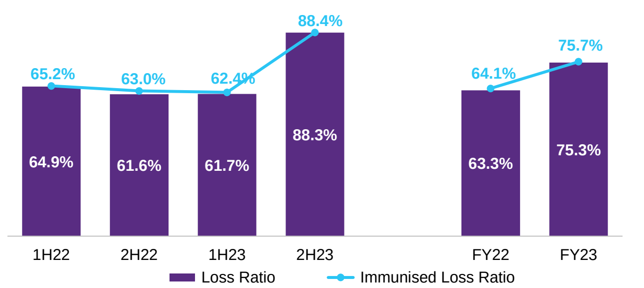
FINANCIAL PERFORMANCE

NEW ZEALAND	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Gross written premium	**1,481**	**1,510**	**1,539**	**1,745**	**2,991**	**3,284**
Gross earned premium	1,455	1,423	1,486	1,574	2,878	3,060
Reinsurance expense	(585)	(574)	(593)	(643)	(1,159)	(1,236)
Net earned premium	**870**	**849**	**893**	**931**	**1,719**	**1,824**
Net claims expense	(565)	(523)	(551)	(822)	(1,088)	(1,373)
Commission expense	(96)	(93)	(99)	(107)	(189)	(206)
Underwriting expense	(115)	(103)	(113)	(112)	(218)	(225)
Underwriting profit/(loss)	**94**	**130**	**130**	**(110)**	**224**	**20**
Investment income on technical reserves	5	(9)	6	18	(4)	24
Insurance profit/(loss)	**99**	**121**	**136**	**(92)**	**220**	**44**

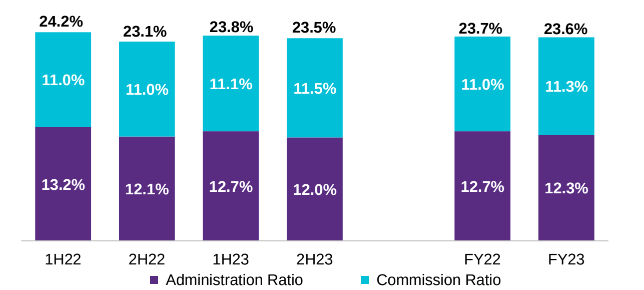
Insurance Ratios	1H22	2H22	1H23	2H23	FY22	FY23
Loss ratio	64.9%	61.6%	61.7%	88.3%	63.3%	75.3%
Immunised loss ratio	65.2%	63.0%	62.4%	88.4%	64.1%	75.7%
Expense ratio	24.2%	23.1%	23.8%	23.5%	23.7%	23.6%
Commission ratio	11.0%	11.0%	11.1%	11.5%	11.0%	11.3%
Administration ratio	13.2%	12.1%	12.7%	12.0%	12.7%	12.3%
Combined ratio	89.1%	84.7%	85.5%	111.8%	87.0%	98.9%
Immunised combined ratio	89.4%	86.1%	86.2%	111.9%	87.8%	99.3%
Reported insurance margin	11.4%	14.3%	15.2%	(9.9%)	12.8%	2.4%
Underlying insurance margin	16.8%	16.8%	13.2%	13.8%	16.8%	13.5%

INSURANCE RATIOS

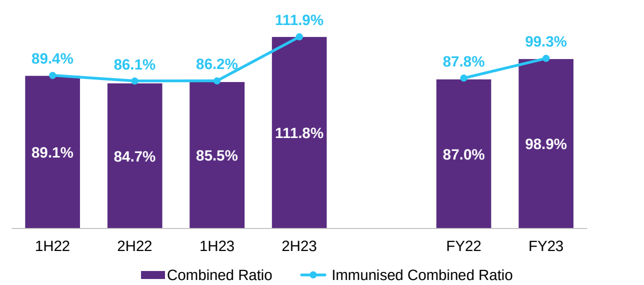
LOSS RATIO



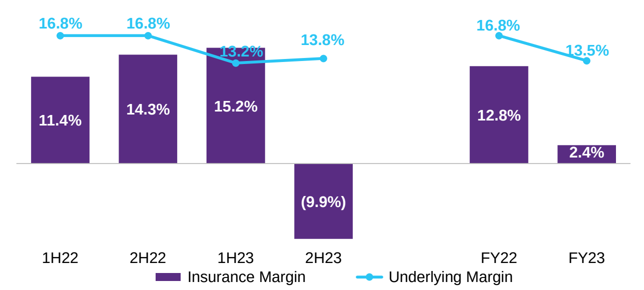
EXPENSE RATIOS



COMBINED RATIO



INSURANCE MARGIN



6. NEW ZEALAND

EXECUTIVE SUMMARY

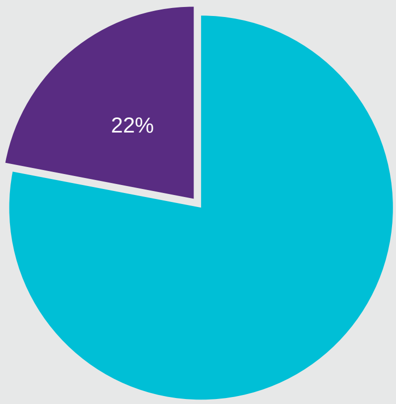
New Zealand snapshot

- 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
- New Zealand is making good progress towards its strategy with a strong focus on organisational simplification to drive efficiencies together with automation and digitalisation initiatives to improve customers' experience
- Responding to the high inflationary environment was a key priority this financial year
- New Zealand's second and third largest peril events occurred in early 2023. This contributed to weather-related claims volumes in FY23 being three times higher than in FY22

FY23 Performance

- Local currency GWP growth of ~12% and underlying local currency GWP growth of 13.8% (after allowing for the estimated impact of the Earthquake Commission (EQC) cap change on 1 October 2022)
- GWP growth driven by rate increases across all key portfolios
- Volume growth in key commercial lines portfolios
- Underlying margin impacted by higher claims costs due to high inflationary environment, higher reinsurance costs (including reinstatement costs) and earn-through premium lag

New Zealand - % Group GWP



PREMIUMS

New Zealand's reported GWP of A$3,284 million grew 9.8% and was impacted by the weak NZ$ in 1H23. The growth was rate driven with overall volumes slightly down on the prior year. In local currency terms, GWP grew by ~12% in FY23 to NZ$3,587 million. After allowing for the estimated impact of the EQC cap change, local currency GWP grew by 13.8%. Significant rate increases are being implemented with strong momentum building in 2H23, achieving 17.3% underlying local currency GWP growth.

Local currency GWP growth of ~12%

NEW ZEALAND GWP	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m	GWP Growth 1H23 vs 1H22	GWP Growth 2H23 vs 2H22	GWP Growth FY23 vs FY22
Business	662	699	717	817	1,361	1,534	8.3%	16.9%	12.7%
Direct	605	608	612	707	1,213	1,319	1.2%	16.3%	8.7%
Bank Partners	214	203	210	221	417	431	(1.9%)	8.9%	3.4%
Total GWP	**1,481**	**1,510**	**1,539**	**1,745**	**2,991**	**3,284**	**3.9%**	**15.6%**	**9.8%**

Business

Business represented 47% of New Zealand's GWP in FY23 (FY22: 45%), with local currency GWP growth of 15.5%. Underlying local currency GWP growth was 16.1% after allowing for the estimated impact of the EQC cap change. The Business division result reflected:

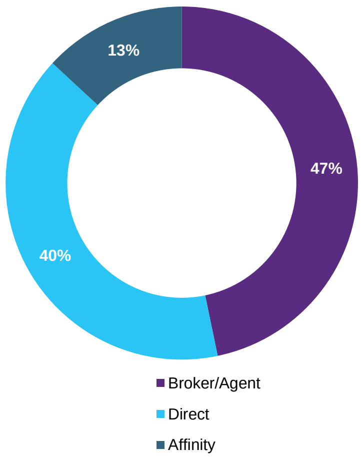
- Strong growth across all commercial lines portfolios largely through higher rates alongside an uplift in commercial property insured values and modest volume growth in the key portfolios;
- New business growth is up across the key commercial lines portfolios and retention rates remain strong with the property portfolio ahead of prior year levels; and
- Business' personal lines experienced strong GWP growth driven by higher rates with retention ahead of FY22 levels.

Direct

Direct represented 40% of New Zealand's GWP in FY23 (FY22: 41%) and achieved local currency GWP growth of 11.2%. Underlying local currency GWP growth was 13.3% after allowing for the estimated impact of the EQC cap change. The result in the Direct channel was attributable to:

- All key personal lines portfolios experienced solid GWP growth through rate increases, partially offset by lower volume. Double-digit increases were achieved in the home portfolios through a mix of rate increases and higher sum insured values;
- Direct retention rates have remained strong, with key personal lines portfolios ahead of prior year. Private motor and home contents new business levels have remained steady while the home owner portfolio has experienced a slight reduction; and
- Direct commercial lines experienced good GWP growth led by the commercial motor portfolio through double-digit rate increases and modest volume growth.

NEW ZEALAND FY23 GWP - CHANNEL



Bank Partners

The bank partner distribution channel represented 13% of New Zealand's GWP in FY23 (FY22: 14%) and achieved local currency growth of 5.4%. Underlying local currency GWP growth was 7.6% after allowing for the estimated impact of the EQC cap change.

GWP for personal lines products experienced solid growth driven by higher rates, partially offset by lower volumes. Home owner retention levels have improved on FY22 while retention levels and new business growth for other key personal lines portfolios have remained largely in line with prior year.

A year of extreme weather

- New Zealand experienced the devastating impacts of the North Island floods, and Cyclone Gabrielle, within the space of three weeks in early 2023. These are the second and third largest peril events to ever occur in New Zealand.
- As well as affecting many communities, the combined impact resulted in an unprecedented number of claims sitting at approximately 50,000 from the two events. As of 30 June 2023, approximately 35% of these claims had been closed, including over 55% of personal motor claims and ~50% of contents claims.
- Overall claims volumes from weather related events in FY23 were three times higher than in FY22.

6. NEW ZEALAND

Grow with our Customers

- New Zealand deployed its first release of the Enterprise Platform enabling integrated digital connectivity with our external commercial partners. This first step in New Zealand's plan to move to one single enterprise ecosystem that will replace multiple core policy systems, reduce complexity, and enable improved customer propositions.
- NZI has continued to expand its value-added services including its risk advisory services, electrical inspectors program and our Fleet Fit program enabling our commercial customers to proactively manage their risks and reduce the likelihood of making a claim in the first place.

Build Better Businesses

- We continued our Repairhub site expansion in FY23 with two new sites opened. Repairhub continues to deliver a first-class experience with a high net promotor score of +93 and industry leading repair turnaround times.
- Continued simplification of our supply chain and repairer network down to 230 repairers. This has been coupled with the deployment of a new automatic repairer assessment tool, reducing paperwork and complexity whilst speeding up the process for our customers.
- The continued optimisation and automation of our operations delivered 167,000 hours of savings, $10 million in avoided costs and claims savings.
- Simplification of our products offerings enabled the decommissioning of 167 of products.

Create Value through Digital

- We continued to evolve our digital service offerings, enabling our customers to connect with us in their channel of choice. Digital sales channel share is at 39% and digital claims channel share is 37%.
- Continued investment in digital claims experience means customers can now lodge their claim, select their repairer and track their claims progress in the app creating a streamlined experience for our motor vehicle customers.

Continued shift to digital channels

INSURANCE PROFIT

New Zealand achieved an insurance profit of $44 million in FY23, compared to $220 million in FY22. This translated to a reported insurance margin of 2.4% (FY22: 12.8%), reflecting the significant impact of the Auckland flooding and Cyclone Gabrielle events in 2H23.

INSURANCE MARGIN IMPACTS New Zealand	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Underlying insurance profit	**146**	**143**	**118**	**128**	**289**	**246**
Reserve releases/(strengthening)	8	(6)	1	29	2	30
Natural perils	(103)	(64)	(57)	(321)	(167)	(378)
Natural peril allowance	48	48	68	69	96	137
Credit spreads	-	-	6	3	-	9
Reported insurance profit	**99**	**121**	**136**	**(92)**	**220**	**44**
Underlying insurance margin	**16.8%**	**16.8%**	**13.2%**	**13.8%**	**16.8%**	**13.5%**
Reserve releases/(strengthening)	0.9%	(0.7%)	0.1%	3.1%	0.1%	1.6%
Natural perils	(11.8%)	(7.5%)	(6.4%)	(34.5%)	(9.7%)	(20.7%)
Natural peril allowance	5.5%	5.7%	7.6%	7.4%	5.6%	7.5%
Credit spreads	-	-	0.7%	0.3%	-	0.5%
Reported insurance margin	**11.4%**	**14.3%**	**15.2%**	**(9.9%)**	**12.8%**	**2.4%**

6. NEW ZEALAND

The FY23 underlying margin of 13.5% (FY22: 16.8%) largely reflected higher underlying claims and reinsurance costs.

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

Underlying Claims Experience

IMMUNISED LOSS RATIO New Zealand	1H22 A$m	2H22 A$m	1H23 A$m	2H23 A$m	FY22 A$m	FY23 A$m
Immunised underlying net claims expense	**472**	**465**	**501**	**531**	**937**	**1,032**
Discount rate adjustment	(2)	(12)	(6)	(1)	(14)	(7)
Reserving and perils effects	95	70	56	292	165	348
Reported net claims expense	**565**	**523**	**551**	**822**	**1,088**	**1,373**
Immunised underlying loss ratio	**54.3%**	**54.8%**	**56.1%**	**57.0%**	**54.5%**	**56.6%**
Discount rate adjustment	(0.3%)	(1.4%)	(0.7%)	(0.1%)	(0.8%)	(0.4%)
Reserving and perils effects	10.9%	8.2%	6.3%	31.4%	9.6%	19.1%
Reported loss ratio	**64.9%**	**61.6%**	**61.7%**	**88.3%**	**63.3%**	**75.3%**

Compared to FY22, the higher underlying loss ratio of 56.6% was influenced by the following main factors:

- Higher motor claim frequency levels in the absence of COVID-19 lockdown restrictions; and
- Higher average claims costs across all key portfolios driven by inflationary pressures, the appreciation of assets, and supply chain constraints; partially offset by
- Lower large (greater than NZ$100,000) home owner claims due to a reduction in the number of large house fires.

Reserve Releases / Strengthening

Prior period reserve releases of $30 million were recognised in FY23, compared to releases of $2 million in FY22. FY23 releases were mainly attributable to prior year natural perils and the Liability portfolio.

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 $218 million in FY22 to $225 million in FY23, while the administration expense ratio has improved from 12.7% in FY22 to 12.3% in FY23 reflecting:

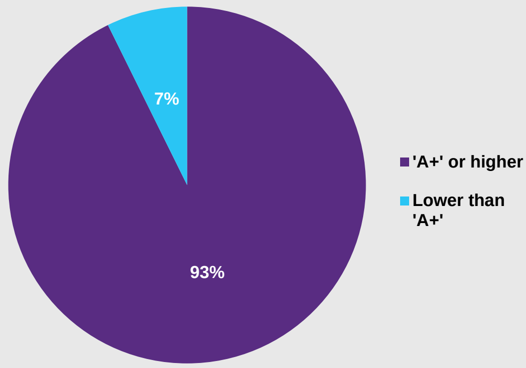
- The impact of higher net earned premium in FY23;
- Continued disciplined cost management; partially offset by
- Ongoing technology and system investment in the Enterprise Platform.

Improvement in administration expense ratio

7. REINSURANCE

EXECUTIVE SUMMARY

- Calendar 2023 gross core catastrophe cover up to $10 billion unchanged from 2022
- Catastrophe cover placed to 67.5% to reflect quota share agreements
- Post-quota share Group maximum event retention (MER) of $169 million at 1 July 2023 to 31 December 2023
- FY24 aggregate protection of $250 million in excess of $600 million ($169 million in excess of $405 million, post-quota share)
- All four whole-of-account quota share arrangements renewed with terms of five to seven years



REINSURANCE STRATEGY

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

IAG determines its reinsurance requirements for Australia and New Zealand on a modified whole-of-portfolio basis (where modified whole-of-portfolio is the sum of all correlated risk). The limit purchased at 1 January 2023 continues to reflect IAG's conservative approach to catastrophe protection. IAG procures a limit greater than the Australian regulator's 1-in-200-year return period requirement, and also above a 1-in-1,000-year return period for New Zealand. The higher limit purchased provides further protection against possible deficiencies in the current catastrophe models.

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

MARKET ENVIRONMENT

There was a significant level of natural peril loss activity in 2022 which contributed to hardening reinsurance conditions and a general contraction of capacity leading into 2023. Heightened peril activity continued in early 2023 with the unprecedented Auckland Floods and Cyclone Gabrielle events in New Zealand. These losses, in conjunction with ongoing concerns relating to claims inflation, ensured that there was continued pressure on reinsurance retentions. This resulted in an increase in global property catastrophe cover deductibles, however the upper levels of catastrophe placements remained well supported. At the 1 July 2023 renewals, IAG experienced strong support from its reinsurance partners and sucessfully renewed its catastrophe aggregate protection and third and fourth event 'drop down' covers, purchasing the same amount of limit across both placements.

IAG incurred additional costs of $67 million in FY23, largely due to major weather events in Australia and New Zealand, which required reinstating portions of the reinsurance program that had been utilised.

Placed aggregate cover in tough reinsurance market

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 20% arrangement with Berkshire Hathaway which was renewed on 1 January 2023 for a term of seven years with the option to extend for a further three years;
- A further 10% arrangement with Munich Re and Swiss Re which was renewed on 1 January 2023 for a term of five years; and
- A 2.5% agreement with Hannover Re that which was renewed on 1 July 2023 for a term of five years.

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

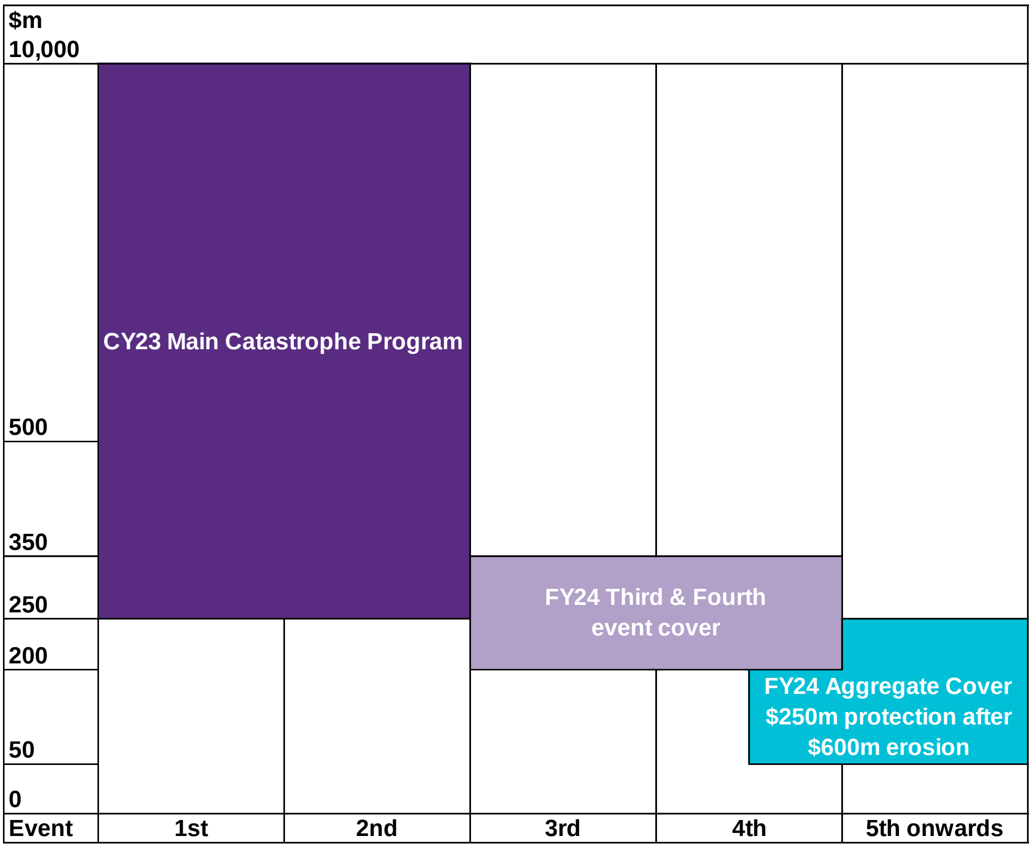
- Reduced earnings volatility, as insurance risk is effectively exchanged for a more stable fee income stream;
- A lower requirement for excess of loss catastrophe reinsurance capacity and reduced exposure to volatility in associated reinsurance premium rates; and
- A reduction in IAG's regulatory capital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

32.5% of IAG quota shared with four leading global reinsurers

CATASTROPHE COVER

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

GROSS CATASTROPHE REINSURANCE - 1 JULY 2023 – 31 DECEMBER 2023



7. REINSURANCE

The main features include:

- A main catastrophe cover for two events up to $10 billion with a retention of $250 million (to 31 December 2023), following utilisation of a drop-down cover in place at 1 January 2023;
- Third and fourth event covers of $150 million (to 30 June 2024), with a retention of $200 million; and
- An aggregate sideways cover (to 30 June 2024) which provides $250 million of protection in excess of $600 million. Qualifying events are capped at $200 million excess of $50 million per event.

After allowance for the cumulative quota share arrangements in place, the combination of all catastrophe covers resulted in IAG having a maximum event retention (MER) at 1 July 2023 of $169 million.

CATASTROPHE REINSURANCE PROGRAM AT 1 JULY 2023		
Cover	**Gross**	**Net of quota share (67.5%)**
Main cover	$9.75bn xs $250m	$6.58bn xs $169m
Aggregate cover	$250m xs $600m	$169m xs $405m
Aggregate cover qualifying events	$200m xs $50m	$135m xs $34m
Third/ Fourth event drop down cover	$150m xs $200m	$101m xs $135m
Retentions	**Gross**	**Net of quota share (67.5%)**
First event	$250m	$169m
Second event	$250m	$169m
Subsequent event	$200m	$135m

CTP QUOTA SHARE

IAG has a quota share agreement with Munich Re in respect of 30% of its combined CTP book. This was renewed at 1 July 2022 for a period of three years to 30 June 2025. The agreement covers all CTP written in NSW, the ACT and South Australia. The CTP quota share runs in conjunction with the whole-of-account agreements, meaning 62.5% of IAG's CTP book is currently subject to quota share.

Maintained CTP quota share at 30%

OTHER COVERS

IAG purchases a comprehensive suite of per risk and proportional reinsurances for property, casualty and specialty classes which provide protection for all territories in which it underwrites. The structure of the covers renewed at 1 January 2023 and 1 July 2023 were similar to the expiring placements.

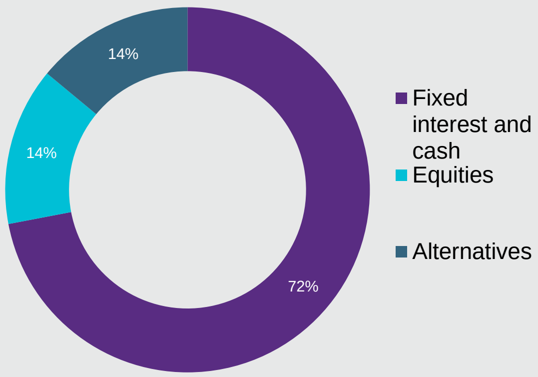
Where required by statute, unlimited cover is purchased where available and for other lines cover is placed up to the original underwriting limits for each class. Cover is also secured for potential accumulations within a class or between classes of business.

8. INVESTMENTS

EXECUTIVE SUMMARY

- Total investments of $11.8 billion as at 30 June 2023
- Investment allocation conservatively positioned
- Technical reserves of $7.4 billion invested in fixed interest and cash
- Shareholders' funds of $4.4 billion – defensive asset weighting of ~72%
- Investment return on technical reserves driven by higher average yields and narrowing of credit spreads, offset by an increase in risk free rates
- Strong shareholders' funds income from gains across growth and defensive investments

Shareholders' Funds Mix - 30 June 2023



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 2023**.** 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 28% of shareholders' funds at 30 June 2023, ~4% lower than the level at 30 June 2022.

Distinct investment strategies for technical reserves and shareholders' funds

INVESTMENT ASSETS

Total investments of $11.8 billion as at 30 June 2023 was comparable to the position at 30 June 2022.

GROUP INVESTMENT ASSETS	1H22 A$bn	FY22 A$bn	1H23 A$bn	FY23 A$bn
Technical reserves	7.7	7.7	7.2	7.4
Shareholders' funds	4.5	4.1	5.0	4.4
Total investment assets	**12.2**	**11.8**	**12.2**	**11.8**

8. INVESTMENTS

ASSET ALLOCATION

Since 30 June 2022, the growth assets mix in shareholders' funds has decreased from ~32% to ~28%.

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 aim to restrict exposure to companies with poor environmental management and high levels of negative environmental impact (which the company is not acting to improve) as well as support investment in companies that are providing solutions to sustainability challenges (within certain parameters).

In addition, IAG has established targets to reduce the Normalised Carbon Footprint and Carbon Intensity for its Australian and global listed equity mandates. Our progress against these targets for the financial year have been reported in IAG's FY23 Group climate-related disclosure.

IAG hedges foreign currency exposures within its investment portfolios.

Nearly 90% of total investments in fixed interest and cash

ASSET ALLOCATION

SHAREHOLDERS' FUNDS	1H22 %	FY22 %	1H23 %	FY23 %	FY23 A$m
Australian equities	5.8	5.1	4.8	5.3	238
International equities	8.4	8.2	6.9	8.1	362
Alternatives	20.0	19.1	11.4	14.4	644
Fixed interest and cash	65.8	67.6	76.9	72.2	3,224
Total	**100.0**	**100.0**	**100.0**	**100.0**	**4,468**
TECHNICAL RESERVES	%	%	%	%	A$m
Fixed interest and cash	100.0	100.0	100.0	100.0	7,354
Total	**100.0**	**100.0**	**100.0**	**100.0**	**7,354**
TOTAL SHAREHOLDERS' FUNDS AND TECHNICAL RESERVES	%	%	%	%	A$m
Australian equities	2.2	1.8	2.0	2.0	238
International equities	3.2	2.9	2.8	3.1	362
Alternatives	7.4	6.7	4.7	5.4	644
Fixed interest and cash	87.2	88.6	90.5	89.5	10,578
Total	**100.0**	**100.0**	**100.0**	**100.0**	**11,822**

Alternative investments totalled $644 million, or approximately 14% of shareholders' funds. The allocation to alternative investments currently includes higher yielding credit strategies, global convertible bonds and private equity, with hedge funds being redeemed during 1H23.

ALTERNATIVES	1H22 A$m	FY22 A$m	1H23 A$m	FY23 A$m
Global convertible bonds	229	196	185	214
Higher yielding credit	388	333	248	257
Hedge funds	178	134	-	-
Private equity	120	128	135	173
Total Alternatives	**915**	**791**	**568**	**644**

$173 million in private equity largely comprises the Firemark Ventures fund, and also includes IAG's residual investment in Bohai Property Insurance Company Ltd in China.

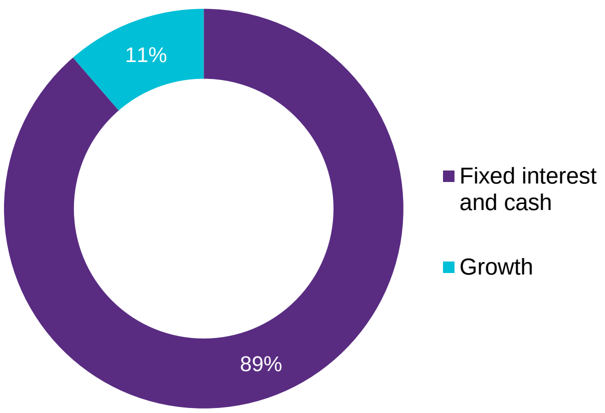
8. INVESTMENTS

CREDIT QUALITY OF ASSETS

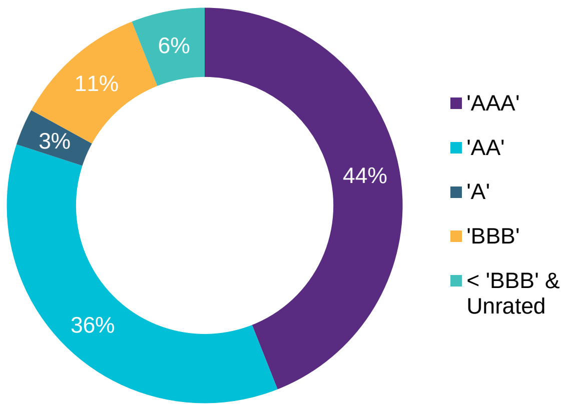
The credit quality of IAG's investment book remains strong, with 80% of the fixed interest and cash portfolio rated 'AA' or higher.

Strong credit quality maintained

ASSET ALLOCATION – 30 JUNE 2023



CREDIT QUALITY – 30 JUNE 2023



*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 FY23 was a gain of $271 million, compared to a loss of $238 million in FY22. This comprised

- Higher average yield of 4.3% on investment assets;
- Negative impact from the increase in risk-free free rates of $139 million, predominantly offset by a positive impact on claims costs from higher discount rates; and
- A positive impact of $85 million from the reduction in credit spreads (FY22: $45 million negative).

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

Considerably higher average yield on technical reserves

Investment Income on Shareholders' Funds

Investment income on shareholders' funds was a gain of $212 million, compared to a loss of $105 million in FY22, reflecting:

- Solid returns across growth asset classes, somewhat mitigated by IAG's low volatility international equities portfolio; and
- Strong returns from fixed interest and cash, reflecting the impact of rising bond yields.

Gain on shareholders' funds driven by strong investment performance

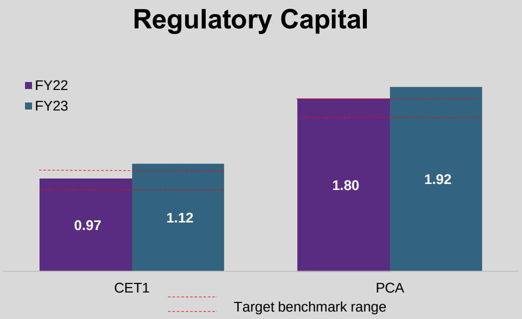
8. INVESTMENTS

SHAREHOLDERS' FUNDS INCOME	FY22 A$m	FY23 A$m
Equities	(23)	54
Alternatives	(7)	46
Fixed interest and cash	(68)	109
Total investment return	**(98)**	**209**
Foreign exchange and interest rate hedging effects	-	1
Ventures - fair value movement	(11)	10
Gain on sale of investments	12	-
Management fees	(8)	(8)
Total shareholders' funds income	**(105)**	**212**

9. BALANCE SHEET & CAPITAL

EXECUTIVE SUMMARY

- Strong balance sheet and capital position
- CET1 multiple of 1.12 vs. benchmark of 0.9-1.1
- PCA multiple of 1.92 vs. benchmark of 1.6-1.8
- S&P 'AA-' rating of core operating subsidiaries



BALANCE SHEET

	1H22 A$m	FY22 A$m	1H23 A$m	FY23 A$m
Assets				
Cash held for operational purposes	388	350	396	474
Investments	12,239	11,813	12,175	11,822
Investments in joint ventures and associates	31	31	25	10
Trade and other receivables	4,335	4,580	4,865	5,648
Reinsurance and other recoveries on outstanding claims	7,577	7,886	7,601	7,560
Deferred insurance expenses	3,795	3,834	4,126	4,365
Goodwill and intangible assets	3,310	3,411	3,552	3,632
Assets held for sale	305	342	-	-
Other assets	1,868	1,836	1,688	1,515
Total assets	**33,848**	**34,083**	**34,428**	**35,026**
Liabilities				
Outstanding claims	13,951	13,964	13,560	13,260
Unearned premium	6,596	6,831	7,084	7,747
Interest bearing liabilities	2,023	2,055	2,373	2,139
Trade and other payables	3,032	3,013	3,052	3,356
Other liabilities	1,765	1,720	1,540	1,475
Total liabilities	**27,367**	**27,583**	**27,609**	**27,977**
Net assets	**6,481**	**6,500**	**6,819**	**7,049**
Equity				
Equity attributable to holders of ordinary shares	6,144	6,163	6,494	6,650
Non-controlling interests	337	337	325	399
Total equity	**6,481**	**6,500**	**6,819**	**7,049**

OUTSTANDING CLAIMS

Net Outstanding Claims Liability

IAG's net outstanding claims liability at 30 June 2023 stood at $5,700 million, compared to $6,078 million at 30 June 2022. The reduction reflects the releases from the business interruption provision.

Reduction in net outstanding claims liability following business interruption provision release

Claims Development

Note 2.2 of IAG's FY23 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	**2013 and prior 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**	**2023 A$m**	**TOTAL A$m**
Development												
At end of accident year		5,614	6,307	4,976	5,279	4,504	3,959	4,228	4,329	4,480	5,272	
One year later		5,619	6,232	4,928	5,225	4,420	4,022	4,770	4,311	4,514		
Two years later		5,532	6,169	4,869	5,190	4,409	4,044	4,671	4,175			
Three years later		5,391	6,052	4,810	5,198	4,425	4,105	4,327				
Four years later		5,322	6,049	4,815	5,234	4,440	4,095					
Five years later		5,304	6,037	4,826	5,260	4,417						
Six years later		5,276	6,041	4,824	5,280							
Seven years later		5,265	6,055	4,826								
Eight years later		5,269	6,070									
Nine years later		5,264										
Current estimate of net ultimate claims		**5,264**	**6,070**	**4,826**	**5,280**	**4,417**	**4,095**	**4,327**	**4,175**	**4,514**	**5,272**	
Cumulative payments made to date		5,220	5,986	4,745	5,143	4,290	3,879	3,888	3,630	3,831	3,109	
Net undiscounted outstanding claims payments	**244**	**44**	**84**	**81**	**137**	**127**	**216**	**439**	**545**	**683**	**2,163**	**4,763**
Discount to present value	(34)	(5)	(10)	(8)	(17)	(12)	(19)	(30)	(46)	(62)	(104)	(347)
Net discounted outstanding claims payments	**210**	**39**	**74**	**73**	**120**	**115**	**197**	**409**	**499**	**621**	**2,059**	**4,416**
Claims handling costs												445
Risk margin												839
Net outstanding claims liability												**5,700**
Gross outstanding claims liability on the balance sheet												13,260
Reinsurance and other recoveries on outstanding claims												(7,560)
Net outstanding claims liability												**5,700**

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 2023 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

9. BALANCE SHEET & CAPITAL

been determined having regard to the inherent uncertainty in the central estimate and the prevailing market environment.

Following the releases from the business interruption provision and a lower volume of open claims, the risk margin applied to the net central estimate of the outstanding claims liability reduced to approximately 17% at 30 June 2023 (FY22: 20%). This is consistent with historical pre-Covid levels.

CAPITAL

Capital Adequacy

IAG remains strongly capitalised with total regulatory capital of $5,073 million at 30 June 2023. This is 1.92 times the Prescribed Capital Amount (PCA), well above the target range for total regulatory capital of 1.6 to 1.8 times PCA.

Total CET1 capital is $2,955 million (30 June 2022: $2,364 million) at 30 June 2023. The CET1 ratio, IAG's primary capital measure, is 1.12 times PCA, above the target range of 0.9 to 1.1 times and the regulatory minimum requirement of 0.6 times.

The CET1 ratio increased from 0.97 at 30 June 2022, due to the net effect of:

- Earnings, including releases from the business interruption provision, partially offset by:
- Payment of the dividends;
- Increase in capitalised technology costs; and
- An increase in the insurance concentration risk charge.

IAG remains strongly capitalised with CET1 capital above the target range

9. BALANCE SHEET & CAPITAL

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GROUP COVERAGE OF REGULATORY CAPITAL REQUIREMENT	1H22 A$m	FY22 A$m	1H23 A$m	FY23 A$m
Common Equity Tier 1 Capital (CET1)				
Ordinary shares	7,386	7,386	7,313	7,264
Reserves	27	3	45	45
Retained earnings	(1,243)	(1,201)	(851)	(638)
Technical provisions in excess of liabilities	617	592	512	396
Minority interests	337	337	325	399
Less: Deductions	(4,611)	(4,753)	(4,467)	(4,511)
Total Common Equity Tier 1 Capital	**2,513**	**2,364**	**2,877**	**2,955**
Additional Tier 1 Capital				
Hybrid equities	404	404	720	500
Total Tier 1 Capital	**2,917**	**2,768**	**3,597**	**3,455**
Tier 2 Capital				
Subordinated term notes	1,580	1,612	1,623	1,618
Total Tier 2 Capital	**1,580**	**1,612**	**1,623**	**1,618**
Total Regulatory Capital	**4,497**	**4,380**	**5,220**	**5,073**
Prescribed Capital Amount (PCA)				
Insurance risk charge	1,167	1,158	1,167	1,223
Insurance concentration risk charge	169	211	365	276
Diversified asset risk charge	1,347	1,262	1,277	1,332
Aggregation benefit	(605)	(592)	(627)	(636)
Operational risk charge	390	400	414	442
Total Prescribed Capital Amount	**2,468**	**2,439**	**2,596**	**2,637**
PCA multiple	**1.82**	**1.80**	**2.01**	**1.92**
CET1 multiple	**1.02**	**0.97**	**1.11**	**1.12**

Total deferred tax losses for the Group stood at $436 million at 30 June 2023 (30 June 2022: $600 million).

Allowing for the final dividend which will be paid in September 2023, the CET1 ratio at 30 June 2023 would reduce to 1.04 times PCA. There remains ~$227 million of the original $350 million buyback, which is expected to be completed over the next 12 months. This will have a capital impact of up to ~9pts.

Interest Bearing Liabilities

IAG's interest bearing liabilities stood at ~$2.1 billion at 30 June 2023, with a small increase in the year reflecting the replacement of $404 million in Capital Notes 1 with $500 million Capital Notes 2.

INTEREST BEARING LIABILITIES	1H22 A$m	FY22 A$m	1H23 A$m	FY23 A$m
Subordinated debt	1,580	1,612	1,623	1,618
Capital Notes	404	404	720	500
Subtotal interest bearing liabilities	**1,984**	**2,016**	**2,343**	**2,118**
Capitalised transaction costs/other	39	39	30	21
Total interest bearing liabilities	**2,023**	**2,055**	**2,373**	**2,139**

9. BALANCE SHEET & CAPITAL

GROUP DEBT & HYBRID CAPITAL	Principal amount $m	A$m	Interest rate %	Rate	First Call or Exchange date	Maturity date	S&P rating
Subordinated fixed rate notes (issue Apr-22)	NZ$400	368	5.32%	Fixed	Jun-28	Jun-38	'BBB'
Subordinated term notes (issue Mar-18)[1]	A$350	350	6.34%	Variable	Jun-24	Jun-44	'BBB'
Subordinated term notes (issue Mar-19)[2]	A$450	450	6.59%	Variable	Jun-25	Jun-45	'BBB'
Subordinated term notes (issue Aug-20)[3]	A$450	450	6.69%	Variable	Dec-26	Dec-36	'BBB'
Total Debt		**1,618**					
Capital Notes (IAGPE)[4]	A$500	500	6.85%	Variable	Jun-29	Perpetual	'N/R'

[1]Stated yield based on 3M BBSW (as at 15 June 2023) + margin of 2.10%
[2]Stated yield based on 3M BBSW (as at 15 June 2023) + margin of 2.35%
[3]Stated yield based on 3M BBSW (as at 15 June 2023) + 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 15 March 2032.

Capital Mix

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

During the financial year, Insurance Australia Group Limited issued $500m in new Capital Notes 2 which qualified as Additional Tier 1 Capital for regulatory capital purposes. As part of this offer, certain eligible holders of Capital Notes 1 issued in 2016 were invited to reinvest their Capital Notes 1 into Capital Notes 2 and ~$184m in Capital Notes 1 were redeemed as part of this offer. The remaining Capital Notes 1 were redeemed at the first optional exchange date in June 2023.

IAG's capital mix is driven by regulatory capital targets. Subject to market conditions, during FY24, IAG may consider a new Additional Tier 1 regulatory capital issue and a new Tier 2 subordinated debt issue to maintain regulatory capital at the Group's target PCA benchmark (1.6 to 1.8 times) over the longer term.

Capital management is driven by regulatory capital targets

Credit Ratings

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

10. GLOSSARY

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

APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities & Investments Commission
CAPITAL NOTES	Capital Notes were issued by IAG in December 2022 and are quoted as IAGPE on the ASX.
CASH EARNINGS	IAG defines cash earnings as net profit/(loss) after tax attributable to IAG shareholders, adjusted for the post-tax effect of any unusual items and the amortisation and impairment of acquired identifiable intangibles. It is non-IFRS financial information that has not been audited or reviewed.
CASH ROE	IAG defines cash ROE as reported ROE adjusted for the post-tax effect of any unusual items and the amortisation and impairment of acquired identifiable intangibles.
CLAIMS HANDLING EXPENSES	Those administration costs incurred in the investigation, assessment and settlement of a claim.
COMBINED RATIO	Represents the total of net claims expense, commission expense and underwriting expense, expressed as a percentage of net earned premium. It is equivalent to the sum of the loss ratio and expense ratio.
COMMON EQUITY TIER 1 CAPITAL (CET1)	The highest quality component of capital, as defined by APRA under its LAGIC regime. It is subordinated to all other elements of funding, absorbs losses as and when they occur, has full flexibility of dividend payments and has no maturity date.
CREDIT SPREAD	The credit spread is the difference between the average yield to maturity of a portfolio of non-government securities and the average yield to maturity of the liability profile, valued using Commonwealth Government of Australia yields.
CTP	Compulsory Third Party insurance, which is liability cover that motorists are obliged to purchase in Australia.

10. 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.
DPS	Dividend per share.
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

10. GLOSSARY

GROSS EARNED PREMIUM	Premium is recognised in the income statement as it is earned. The insurer estimates the pattern of the incidence of risk over the period of the contract for direct business, or over the period of indemnity for reinsurance business, and the premium revenue is recognised in the income statement in accordance with this pattern.
GROSS WRITTEN PREMIUM (GWP)	The total premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.
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.

10. GLOSSARY

NATURAL PERILS EXPENSE	Losses arising from natural perils after deducting any applicable reinsurance recoveries.
NET CLAIMS EXPENSE	Insurance claim losses incurred plus claims handling expenses, net of recoveries from reinsurance arrangements.
NET EARNED PREMIUM (NEP)	Gross earned premium less reinsurance expense.
PCA	Prescribed Capital Amount, as defined by APRA under its LAGIC regime.
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.

10. GLOSSARY

SHORT TAIL	Classes of insurance (such as motor, home and SME commercial) with an average period less than 12 months between the time when premiums are earned and final settlement of claims occurs.
SME	Small-to-medium-sized enterprise.
TECHNICAL RESERVES	The investments held to back the outstanding claims liability (including incurred but not reported (IBNR) and incurred but not enough reported (IBNER)) and unearned premium, net of recoveries and premium debtors.
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 FSL), within underwriting expenses.
TREASURY SHARES	Ordinary IAG shares held by the Group. These are primarily for the purposes of meeting share-based remuneration plan obligations.
TSR	Total shareholder return.
UNDERLYING MARGIN	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**): 2,440,844,845 on issue at 30 June 2023[1]
- Capital Notes (**IAGPE**): 5,000,000 on issue at 30 June 2023

NZX Limited (NZDX):

- Unsecured Subordinated Convertible Notes due 2038 (**IAGFC**): NZ$400m outstanding at 30 June 2023

KEY DATES

Final dividend – ordinary shares	
• Ex-dividend date	29 August 2023
• Record date	30 August 2023
• DRP record date	31 August 2023
• Payment date	28 September 2023
Scheduled payment date for IAGPE and IAGFC quarterly distributions	15 September 2023
Annual General Meeting	11 October 2023
Scheduled payment date for IAGPE and IAGFC quarterly distributions	15 December 2023
Announcement of half year results to 31 December 2023	16 February 2024*
Interim dividend – ordinary shares	
• Ex-dividend date	21 February 2024*
• Record date	22 February 2024*
• DRP record date	23 February 2024*
• Payment date	27 March 2024*
Scheduled payment date for IAGPE and IAGFC quarterly distributions	15 March 2024
Scheduled payment date for IAGPE and IAGFC quarterly distributions	17 June 2024
Announcement of full year results to 30 June 2024	21 August 2024*

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

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[1]As part of the on-market buy back, 299,297 IAG shares were bought back on 29 June 2023 and cancelled on 3 July 2023 bringing the issued capital total to 2,440,545,548