This release has been authorised by the IAG Board

Financial Results for the year ended 30 June 2023

21 August 2023

Important information

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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.

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

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

Nick Hawkins

Chief Executive Officer

Introduction

Acknowledgement of Country

IAG acknowledges Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities.

We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

We empower Aboriginal and Torres Strait Islander peoples, business and communities.

Executing on our strategy

Purpose | We make your world a safer place

Strategy | Create a stronger, more resilient IAG

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

Strategic Pillars	Evidence	
Grow with our customers	~132k net customer growth in DIA	✓
	Brand rationalisation in WA and SA	✓
	Retention rates ~90% to 95% in DIA motor and home & ~80% to 90% for NZ Direct motor and home	✓
Build better businesses	IIA FY23 insurance profit of $209m, on track for at least $250m insurance profit in FY24	✓
	Disciplined cost management with admin ratio reduction of 90bps	✓
Create value through digital	Enterprise Platform rollout	**Good progress**
	ANZ personal lines on Enterprise Platform from July 2023	✓
Manage our risks	Reinsurance renewals successfully completed in a challenging market	✓
	Quota share arrangements locked-in, delivering materially consistent financial outcomes	✓
	Further Business Interruption provision reduction of $200m in 2H23	✓
	Finalisation of pricing and payroll remediations	**Good progress**
	Trade credit / Greensill	**Progressing**

FY23 results overview

GWP

$14.7bn

Up 10.6% in FY23 and 13.7% in 2H23

Reported margin

9.6%

Impacted by natural peril costs $297m above allowance

Underlying margin[1]

12.6%

Strong momentum with 2H23 at 14.6%

Net profit after tax

$832m

Includes post-tax $392m benefit from the Business Interruption provision reduction

Final dividend

9cps

Total FY23 dividends of 15cps, up 36%

FY24 Guidance[2]

GWP growth of low double digits
Reported margin of 13.5% to 15.5%

Expected margin improvement from earn-through of premium increases and higher investment yields

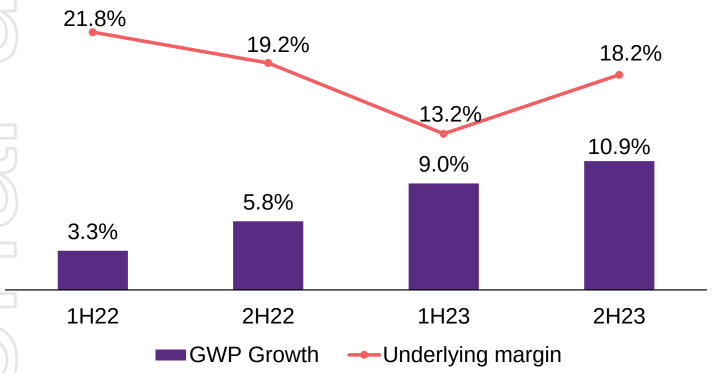
(1) IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural peril claim costs less the related allowance; prior period reserve releases or strengthening and credit spread movements.
(2) Refer to Appendix 1: FY24 Guidance and Outlook for more detail.

Divisional highlights

Direct Insurance Australia (DIA)

- ~132k growth in customer numbers
- Accelerating GWP growth (Motor & Home ~12% in 2H23)
- Underlying margin rebound in 2H23, with claims inflation moderating

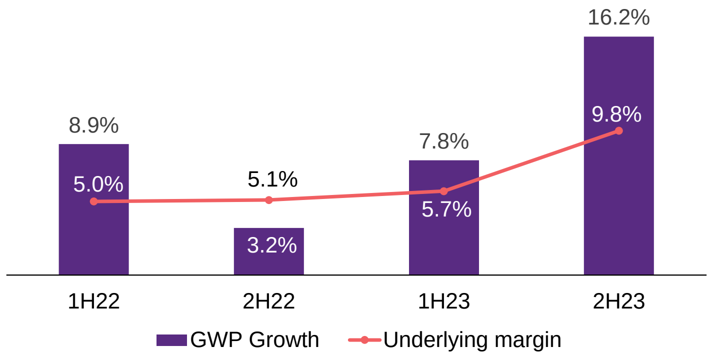
GWP growth / underlying margin



Intermediated Insurance Australia (IIA)

- ~13% average rate increases
- 2H23 GWP growth of 16.2% assisted by multi-year policies
- Strong improvement in underlying margin to 9.8% in 2H23

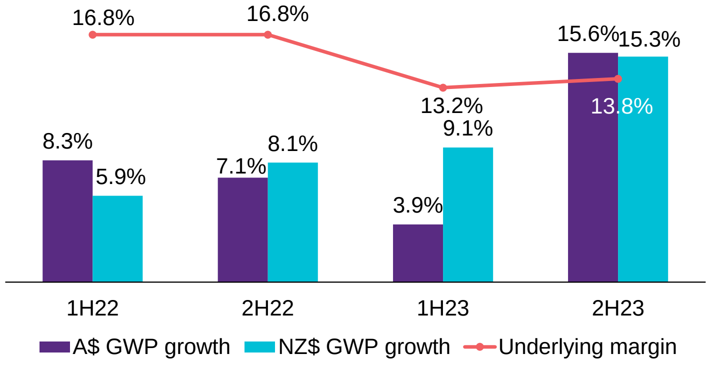
GWP growth / underlying margin



New Zealand

- Strong NZ$ GWP growth of ~12%
- Reported margin of 2.4% due to NZ's 2nd and 3rd largest peril events in history
- Underlying margin impacted by inflationary pressures and higher reinsurance costs

GWP growth / underlying margin



Making the world a safer place for our customers

Our customer focus has delivered strong Customer Experience NPS across our Australian (+45) and New Zealand (+51) businesses

Helping customers in time of need

- Helped **650,000 customers** recover from unexpected loss – up 21%
- Paid **$10.2bn** in claims –highest ever
- Helping New Zealand recover from its two largest ever weather events
- Supported launch of updated NRMA Australian Red Cross **Get Prepared** app to help families stay safe when disaster strikes
- Provided **1.4m essential items** through GIVIT to people impacted by extreme weather

Supporting Communities

- **Major Event Response Team** ready **24/7** to support communities during severe weather events
- Advocated for **greater resilience investment and improved land** use planning and building codes
- Built awareness of disaster resilience through the **Wild Weather Tracker** using claims data and community research

Easier and simpler

- More than **100 new mobile, automation and online customer features**:
  - track claims digitally,
  - select repairers,
  - faster claims outcomes,
  - nearly 100% pre-fill and personalisation for NRMA motor and home quotes
- Enterprise Platform reduces home, motor and small business products from **58 to 14**
- Total loss motor claims settled in hours, not days, with fastest lodgement to settlement of 27 minutes

Michelle McPherson

Chief Financial Officer

Financials

Financial summary

	FY22	FY23	Change
GWP ($m)	13,317	14,729	10.6%
NEP ($m)	7,909	8,326	5.3%
Expense ratio (%)	23.7	23.1	60bps
Reported insurance profit[1] ($m)	586	803	37.0%
Reported insurance margin (%)	7.4	9.6	220bps
Underlying insurance profit ($m)	1,157	1,052	9.1%
Underlying insurance margin (%)	14.6	12.6	200bps
Net (loss)/profit after tax ($m)	347	832	139.8%
Cash earnings ($m)	213	452	112.2%
Dividend (cps)	11.0	15.0	36.4%
CET1 multiple	0.97	1.12	15pts

[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.

Strong GWP growth to drive future GEP growth

Reported GWP growth of 10.6%:

- Increasing rate rises to counter higher inflation, perils expectation and reinsurance costs
- >1% DIA volume growth primarily from Home and Motor in Victoria
- Strong retention rates across IAG

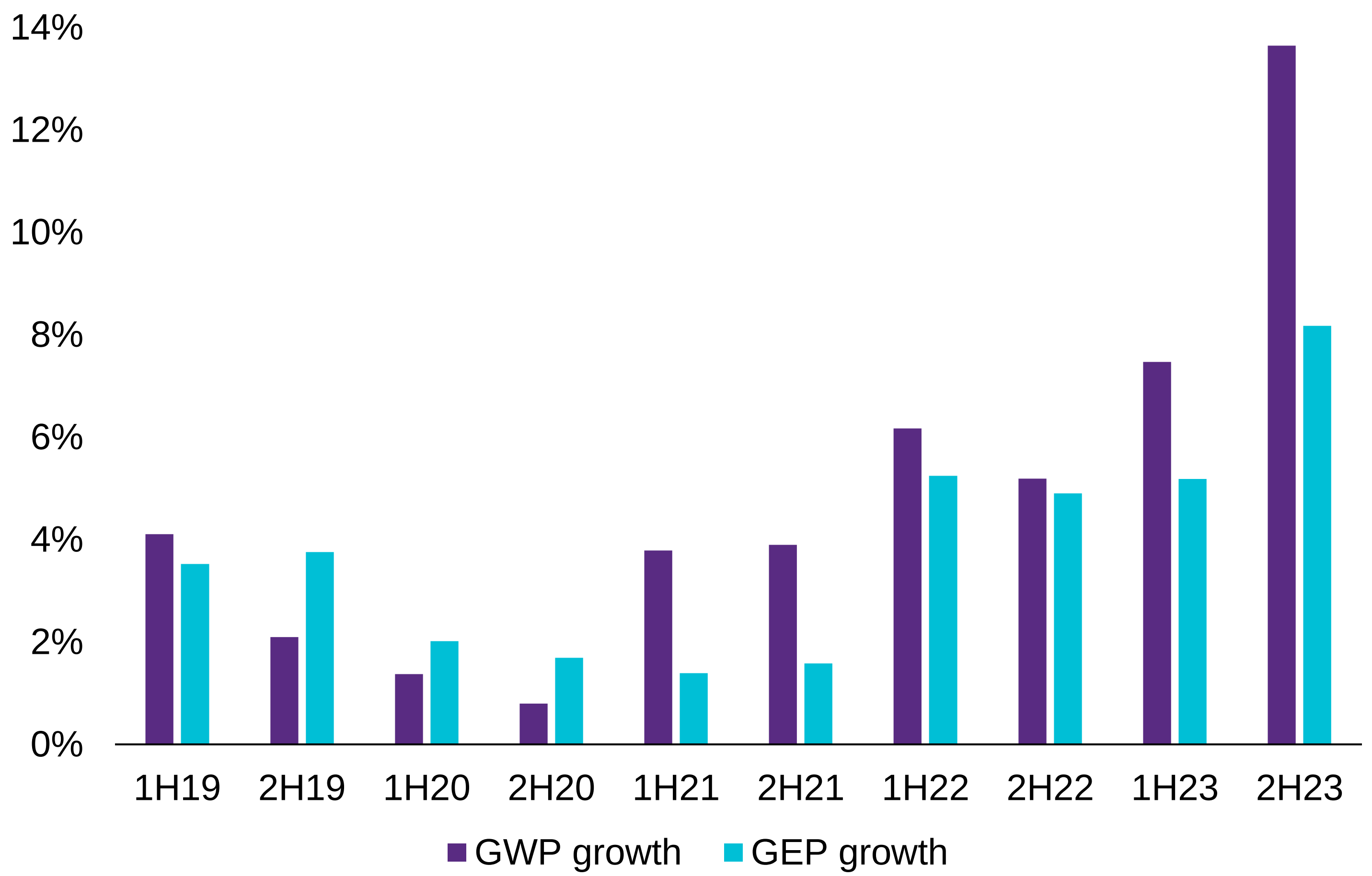
Underlying GWP growth of 11.1%:

- Benefit from multi-year workers' comp premiums; offset by
- IIA portfolio exits; and
- depreciation of $NZ in 1H23.

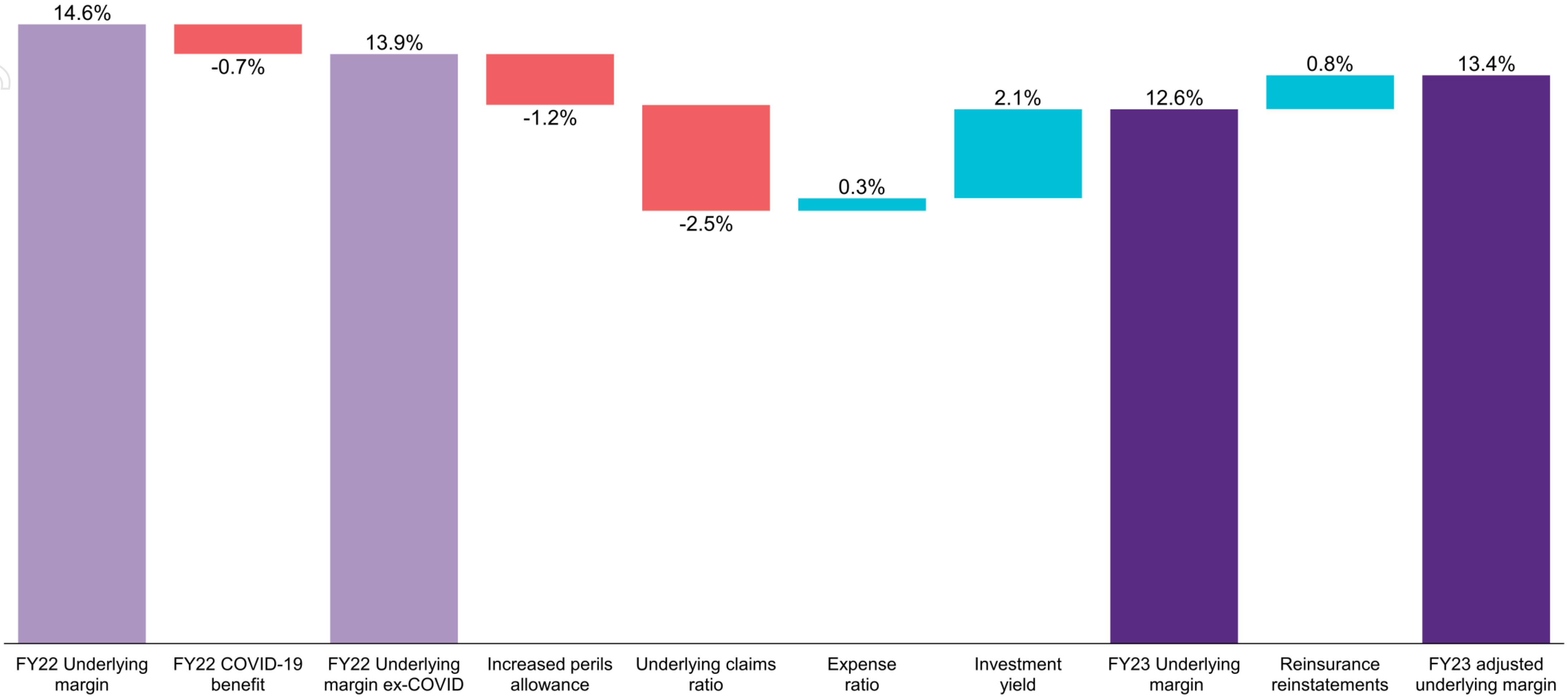
2H23 Reported GWP growth of 13.7% and Underlying GWP growth of 12.6%

Gross Earned Premium 2H23 growth 8.2%, expected to increase further in FY24

Group GWP vs GEP growth



Underlying margin movement



Claims ratio increase driven by higher inflation

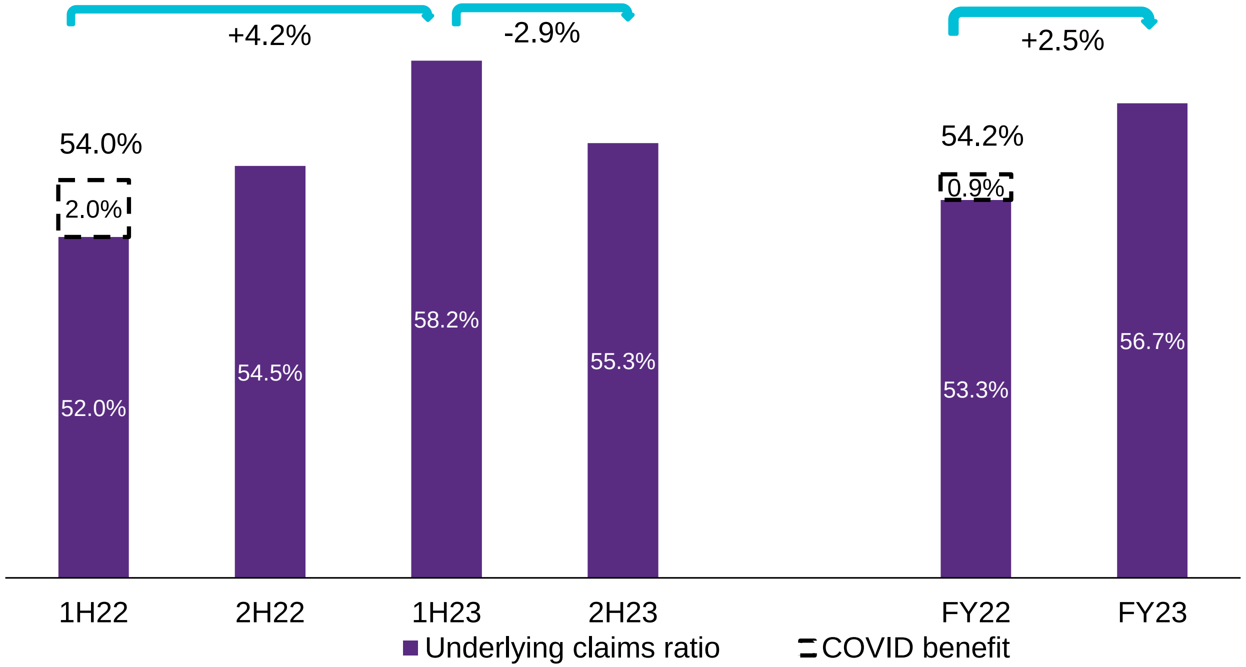
Higher average home and motor claims costs due to inflationary and supply chain pressures

Inflation moderating in Australia but remains elevated in New Zealand

Claims ratio benefit in 2H23 from earn-through of premium increases and reduction in claims providing risk margin benefit:

- DIA Home open claims reduced from ~70k (Dec 2022) to ~49k (Jun 2023)
- IIA open perils claims reducing from ~18k (Dec 2022) to ~12k (Jun 2023)

Underlying claims ratio



LOSS RATIO	1H22	2H22	1H23	2H23	FY22	FY23
Underlying claims 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%)
Reserve (releases)/strengthening	0.9%	3.4%	1.2%	(0.3%)	2.2%	0.4%
Natural perils above allowance	7.6%	1.4%	1.7%	5.4%	4.4%	3.6%
Natural perils allowance	9.6%	9.7%	11.0%	10.8%	9.7%	10.9%
Reported loss ratio	**68.8%**	**63.1%**	**70.8%**	**70.1%**	**65.9%**	**70.5%**

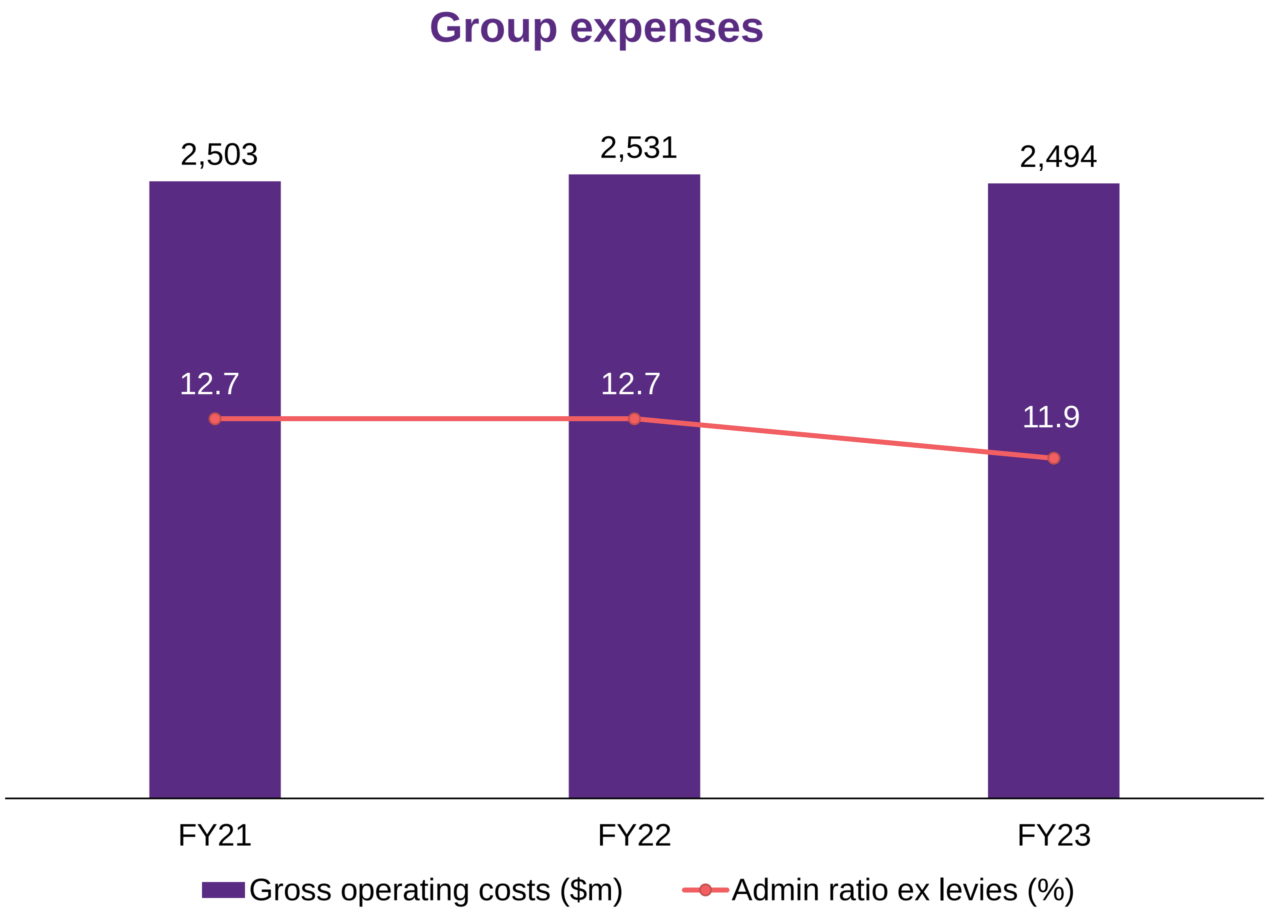
Cost base

~$2.5bn gross operating cost target achieved for third year

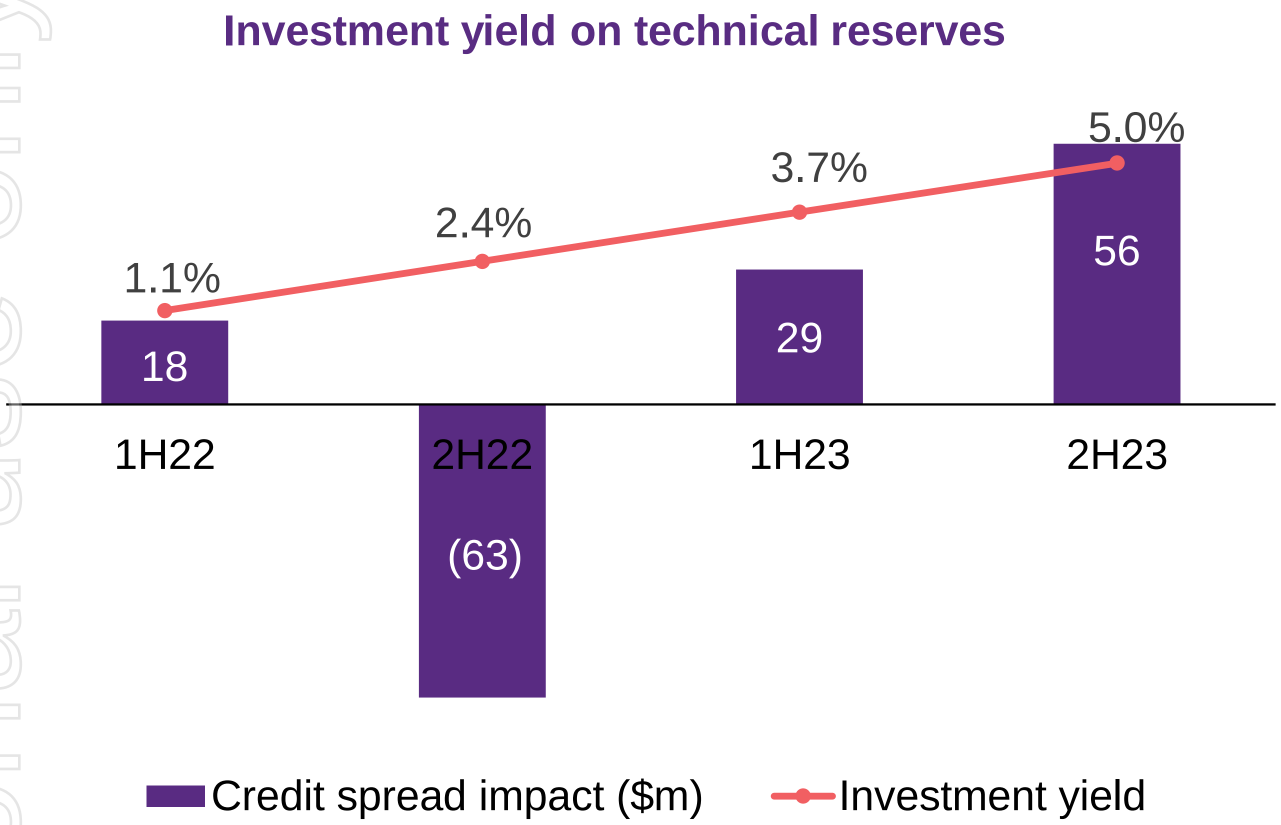
FY23 costs down 1.5% which includes $50m in amortisation of technology and system investment

FY23 costs down 2.8% excluding amortisation impact

Group administration ratio ex-levies expected to reduce further below ~12%



Higher yields driving improved investment performance



~$12bn Investment Portfolio

$7.4bn **technical reserves** invested in fixed interest & cash

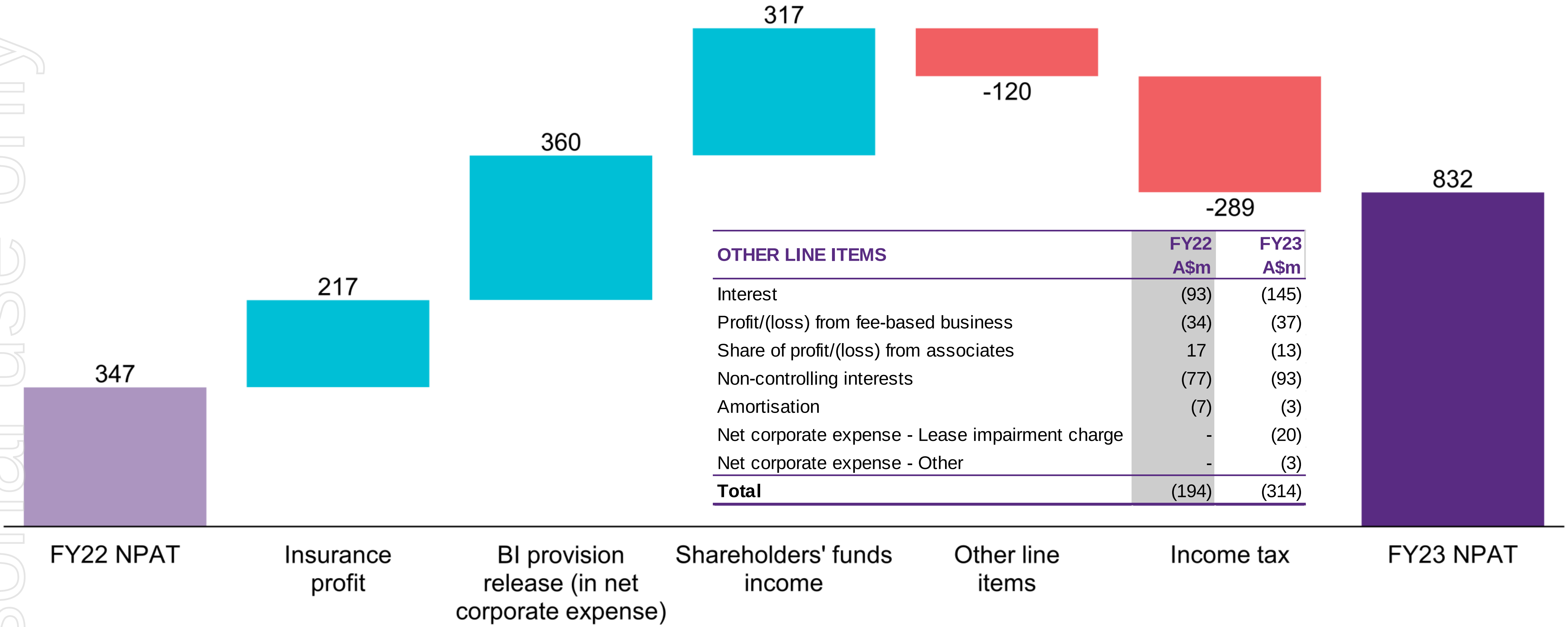
- Gain of $271m driven by the higher investment yield and narrowing of credit spreads, offset by an increase in risk free rates
- ~250bps investment yield improvement in FY23 (~4.3%) vs FY22 (~1.8%)

$4.4bn **shareholders funds** with growth asset weighting of ~28%

- Gain of $212m with positive performance across both growth and defensive assets

Net profit after tax

NPAT movement ($m)



OTHER LINE ITEMS	FY22 A$m	FY23 A$m
Interest	(93)	(145)
Profit/(loss) from fee-based business	(34)	(37)
Share of profit/(loss) from associates	17	(13)
Non-controlling interests	(77)	(93)
Amortisation	(7)	(3)
Net corporate expense - Lease impairment charge	-	(20)
Net corporate expense - Other	-	(3)
Total	(194)	(314)

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Strong reinsurance protection for remainder of calendar 2023

Whole of account quota shares arrangements renewed

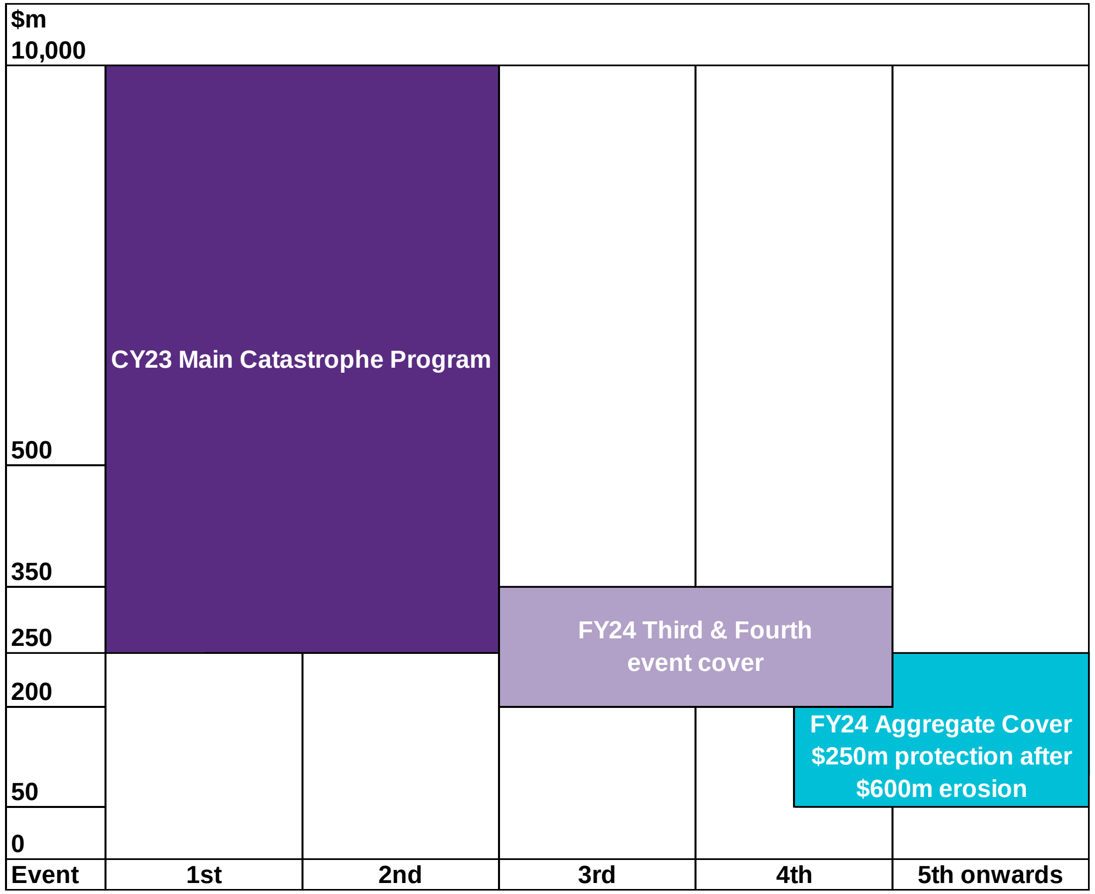
- 32.5% protection with leading global reinsurers
- ~5% margin uplift contribution to target financial performance

Maximum event retention for first and second event in CY23 of $169m (67.5% of $250m)

Additional FY24 reinsurance

- Aggregate cover providing $250m protection
- Third and fourth event covers providing $150m protection

Gross catastrophe reinsurance program



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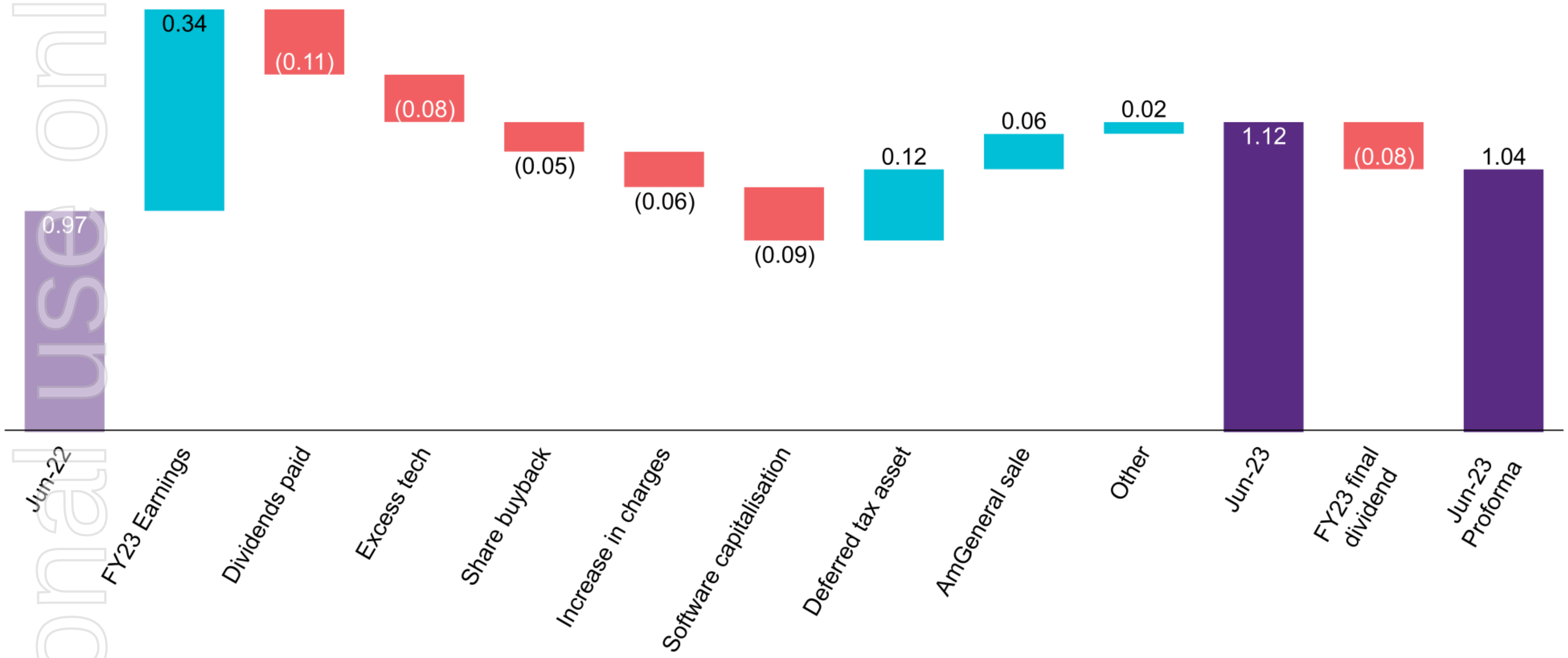
Strong capital position



CET1 ratio of 1.12 at 30 June 2023

- Above top end of target range
- ~8pts capital impact on pro-forma from FY23 final dividend
- ~$227m (~9pts capital impact) remains of the share buyback limit of up to $350m and is intended to be completed within 12 months

AASB17 impacts

AASB17 not expected to impact IAG's underlying economics, cash flows, capital or strategic direction

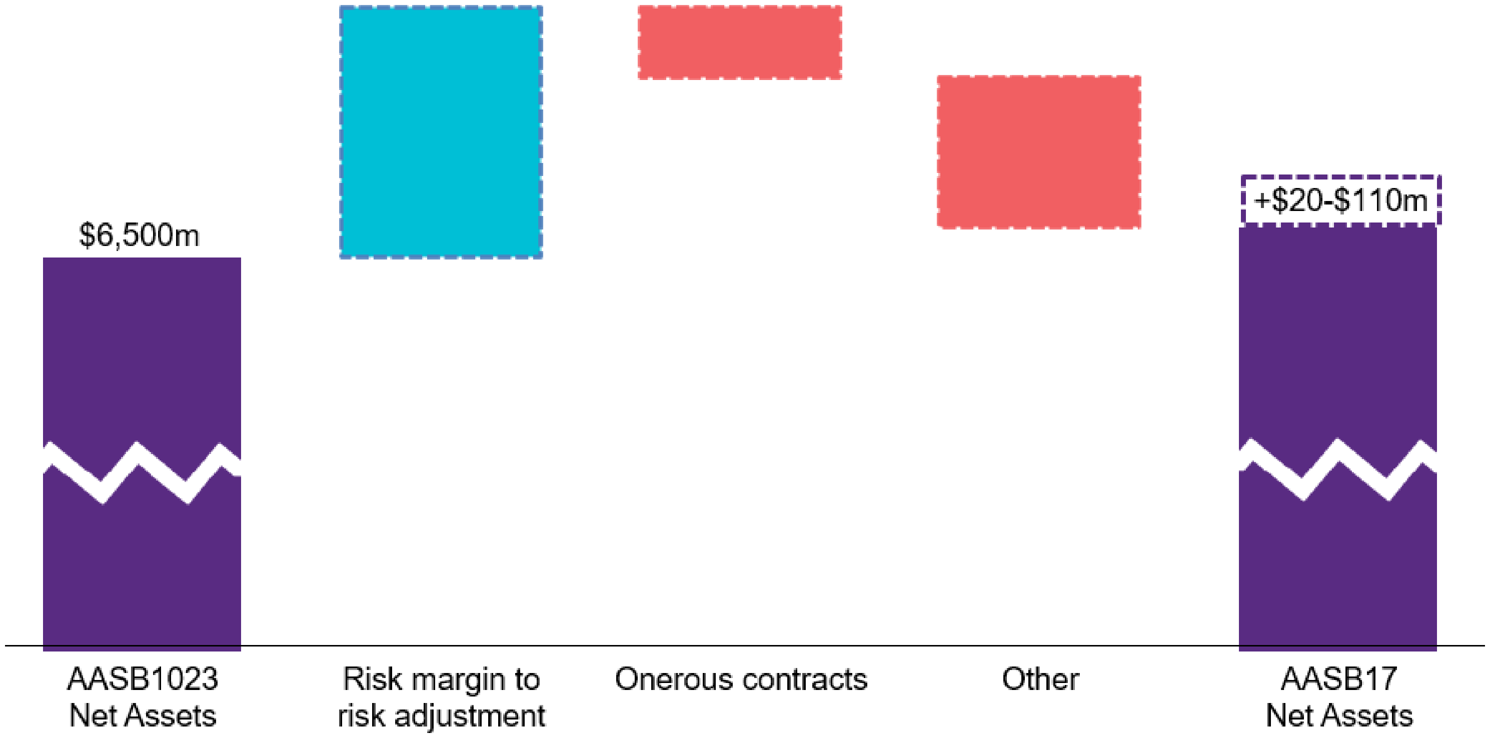
Minor balance sheet impact on transition:

- Cost of capital approach to risk adjustment to result in a lower probability of adequacy
- Onerous contracts tested at a more granular level

IAG will continue to provide existing reporting metrics of GWP, NEP and Insurance Profit which will continue to form the basis of our guidance

AASB17 not expected to have a material impact on profitability

Transitional adjustment at 30 June 2022



Dotted lined are indicative of estimated ranges

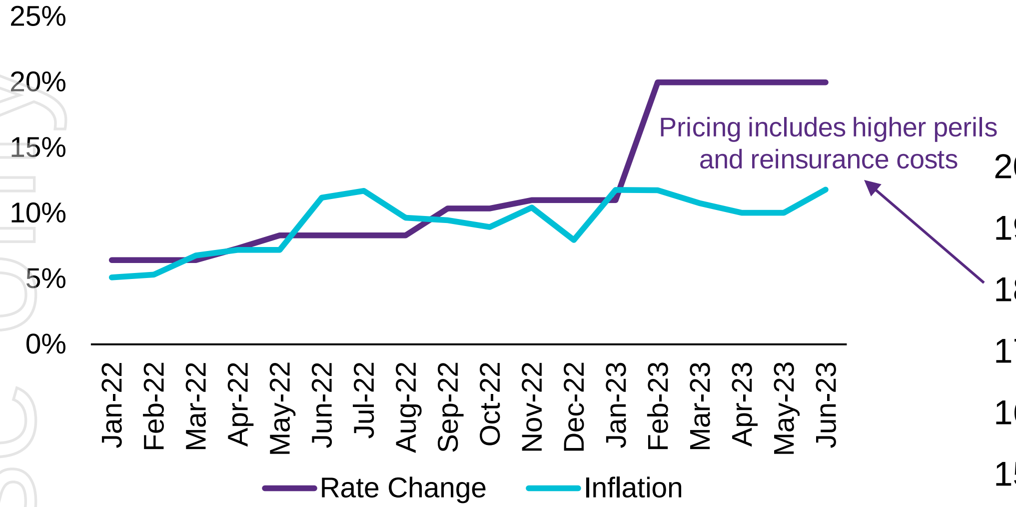
Nick Hawkins

Chief Executive Officer

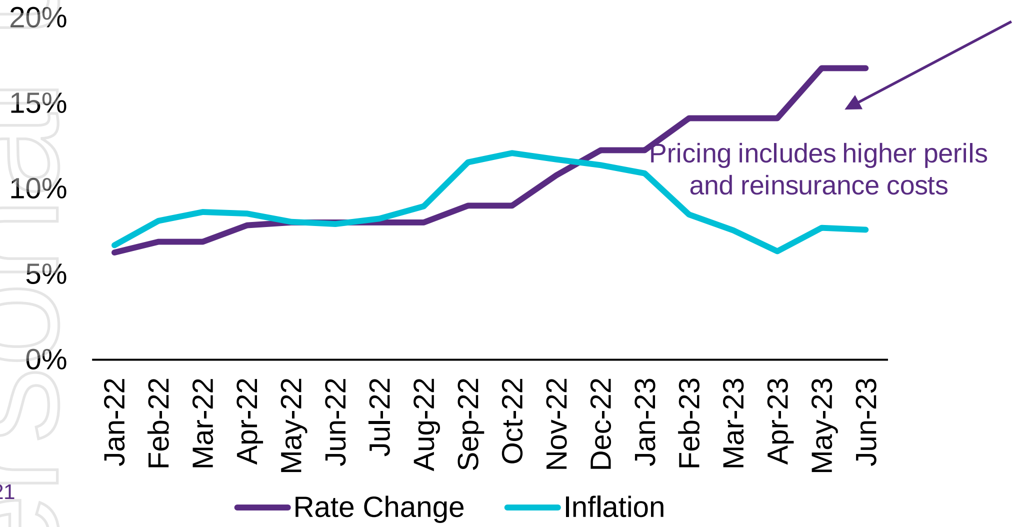
Closing

Premium increases driven by inflation, perils and reinsurance

DIA Home inflation (non-perils) & premium increases

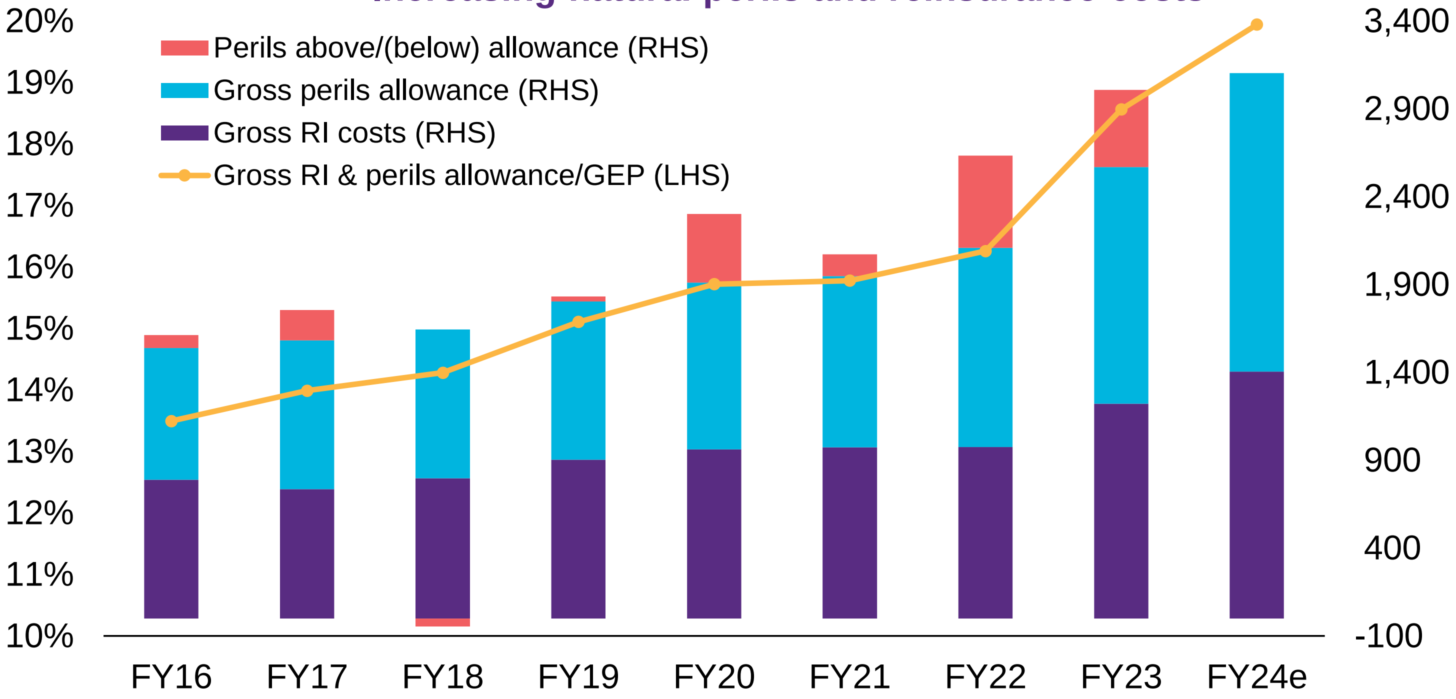


DIA Motor claims inflation & premium increases



Note: 6 month rolling inflation with home excluding fire losses

Increasing natural perils and reinsurance costs



FY24 strategic focus

Purpose | We make your world a safer place

Strategy | Create a stronger, more resilient IAG

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

Strategic Pillars	Focus
Grow with our customers	Net direct customer growth with progress towards one million goal Strong retention rates across Australia and New Zealand
Build better businesses	IIA insurance profit of at least $250m in FY24 Disciplined cost management delivering reduction in admin ratio On track for goal of $400m in FY26 claims and supply chain efficiencies
Create value through digital	Enterprise Platform rollout in NSW, ACT, Qld and NZ delivering customer and financial benefits Commercial Enablement technology program commenced Increase customer interaction via digital channels
Manage our risks	Ongoing uplift in risk maturity

FY24 guidance[1]

GWP growth of 'low double digit'

Reported insurance margin of 13.5% to 15.5%

	%	$
FY23 Reported margin/insurance profit	**9.6**	**803m**
FY23 Underlying margin/insurance profit	**12.6**	**1,052m**
FY24 Underlying insurance margin drivers • Net Earned Premium growth • Ongoing claims inflation • Higher investment income • Increase in perils allowance to $1,147m		
FY24 Reported margin/insurance profit	**13.5 to 15.5**	**1,200m to 1,450m**

[1] **Full details on IAG Guidance, Goals and Ambitions, including assumptions and dependencies, outlined in Appendix 1**

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Appendix 1: 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 presentation for further detail.