

Appendix 4D (ASX Listing Rule 4.2A)

Insurance Australia Group Limited
ABN 60 090 739 923

Half year report for the period ended 31 December 2023

Results for announcement to the market

	31 December 2023 \$m	Restated 31 December 2022 \$m	Change		
				\$m	% ¹
Revenue from ordinary activities	8,685	7,521	Up	1,164	15.5%
Net profit/(loss) after tax from ordinary activities attributable to shareholders of the Parent	407	489	Down	(82)	(16.8%)
Net profit/(loss) attributable to shareholders of the Parent	407	489	Down	(82)	(16.8%)

1 The percentage change is calculated by dividing the movement between the current and prior periods with the prior period amount and multiplying the result by 100.

Dividends – ordinary shares	Amount per security	Franked amount per security
2023 Final dividend	9.0 cents	2.7 cents
2024 Interim dividend	10.0 cents	4.0 cents

Interim dividend date	
Record date	22 February 2024
Payment date	27 March 2024

Insurance Australia Group Limited's (Company or Parent) Dividend Reinvestment Plan (DRP) will operate likely by acquiring shares on-market with no discount applied. The last date for the receipt of an election notice for participation in the Company's DRP is 23 February 2024. The DRP Issue Price will be based on a volume-weighted average price for a 7-day trading window from 7 March 2024 to 15 March 2024 inclusive.

Eligible shareholders may now lodge their DRP elections electronically by logging on to IAG's share registry, Computershare, on their website at www.computershare.com.au

This Appendix 4D for the half year ended 31 December 2023 is filed with the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A. Additional Appendix 4D disclosure requirements can be found in the half year financial report of Insurance Australia Group Limited for the period ended 31 December 2023 (Attachment A). This report is also to be read in conjunction with the Annual Report of Insurance Australia Group Limited for the year ended 30 June 2023 and any public announcements made by Insurance Australia Group Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules. Information presented for the previous corresponding period is for the half year ended 31 December 2022 (unless otherwise stated). This report is based on the consolidated half year financial statements which have been reviewed by KPMG.

Attachment A

Insurance Australia Group Limited

ABN 60 090 739 923

Insurance Australia Group Limited

Half year report for the period ended 31 December 2023

Insurance Australia Group Limited
ABN 60 090 739 923

Financial report

For the half year ended 31 December 2023

Disclaimer

This report contains forward-looking statements, opinions and estimates. Such statements involve risks, uncertainties and assumptions, many of which are beyond IAG's control. This may cause actual results to differ materially from those expressed or implied in those statements and, consequently, undue reliance should not be placed on those statements. Please refer to page 46 for IAG's full disclaimer in relation to forward-looking statements and other representations.

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Directors' report

The Directors present their report together with the consolidated financial report of Insurance Australia Group Limited and its subsidiaries and the Auditor's Report for the half year ended 31 December 2023 (1H24). This report covers the reporting period 1 July 2023 to 31 December 2023 and where appropriate, references events that have occurred since the end of this period, but before publication.

The following terminology is used throughout this report:

- Company or Parent – Insurance Australia Group Limited; and
- IAG or Group – the consolidated group consists of Insurance Australia Group Limited and its subsidiaries.

Directors of Insurance Australia Group Limited

The names and details of the Company's Directors in office at any time during, or since the end of, the half year are set out below. Directors were in office for the entire period unless otherwise stated.

Name	
Independent Non-Executive	
Thomas (Tom) W Pockett	Director since 1 January 2015, Chair since 22 October 2021
Simon C Allen	Director since 12 November 2019
David H Armstrong	Director since 1 September 2021
Jonathan (Jon) B Nicholson	Director since 1 September 2015
Helen M Nugent AC	Director since 23 December 2016
Scott J Pickering	Director since 1 November 2021
George D Sartorel	Director since 1 September 2021
George Savvides AM	Director since 12 June 2019
Wendy Thorpe	Director since 1 July 2023
Michelle K Tredenick	Director since 13 March 2018
Executive	
Nicholas (Nick) B Hawkins	Managing Director and Chief Executive Officer since 2 November 2020

Directors' report

Principal activity

The principal continuing activity of IAG is the underwriting of general insurance risks and investment management.

IAG is the largest general insurance company in Australia and New Zealand, selling insurance through a suite of brands. In Australia, IAG is a leading personal lines insurer, offering short-tail products across the country, as well as long-tail offerings. IAG also sells a range of commercial insurance products across Australia, with an emphasis on small to medium sized enterprises and a leading market share in rural areas. In Australia, the operations are separated into two distinct divisions, being Direct Insurance Australia (DIA) and Intermediated Insurance Australia (IIA). In New Zealand, IAG is the leading general insurance provider across both the direct and intermediated insurance channels. All of these divisions benefit from access to a variety of distribution channels and an array of leading and well established brands.

The Group reports its financial information under the following business division headings:

Division	Overview	Products
Direct Insurance Australia 45% of Group insurance revenue	Personal lines general insurance products, and some commercial lines, are sold directly to customers through a range of distribution channels, such as branches, call centres and online, under the following brands: <ul style="list-style-type: none"> • NRMA Insurance, Australia wide (excluding Victoria); • RACV in Victoria, via a distribution relationship and underwriting joint venture with RACV; • SGIO in Western Australia, which completed its transition to NRMA Insurance in January 2024; • SGIC in South Australia, which completed its transition to NRMA Insurance in January 2024; • CGU Insurance (in NSW, ACT, VIC and QLD); and • ROLLIN' Insurance. The division also includes travel insurance and income protection products which are underwritten by third parties.	Short-tail insurance: <ul style="list-style-type: none"> • Motor vehicle • Home and contents • Lifestyle and leisure, such as boat, veteran and classic car and caravan • Business packages • Farm • Commercial motor Long-tail insurance: <ul style="list-style-type: none"> • Professional indemnity • Compulsory Third Party (motor injury liability)
Intermediated Insurance Australia 32% of Group insurance revenue	Commercial lines general insurance products, and some personal lines, are provided through a network of intermediaries, such as brokers, agents, authorised representatives and partners, including under the following brands: <ul style="list-style-type: none"> • CGU Insurance; • WFI; and • Coles Insurance, via a distribution agreement with Coles. 	Short-tail insurance: <ul style="list-style-type: none"> • Motor vehicle • Home and contents • Lifestyle and leisure, such as boat and caravan • Travel • Business packages • Farm and crop • Commercial property • Construction and engineering • Commercial motor and fleet motor Long-tail insurance: <ul style="list-style-type: none"> • Workers' compensation • Professional indemnity • Directors' and officers' • Public and products liability
New Zealand 23% of Group insurance revenue	Personal lines and commercial lines general insurance products are provided directly to customers, primarily under the State and AMI brands, and indirectly through insurance brokers and agents, under the NZI and Lumley Insurance brands. General insurance products are also distributed under third party brands by IAG's corporate partners, including large financial institutions.	Short-tail insurance: <ul style="list-style-type: none"> • Motor vehicle • Home and contents • Commercial property, motor and fleet motor • Construction and engineering • Niche insurance such as pleasure craft, boat and caravan • Rural • Marine Long-tail insurance: <ul style="list-style-type: none"> • Professional indemnity • Commercial liability
Corporate and other	Corporate and other comprises other activities, including corporate services, capital management activity, shareholders' funds activities, inward reinsurance from associates, investment in associates, and other businesses that offer products and services that are adjacent to IAG's insurance business.	

Operating and financial review

The discussion of operating performance in the operating and financial review section of this report is presented on a management reported basis unless otherwise stated.

IAG's 1H24 reported profit and insurance profit are the same under the statutory and management basis. Similarly, the segment insurance profit for DIA, IIA and NZ in Note 1.3 prepared on a statutory basis is the same for management reporting purposes. However, the management reported results differ in some respects from the statutory results. Notably, IAG adopted *AASB 17 Insurance Contracts (AASB 17)* from 1 July 2023, which has resulted in both the re-presentation and remeasurement of components of its statement of comprehensive income (statutory result). The impacts of the adoption of *AASB 17* are detailed in Note 1.2.

To assist in the transition to *AASB 17*, IAG has presented its management results using financial concepts such as Net Earned Premium and Insurance Margin that have

been previously used and are well understood. IAG intends to transition its management view to an *AASB 17* presentation format in future reporting periods as internal and external users become more familiar with *AASB 17* concepts.

Reconciliations between the management and statutory reporting formats are provided in this section. The management reporting format is non-IFRS financial information and the guidance provided in Australian Securities and Investments Commission (ASIC) Regulatory Guide 230 'Disclosing non-IFRS financial information' has been followed. Non-IFRS financial information has not been reviewed by the external auditor but has been sourced from the financial reports.

Reconciliation between the 1H24 statutory result (IFRS) to 1H24 management result (non-IFRS)

The 1H24 statutory result has been re-presented as a management view in a format that has been previously disclosed and is well understood by users of IAG's financial information. The management result of profit before income tax (PBT) of \$654 million is unchanged from the statutory result.

The re-presentation of the line items is outlined in a further reconciliation on page 7 and includes an adjustment for reinsurance cash flows not contingent on claims.

Cash flows that are not contingent on claims exist within all of IAG's quota share arrangements by way of profit, exchange and override reinsurance commission clauses.

These amounts represent the amount that IAG expects to receive in all circumstances, regardless of whether an insured event occurs, and in respect of the quota share arrangements has been calculated as the total commission that would be received if no claims were incurred, spread over the life of the contract (given this will be the minimum amount IAG will receive in all circumstances, either by way of a commission or by claims recoveries).

Any claims in excess of this total commission point are considered contingent on claims as they would only be received back depending on the claims experience, i.e. not in all circumstances). These amounts (\$2,011 million) are now presented in the 'reinsurance held expense' line item in the statement of comprehensive income.

As at 31 December 2023	Statutory result IFRS \$m	Reclass- ification \$m	Reinsurance cashflows \$m	Management result Non-IFRS ¹ \$m
Insurance revenue	7,552	(7,550)	(2)	-
Insurance service expense	(6,516)	6,514	2	-
Reinsurance held expense	(1,043)	3,054	(2,011)	-
Reinsurance held income	462	(1,809)	1,347	-
Insurance service result	455	209	(664)	-
Insurance finance income/(expense)	(269)	269	-	-
Reinsurance finance income/(expense)	138	(138)	-	-
Insurance operating result	324	340	(664)	-
Analysed as:				
Gross written premium	-	7,947	-	7,947
Gross earned premium	-	7,550	-	7,550
Reinsurance expense	-	(3,054)	-	(3,054)
Net earned premium	-	4,496	-	4,496
Net claims expense	-	(3,108)	-	(3,108)
Commission expense	-	(629)	211	(418)
Administration expense	-	(1,099)	453	(646)
Underwriting profit/(loss)	-	(340)	664	324
Investment income on technical reserves	290	-	-	290
Insurance profit	614	-	-	614
Net corporate expense	(7)	-	-	(7)
Net other operating income/(expense)	47	-	-	47
Profit/(loss) before income tax	654	-	-	654
Income tax expense	(201)	-	-	(201)
Profit/(loss) after income tax	453	-	-	453
Non-controlling interests	(46)	-	-	(46)
Profit/(loss) attributable to IAG shareholders	407	-	-	407

1 Represents the IFRS17 results reclassified to be consistent with the management presentational basis.

Directors' report

1H23 statutory result to 1H23 management result reconciliation

The comparative period for the half year ended 31 December 2022 (1H23) statutory result has been restated to reflect the adoption of AASB 17 and reconciled back to the reported 1H23 management result. The 1H23 management result has not been restated to reflect AASB 17 adjustments as these do not reflect management decision making at the time. Additionally, the AASB 17 adjustments were relatively immaterial with the FY23 net profit after tax (NPAT) of \$825 million increasing by only \$7 million to \$832 million. In 1H23, the non-restated management PBT of \$687 million was \$32 million lower than the restated statutory profit PBT of \$719 million.

The statutory result has been re-presented as a management view, and fully reconciled back to the non-restated 1H23 management view by removing AASB 17 measurement impacts and including management adjustments to reflect the fact that some items concerned are not expected to be a feature of IAG's future earnings profile. The re-presentation of the line items is outlined below and includes an adjustment for reinsurance cash flows not contingent on claims. As outlined, this remapping adjustment totals \$1.67 billion.

As previously disclosed, IAG's 1H23 management result was impacted by the provision for business interruption claims. IAG's results for the comparative period contain a release in the provision for business

interruption related claims. The High Court of Australia (HCA) on Friday 14 October 2022 denied 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 HCA's decision in relation to the special leave applications resulted in the Group reducing the net provision by \$360 million. As the provision was not expected to be a feature of the Group's sustainable earnings profile and to ensure consistency of key insurance reporting metrics, the \$360 million provision reduction was shown in the 'Net corporate expense' line. This view is consistent with the approach adopted in IAG's Investor Report for the half year period ended 31 December 2022.

	Statutory result (re-stated)	Reclass- ification	Reinsurance cashflows	Statutory result (re-presented) ¹	Remove AASB 17 re- measurement	Statutory result (non re-stated)	BI provision reclass- ification	Management result
	IFRS \$m	\$m	\$m	Non-IFRS \$m	\$m	Non-IFRS \$m	\$m	Non-IFRS \$m
As at 31 December 2022								
Insurance revenue	6,853	(6,853)	-	-	-	-	-	-
Insurance service expense	(5,498)	5,498	-	-	-	-	-	-
Reinsurance held expense	(1,070)	2,740	(1,670)	-	-	-	-	-
Reinsurance held income	404	(1,476)	1,072	-	-	-	-	-
Insurance service result	689	(91)	(598)	-	-	-	-	-
Insurance finance income/(expense)	(47)	47	-	-	-	-	-	-
Reinsurance finance income/(expense)	10	(10)	-	-	-	-	-	-
Insurance operating result	652	(54)	(598)	-	-	-	-	-
Analysed as:								
Gross written premium	-	7,061	-	7,061	-	7,061	-	7,061
Gross earned premium	-	6,853	-	6,853	-	6,853	-	6,853
Reinsurance expense	-	(2,740)	-	(2,740)	-	(2,740)	-	(2,740)
Net earned premium	-	4,113	-	4,113	-	4,113	-	4,113
Net claims expense	-	(2,520)	-	(2,520)	(31)	(2,551)	(360)	(2,911)
Commission expense	-	(550)	184	(366)	-	(366)	-	(366)
Administration expense	-	(989)	414	(575)	-	(575)	-	(575)
Underwriting profit/(loss)	-	54	598	652	(31)	621	(360)	261
Investment income on technical reserves	89	-	-	89	-	89	-	89
Insurance profit	741	-	-	741	(31)	710	(360)	350
Net corporate expense	(7)	-	-	(7)	-	(7)	360	353
Net other operating income/(expense)	(15)	-	-	(15)	(1)	(16)	-	(16)
Profit/(loss) before income tax	719	-	-	719	(32)	687	-	687
Income tax expense	(223)	-	-	(223)	10	(213)	-	(213)
Profit/(loss) after income tax	496	-	-	496	(22)	474	-	474
Non-controlling interests	(7)	-	-	(7)	1	(6)	-	(6)
Profit/(loss) attributable to IAG shareholders	489	-	-	489	(21)	468	-	468

1 Represents the IFRS17 results reclassified to be consistent with the management presentational basis.

Additionally, a reconciliation of the re-presentation from Management to Statutory view has been provided below to assist the users of the financial statements in understanding the remapping impact of AASB 17 adoption.

For the half year ended 31 December	Net earned premium		Net claims expense		Commission expense		Administration expense		Investment income ¹		Statutory Total	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Insurance revenue	7,550	6,853	2	-	-	-	-	-	-	-	7,552	6,853
Insurance service expense	-	-	(4,788)	(3,959)	(629)	(550)	(1,099)	(989)	-	-	(6,516)	(5,498)
Reinsurance held expense	(3,054)	(2,740)	2,011	1,670	-	-	-	-	-	-	(1,043)	(1,070)
Reinsurance held income	-	-	(202)	(194)	211	184	453	414	-	-	462	404
Insurance service result	4,496	4,113	(2,977)	(2,483)	(418)	(366)	(646)	(575)	-	-	455	689
Net Insurance finance income/(expense)	-	-	(131)	(37)	-	-	-	-	-	-	(131)	(37)
Insurance operating result	4,496	4,113	(3,108)	(2,520)	(418)	(366)	(646)	(575)	-	-	324	652
Investment income ¹	-	-	-	-	-	-	-	-	290	89	290	89
Insurance profit	4,496	4,113	(3,108)	(2,520)	(418)	(366)	(646)	(575)	290	89	614	741

1 On assets backing insurance liabilities, net of expenses.

Analysis of 1H24 Management Result

Key results	1H23 \$m	2H23 \$m	1H24 \$m	1H24 vs 1H23 \$m
Net profit/(loss) after tax	468	364	407	-13%
Insurance profit	350	453	614	+75.4%
Gross written premium (GWP)	7,061	7,668	7,947	+12.5%
Net earned premium (NEP)	4,113	4,213	4,496	+9.3%
Reported insurance margin	8.5%	10.8%	13.7%	+520bps
Underlying insurance margin	10.7%	14.6%	13.7%	+300bps
Earnings per share (cents per share)	19.02	14.86	16.77	-11.8%
Diluted earnings per share (cents per share)	17.62	14.03	16.21	-8.0%
Return on equity (ROE)	14.7%	11.0%	12.2%	-250bps
Cash earnings	223	229	415	+86.1%
Cash earnings per share (cents per share)	9.07	9.35	17.10	+88.5%
Diluted cash earnings per share (cents per share)	8.92	9.34	16.50	+85.0%
Cash return on equity (ROE)	7.0%	6.9%	12.4%	+540bps
Dividend (cents per share)	6.0	9.0	10.0	+66.7%
Prescribed Capital Amount (PCA) multiple	2.01	1.92	2.07	+6pts
Common Equity Tier 1 Capital (CET 1) multiple	1.11	1.12	1.16	+5pts

The Group's profit after tax for the half year was \$407 million (1H23: \$468 million). This result was impacted by:

- a \$264 million increase in pre-tax insurance profit to \$614 million (1H23: \$350 million), driven by a 9.3% increase in net earned premiums and an improvement in the underlying insurance margin;
- an absence of a release from the provision for business interruption claims recorded under net corporate expense, compared with a release in 1H23 (\$360 million pre tax); and
- a significantly higher investment income on shareholders' funds of \$147 million (1H23: income of \$72 million).

The insurance profit was \$614 million (1H23: \$350 million) which equates to a reported insurance margin of 13.7% (1H23: 8.5%). The reported insurance profit included favourable net natural perils experience of \$28 million, a net strengthening of prior year reserves of \$59 million and a \$31 million positive impact from the narrowing of credit spreads.

The underlying insurance margin of 13.7% was higher than the prior corresponding half year (1H23: 10.7%). This reflects a combination of influences including the earn-through of rate increases and a higher investment yield on technical reserves, partially offset by an increase in the natural peril allowance.

Directors' report

Premiums

The Group's reported 1H24 GWP of \$7,947 million increased by 12.5% on the prior corresponding period (1H23: \$7,061 million). Divisional premium trends are as follows:

Direct Insurance Australia (DIA)

Growth of 13.3% to \$3,647 million (1H23: \$3,219 million) was achieved in DIA comprising:

- Personal short-tail GWP of \$3,163 million grew 14.8%, driven by rate increases to address claims inflation, an increased natural perils allowance and higher reinsurance costs.
 - Motor GWP increased by 14% to \$1,772 million and was largely rate-driven, with volumes broadly flat. Retention rates remain close to 90% across major states.
 - Home GWP increased by 16% to \$1,307 million, with mid-teen rate growth partially offset by lower new business volumes. Retention rates remain strong at above 90%. Emergency Services Levies collections were ~\$10 million higher than 1H23.
- Long-tail (CTP) GWP increased by 2.0% to \$361 million, predominately driven by volume growth in NSW and South Australia. Higher average premiums in NSW were offset by lower average premiums in ACT and South Australia.
- Continued disciplined execution of the Direct SME growth strategy has resulted in GWP growth of 11.8% to \$123 million. This has been driven by an uplift in NRMA Insurance new business volume growth through digital channels of over 30% and improved pricing sophistication has ensured acquisition and retention activity is aligned to target industry segments.

Intermediated Insurance Australia (IIA)

Growth of 5.8% to \$2,436 million (1H23: \$2,303 million) was achieved in IIA comprising:

- Commercial short-tail GWP saw growth of 3.1%, with low double digit average rate increases being offset by lower volumes. Volume growth was achieved in agencies, however this was more than offset by reductions in country and business packages following specific rating and portfolio actions.
- Commercial long-tail GWP declined by 6.8% following underwriting actions in professional risks and liability portfolios, more than offsetting growth in the workers' compensation portfolio.
- Personal lines GWP grew by 22.8%, including ~\$100 million of premium associated with the new distribution partnership with ANZ for home, landlord and motor insurance products for ANZ's customers. Strong double-digit rate increases across home and motor policies resulted in a reduction in new business volumes and lower retention rates.

IIA continues active portfolio management and will continue to remediate underperforming portfolios.

New Zealand

Growth of 21.1% to \$1,864 million (1H23: \$1,539 million) was achieved in New Zealand. In local currency terms, GWP grew by 18.8% to NZ\$2,015 million mainly driven by rate increases to address claims inflation, an increase in the natural perils allowance, and higher reinsurance costs. Excluding the impact of premium processing changes in the Business and Bank Partners channels from periodic to annual renewals, local currency growth of ~16% was achieved comprising:

- Business local currency GWP saw growth of 13.5%. Underlying local currency GWP growth was ~12% after removing the impact of premium processing changes.
 - Strong overall rate increases contributed to premium growth across commercial property and commercial motor portfolios, with the former also seeing an uplift in insured values. This was partially offset by some volume loss as the business continues to reinforce disciplined underwriting and appropriately price for risk.
 - Personal lines experienced strong GWP growth driven by higher rates, partly offset by lower volumes with retention down on prior year levels.
- Direct local currency GWP grew by 21.5%.
 - All key personal lines portfolios experienced strong GWP growth through rate increases, partially offset by lower volumes. Nearly 30% average premium increases were achieved in the home portfolios through a mix of rate increases and an uplift in sum insured values.
 - Private motor saw rate increases of ~20% and while volumes declined modestly, new business levels have improved on 1H23.
- The bank partner distribution channel local currency GWP experienced growth of 28.4%. After removing the impact of premium processing changes, underlying local currency GWP growth was nearly 15%. Key personal lines products experienced solid growth driven by higher rates in excess of 20%, partially offset by lower volumes. Home contents retention levels and new business growth across the key personal lines portfolios has improved compared to 1H23.

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.

	1H23	2H23	1H24
Insurance margin impacts – Group	\$m	\$m	\$m
Reported insurance profit	350	453	614
Reserve (releases)/strengthening	27	(17)	(5)
Prior year natural perils	21	6	64
Current year natural perils	524	682	521
Natural peril allowance	(454)	(455)	(549)
Credit spreads	(29)	(56)	(31)
Underlying insurance profit	439	613	614
Reported insurance margin	8.5%	10.8%	13.7%
Reserve (releases)/strengthening	0.7%	(0.4%)	(0.1%)
Prior year natural perils	0.5%	0.1%	1.4%
Current year natural perils	12.7%	16.2%	11.6%
Natural peril allowance	(11.0%)	(10.8%)	(12.2%)
Credit spreads	(0.7%)	(1.3%)	(0.7%)
Underlying insurance margin	10.7%	14.6%	13.7%

The increase in underlying margin from 10.7% in 1H23 to 13.7% in 1H24 reflects a combination of influences.

On the positive side, this included:

- an increase in the underlying investment yield on technical reserves to 5.9% (1H23: 3.7%); and
- a 260bps decrease in the underlying claims ratio due to the earn-through of rate increases.

These positive factors were partially offset by:

- an approximately 120bps impact from the increase in the natural perils allowance from \$454 million to \$549 million. The revised natural perils allowance for FY24 of \$1,098 million reflects IAG entering the Cyclone Reinsurance Pool and additional reinsurance coverage. The revised natural perils allowance has no impact on the FY24 underlying margin as there is a corresponding increase in reinsurance costs.
- an increase in the expense ratio of 80bps.

The 1H24 reported insurance profit of \$614 million, equated to a 13.7% reported insurance margin (1H23: 8.5%). In addition to the underlying margin influences outlined above, this included:

- favourable net natural perils experience of \$28 million in 1H24, compared to unfavourable experience of \$70 million in 1H23;
- a \$59 million impact from strengthening prior year reserves, compared to a strengthening of \$48 million in 1H23; and
- a favourable impact from the narrowing of credit spreads of \$31 million (1H23: \$29 million).

Divisional insurance margins

	1H23	2H23	1H24
Divisional insurance margins	\$m	\$m	\$m
Direct Insurance Australia			
Insurance profit	167	384	248
Underlying insurance profit	247	351	333
Reported insurance margin	8.9%	20.0%	11.9%
Underlying insurance margin	13.2%	18.2%	15.9%
Intermediated Insurance Australia			
Insurance profit	49	160	162
Underlying insurance profit	76	133	135
Reported insurance margin	3.6%	11.8%	11.4%
Underlying insurance margin	5.7%	9.8%	9.5%
New Zealand			
Insurance profit	136	(92)	204
Underlying insurance profit	118	128	146
Reported insurance margin	15.2%	(9.9%)	20.8%
Underlying insurance margin	13.2%	13.8%	14.9%

Directors' report

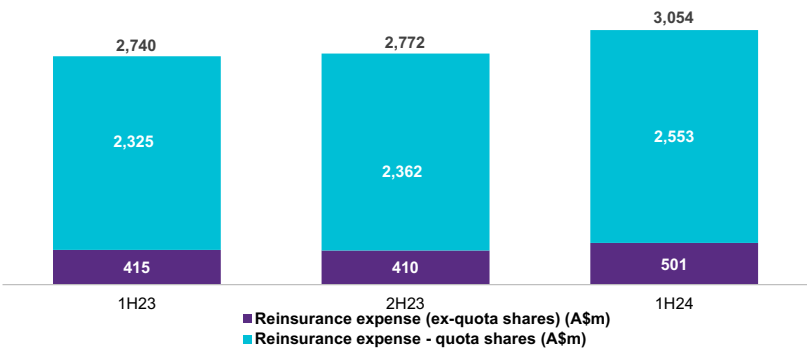
DIA reported an insurance profit of \$248 million in 1H24 (1H23: \$167 million) and a reported insurance margin of 11.9% (1H23: 8.9%). This included an improvement in the 1H24 underlying insurance margin supported by the earn-through of premium increases and higher investment returns. The reported margin was impacted by higher prior period reserve strengthening inclusive of perils mainly related to the Central Coast and Hunter (NSW) event in May 2023. This was due to an increase in third-party claims services driving more than expected late lodgements and higher proportion of total roof replacements at higher costs than originally predicted.

IIA delivered an insurance profit of \$162 million in 1H24 (1H23: \$49 million), driven by a higher underlying insurance margin of 9.5% relative to 5.7% in 1H23, as a result of an improved underlying claims ratio and higher investment income. The result also featured prior year net reserve releases and a minor benefit from credit spreads narrowing. The division is on track to deliver its insurance profit target of at least \$250 million in FY24.

New Zealand achieved an insurance profit of \$204 million in 1H24, compared to \$136 million in 1H23, translating to a reported insurance margin of 20.8% (1H23: 15.2%). This was driven by a materially lower perils outcome relative to allowance and a higher underlying margin of 14.9% (1H23: 13.2%), reflecting a combination of higher earned premium and higher investment income.

Reinsurance expense

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



Quota share-related reinsurance expense increased broadly in line with gross earned premium growth. Non-quota share reinsurance expense increased by 21.0% to \$501 million (1H23: \$415 million) reflecting growth in IAG's business and a hardening of the reinsurance market. In addition, in 1H24, reinsurance reinstatement costs of \$65 million were incurred following the New Zealand events earlier in the 2023 calendar year.

Claims

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 55.6% in 1H24, a significant decrease on the 58.2% in 1H23. This ratio excludes all prior year reserve releases or strengthening, natural perils costs and discount rate adjustments.

Immunised loss ratio – Group	1H23 \$m	2H23 \$m	1H24 \$m
Reported net claims expense	2,911	2,955	3,108
Discount rate adjustment	53	45	(28)
Reserving and perils effects	(572)	(671)	(580)
Immunised underlying net claims expense	2,392	2,329	2,500
Reported loss ratio	70.8%	70.1%	69.1%
Discount rate adjustment	1.3%	1.1%	(0.6%)
Reserving and peril effects	(13.9%)	(15.9%)	(12.9%)
Immunised underlying loss ratio	58.2%	55.3%	55.6%

Divisional underlying claims trends

Immunised loss ratio – Direct Insurance Australia	1H23 \$m	2H23 \$m	1H24 \$m
Reported net claims expense	1,443	1,300	1,605
Discount rate adjustment	18	15	(9)
Reserving and perils effects	(311)	(217)	(374)
Immunised underlying net claims expense	1,150	1,098	1,222
Reported loss ratio	77.0%	67.6%	76.8%
Discount rate adjustment	1.0%	0.7%	(0.4%)
Reserving and peril effects	(16.6%)	(11.2%)	(17.9%)
Immunised underlying loss ratio	61.4%	57.1%	58.5%

DIA's immunised underlying loss ratio was 58.5% in 1H24, a decrease on 61.4% in the prior year. This reflects the net effect of a few key factors:

- The timing impact of the earn-through of rate increases against the higher input costs. This improved in 1H24 as earned premium continued to increase;
- High single digit motor claims inflation, driven by increased repairer capacity in our motor repair model and the continued decline in second-hand vehicle prices leading to an improvement in total loss costs; and
- High single digit home claims inflation (excluding the impact of large fires), driven by increases in the price of both labour and materials.

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

Immunised loss ratio – Intermediated Insurance Australia	1H23 \$m	2H23 \$m	1H24 \$m
Reported net claims expense	916	834	933
Discount rate adjustment	29	29	(17)
Reserving and perils effects	(205)	(162)	(173)
Immunised underlying net claims expense	740	701	743
Reported loss ratio	68.0%	61.4%	65.5%
Discount rate adjustment	2.2%	2.1%	(1.2%)
Reserving and peril effects	(15.3%)	(11.9%)	(12.1%)
Immunised underlying loss ratio	54.9%	51.6%	52.2%

Directors' report

IIA's immunised underlying loss ratio was 52.2%, a 270bps improvement compared to 54.9% recorded in 1H23. The underlying claims performance included the net effect of various factors:

- Improvement in workers' compensation and professional risk through a combination of active portfolio management, claims initiatives and reduced claims frequency;
- Earn-through of rate increases and portfolio initiatives resulting in improved short-tail attritional loss ratios; partially offset by
- Adverse large loss experience.

	1H23	2H23	1H24
	\$m	\$m	\$m
Immunised loss ratio – New Zealand			
Reported net claims expense	551	822	570
Discount rate adjustment	6	1	(2)
Reserving and perils effects	(56)	(292)	(33)
Immunised underlying net claims expense	501	531	535
Reported loss ratio	61.7%	88.3%	58.1%
Discount rate adjustment	0.7%	0.1%	(0.2%)
Reserving and peril effects	(6.3%)	(31.4%)	(3.4%)
Immunised underlying loss ratio	56.1%	57.0%	54.5%

New Zealand experienced a lower immunised underlying loss ratio of 54.5% in 1H24 (1H23: 56.1%), featuring:

- Earn-through of rate increases and lower overall frequency levels; partially offset by
- High-single digit motor and home claims inflation driven by the price of parts and labour; and
- Higher large (greater than NZ\$100,000) claims, particularly in the home owner portfolio due to house fires.

Reserve releases/strengthening

Prior period reserve strengthening of \$59 million occurred in 1H24, an increase from \$48 million in 1H23. Adverse claim development in short-tail classes resulted from inflation-driven increases in claims settlement, particularly for prior period natural peril events. In addition, the net prior period reserve strengthening was reduced by \$35 million as a result of a reduction in the onerous contract liability as at 31 December 2023.

The net prior period reserve strengthening of \$59 million comprised \$78 million in DIA and releases of \$15 million in IIA and \$4 million in New Zealand.

Natural perils

Net natural perils claims costs in 1H24 were \$521 million (1H23: \$524 million). This was \$28 million below the allowance for the period, with the major events listed in the table below.

1H24 Net natural perils costs by event	\$m
Gympie/Maryborough giant hail, SA and South East NSW heavy rain and wind (November 2023)	71
South East Australia (Brisbane) active trough (December 2023)	27
Tropical cyclone Jasper (December 2023)	23
Canberra hail and NSW/QLD thunderstorms (December 2023)	31
NSW/QLD/VIC Christmas hail and thunderstorms (December 2023)	169
Other events (< AUD\$15m)	200
Total	521

The net cost of the NSW/QLD/VIC Christmas hail and thunderstorms event was at IAG's maximum event retention as a result of catastrophe reinsurance cover in place during December 2023. At 31 December 2023, the \$600 million (pre-quota share) deductible attached to the FY24 aggregate cover had been eroded by ~\$250 million as a result of 1H24 peril events.

Expenses

Administration expenses of \$646 million increased 12.3% predominantly due to additional technology investments and an increase in levies. The levies increase of 31% reflects a significant increase in the NSW gazetted Emergency Services Levy contribution target. The administration ratio increased from 14% in 1H23 to 14.4% in 1H24. On an ex-levies basis, the ratio increased to 12.2% in 1H24 (1H23: 12.1%).

Commission expenses of \$418 million increased 14.2% due to the top-line growth as well as inclusion of the ANZ portfolio in IIA as part of the new CGU Insurance and ANZ distribution partnership. The increase in the commission ratio to 9.3% in 1H24 (1H23: 8.9%) reflects this mix change.

This table reconciles administration expense and commission expense to gross administration expenses ex levies by removing quota share impacts.

Expenses	1H23 \$m	2H23 \$m	1H24 \$m	1H24 vs 1H23 Mvt
Administration expense	575	593	646	12.3%
Commission expense	366	394	418	14.2%
Total net expenses	941	987	1,064	13.1%
Reinsurance commission revenue	598	623	664	11.0%
Total gross expenses	1,539	1,610	1,728	12.3%
Gross commission expense	(550)	(591)	(629)	14.4%
Gross administration expenses	989	1,019	1,099	11.1%
Levies	(110)	(140)	(144)	30.9%
Gross administration expense ex levies	879	879	955	8.6%

Gross operating costs (excluding commissions and on a pre-quota share basis) were \$1,340 million in 1H24, 7.6% higher than \$1,245 million in 1H23. Gross operating costs represent the total controllable cost base across the Group and include underwriting expenses, claims handling costs and the expenses in IAG's fee-based businesses.

	1H23 \$m	2H23 \$m	1H24 \$m	1H24 vs 1H23 Mvt
Gross operating costs				
Gross administration expense ex levies	879	879	955	8.6%
Claims handling and fee-based expense	366	370	385	5.2%
Total gross operating costs	1,245	1,249	1,340	7.6%

The 7.6% increase in gross operating costs in 1H24 was a function of the broader inflationary environment. Included in the costs for the 1H24 period is depreciation and ongoing technology and system investment across IAG's Enterprise Platform as part of an ongoing program to transform IAG's capacity to meet the needs of customers and drive operational excellence. This includes investments in automation and artificial intelligence to unlock efficiencies central to reducing expenses. Other additional project impacts include the Commercial Enablement program, entry into the Cyclone Reinsurance Pool and additional costs relating to cyber and data security.

Net investment income/loss on assets backing insurance liabilities

Net investment income on technical reserves contributed \$290 million in 1H24 (1H23: \$89 million). Key components of the investment return in 1H24 were:

- an underlying yield of \$213 million representing an annualised return of approximately 5.9%;
- \$31 million in gains from a net narrowing in credit spreads; and
- a positive impact of \$46 million from the movement in risk free rates.

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

Directors' report

Net corporate expense

Net corporate expense was \$7 million in 1H24, compared to a \$353 million benefit in 1H23 which included the \$360 million reduction in the provision for business interruption related claims and a \$7 million adjustment to the net proceeds from the sale of AmGeneral Insurance Berhad in Malaysia.

The \$7 million in 1H24 primarily relates to a New Zealand lease impairment charge resulting from property optimisation.

Fee-based business

Fee-based business costs of \$12 million in 1H24 (1H23: \$14 million) reflect investment in new businesses aligned with IAG's strategy, focusing on advanced technologies, data asset capabilities, innovation and mobility initiatives, including:

- costs from the ongoing development of the Carbar digital car-trading platform business of approximately \$4 million;
- development costs for Cylo, a specialist underwriting agency dedicated to providing customisable cyber solutions, of approximately \$3 million; and
- a loss of approximately \$3 million from Motorserve's car servicing activities.

Net investment income on shareholders' funds

Net investment income on shareholders' funds was a profit of \$147 million in 1H24, compared to a profit of \$72 million in 1H23, reflecting:

- a return of \$123 million from fixed interest and cash (1H23: \$45 million);
- a return of \$28 million from equities (1H23: \$30 million);
- a return of \$22 million from alternatives (1H23: \$3 million loss); and
- a decline of \$26 million largely attributable to the fair value movement of the ventures fund.

At 31 December 2023, the weighting to defensive assets (fixed interest and cash) in the shareholders' funds was 76%, compared to 72% at 30 June 2023.

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 companies are not acting to improve) as well as encourage investment in companies that are providing solutions to sustainability challenges (within certain parameters).

Tax expense

IAG reported a tax expense of \$201 million in 1H24, a decrease on the \$213 million in 1H23 due to the reduction in pre-tax earnings. IAG's effective tax rate (pre-amortisation and impairment) was approximately 31%. The difference between the effective tax rate and the Australian corporate rate of 30% is predominantly due to the non-deductible impact of capital note payments.

Non-controlling interests

Profit after tax attributable to non-controlling interests in 1H24 was \$46 million (1H23: \$6 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. IMA posted a higher profit in 1H24 owing to higher underlying profitability, which contributed to DIA's reported insurance margin increasing to 11.9% in 1H24 from 8.9% in 1H23.

Acquired intangible amortisation and impairment

A modest amortisation and impairment expense of \$3 million was recorded in 1H24 compared to \$2 million in 1H23.

Net profit/(loss) after tax and earnings per share (EPS)

Net profit after tax of \$407 million (1H23: \$468 million) represents a basic EPS of 16.77 cents (1H23: 19.02 cents) and diluted EPS of 16.21 cents (1H23: 17.62 cents).

Cash EPS in 1H24 was 17.10 cents (1H23: 9.07 cents). Diluted cash EPS in 1H24 was 16.50 cents (1H23: 8.92 cents).

Diluted EPS calculations were based on 2,820 million shares, which includes the 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. The buy-back completed in December 2023 and resulted in 63.5 million shares bought back.

Cash earnings of \$415 million are up 86% (1H23: \$223 million). Cash earnings reflect the Net Profit After Tax adjusted for acquired intangible assets and unusual items. Unusual items in 1H24 primarily relates to the New Zealand lease impairment charge.

Cash earnings	1H24 \$m
Net profit after tax	407
Acquired intangible amortisation and impairment	3
Net corporate expense	7
Tax effect on corporate expenses	(2)
Cash earnings	415

Additional matters

Provision for potential business interruption claims

The provision for business interruption claims associated with COVID-19 was \$384 million at 31 December 2023 (30 June 2023: \$397 million restated on an AASB 17 basis reflecting a \$3 million reduction from the AASB 1023 General Insurance Contracts basis). The \$13 million reduction in the provision since 30 June 2023 is primarily due to claims payments made during the period. As further information becomes available, IAG will review the provision and make adjustments accordingly.

Insurance Australia Limited (IAL) continues to process existing and new business interruption claims and defend a class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies. Further details regarding the provision are contained in Note 2.2.3.

Trade Credit and Greensill

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 IAG 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 2.2.3.

Review of financial condition

A. Financial position

The total assets of the Group as at 31 December 2023 were \$24,956 million compared to \$25,087 million as at 30 June 2023. Movements within the overall net decrease in assets of \$131 million include:

- a decrease of \$493 million in reinsurance contract held assets, driven by a decrease in reinsurance recoveries with no new catastrophe events eligible for recoveries from the Group catastrophe program;
- a decrease of \$255 million in trade and other receivables, predominantly made up of a decrease in investment-related receivables;
- an increase in investments of \$532 million associated with net proceeds from the issuance of subordinated notes in November 2023, positive returns delivered from the investment portfolio, partially offset by payment of dividends and the impact of the on-market share buy-back over the period; and
- an increase of \$96 million in cash for operational purposes associated with net cash generated from operating activities during the period.

The total liabilities of the Group as at 31 December 2023 were \$17,922 million compared with \$18,030 million as at 30 June 2023. Movements within the overall net decrease in liabilities of \$108 million include:

- a \$307 million decrease in trade and other payables driven predominantly by a decrease in amounts owed to investment related creditors;
- a \$95 million decrease in insurance contract liabilities (refer to Note 2.2.1 for more details);
- a \$401 million increase in interest-bearing liabilities predominantly attributable to the issuance of \$400 million of subordinated notes in November 2023; and
- a \$61 million decrease in provisions mainly due to a reduction across employee benefits and continued settlements made associated with customer refunds matters.

IAG shareholders' equity (excluding non-controlling interests) decreased from \$6,653 million as at 30 June 2023 to \$6,633 million as at 31 December 2023, mainly reflecting the combined effect of:

- current half year net profit attributable to shareholders of \$407 million;

- payment of the final dividend of \$220 million declared in respect of the 2023 financial year; and
- the on-market share buy-back of \$228 million (including transaction costs).

B. Cash from operations

The net cash inflows from operating activities for the half year ended 31 December 2023 were \$805 million compared with \$289 million for the prior corresponding half year. The movement is mainly attributable to the net effect of:

- a \$675 million increase in reinsurance held recoveries received primarily due to the significant recoveries on prior period events and from higher main catastrophe recoveries period-on-period;
- a \$689 million increase in premiums received, largely reflecting the period-on-period premium growth; partially offset by
- a \$138 million increase in reinsurance held premium paid primarily driven by the increased amount ceded to whole-of-account quota share partners in line with GWP growth; and
- a \$739 million increase in claims and other expenses paid largely attributable to the settlement of claims of prior period events (Auckland Flooding and Cyclone Gabrielle).

C. Investments

The Group's investments at 31 December 2023 totalled \$12,354 million compared to \$11,822 million at 30 June 2023. The increase reflected the combined effect of:

- net proceeds from the issuance of \$400 million subordinated notes in November 2023;
- ~\$220 million dividend payment in September 2023; and
- operational and earnings changes in the period.

IAG's overall investment allocation is defensively positioned, with approximately 90% of total investments in fixed interest and cash as at 31 December 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 approximately 24% of shareholders' funds at 31 December 2023 (28% as at 30 June 2023).

D. Interest-bearing liabilities

IAG's interest-bearing liabilities stood at \$2,540 million at 31 December 2023, compared to \$2,139 million at 30 June 2023, with the increase reflecting the issue of \$400 million of subordinated notes in November 2023.

E. Capital mix and position

Under the Australian Prudential Regulation Authority's (APRA) Prudential Standards, IAG's Common Equity Tier 1 (CET1) capital was \$3,199 million (30 June 2023: \$2,955 million) and total regulatory capital was \$5,720 million (30 June 2023: \$5,073 million) at 31 December 2023. IAG has set the following related targeted benchmarks:

- a CET1 target range of 0.9 to 1.1 times the PCA, compared to a regulatory requirement of a minimum of 0.6 times; and
- a total capital position equivalent to 1.6 to 1.8 times the PCA, compared to a regulatory requirement of a minimum of 1.0 times.

During the current half year period, the Company issued \$400 million in new subordinated notes which qualify as Tier 2 Capital for regulatory capital purposes.

At 31 December 2023, IAG had a CET1 multiple of 1.16 (30 June 2023: 1.12) and a PCA multiple of 2.07 (30 June 2023: 1.92).

Given the strength of IAG's capital position, IAG announced an on-market share buy-back of up to \$200 million on 16 February 2024.

IAG's capital mix is driven by regulatory capital targets and, subject to market conditions, in 2H24 IAG may consider a new Additional Tier 1 regulatory capital issue to maintain regulatory capital at the Group's target PCA benchmark (1.6 to 1.8 times) over the longer term.

In December 2023, Standard & Poor's (S&P) upgraded the long-term financial strength and issuer credit ratings on IAG's core entities to 'AA' from 'AA-' based on its revised criteria for analysing insurers' risk-based capital. The issuer credit rating on the non-operating holding company, Insurance Australia Group Limited was upgraded to 'A+' from 'A'. The outlook on all entities is stable.

Directors' report

Strategy and risk management

A. Strategy

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

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

IAG's long term objective remains: the delivery of top quartile Total Shareholder Return, with a sustainable growth profile. To realise this, IAG has set its strategy to 'create a stronger, more resilient IAG'.

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

Grow with our customers

- IAG will grow as Australians and New Zealanders grow by delivering outstanding personalised service when customers need it most;

- IAG will focus the strength of its brands to meet the evolving needs of consumers and enable the next wave of growth in small businesses across Australia and New Zealand; and
- IAG will increase its customer reach to make the world safer for more Australians and New Zealanders.

Build better businesses

- IAG will help Australian and New Zealand businesses by continuing to focus on underwriting expertise, active portfolio management and pricing excellence; and
- IAG will evolve by investing in its core competencies, delivering consistent high quality returns to shareholders and enhancing its competitive advantage.

Create value through digital





- IAG will be digital to the core by creating connected customer experiences that seamlessly assist and reward customers as they unlock the value of IAG's network; and
- IAG will transform customer experience while modernising core platforms and using intelligent automation to capture value.

Manage our risks

- IAG will manage the risks in its own business so that it can continue to manage the risks in its customers' lives, by building a strong, active risk culture and meeting its obligations to the communities it serves;
- IAG will invest in process, capability, infrastructure and operational excellence to create a stable, scalable and efficient business; and
- IAG will continue to have a strong capital platform, ensuring its customers are appropriately supported by its financial strength.

IAG's strategy balances strengthening the fundamentals of insurance while evolving to be a digital leader and creating an organisation that is stronger, more resilient with increased customer reach.

Purpose	Strategy	People
We make your world a safer place	Create a stronger, more resilient IAG	Our people are the difference: bringing our purpose to life and delivering our strategy

Focus	Approach	Ambitions ¹
 Grow with our customers	Deliver outstanding personalised service when our customers need us the most	» <ul style="list-style-type: none">1m additional direct customers
 Build better businesses	Focus on underwriting expertise, active portfolio management and pricing excellence	» <ul style="list-style-type: none">\$250m IIA insurance profit in FY24Reducing expense ratio
 Create value through digital	Create connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	» <ul style="list-style-type: none">\$400m value from DIA claims and supply chain cost reductions on a run-rate basis from FY26Common core insurance platform for personal lines across Australia and NZ
 Manage our risks	Actively manage risk and capital in our business so we can continue to manage the risks in our customers' lives	» <ul style="list-style-type: none">Accelerate risk maturity to Integrated

¹ These 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 financial year guidance. Refer to the forward-looking statements and other representations disclaimer on page 46 of this report.

B. Business risk and risk management

IAG must take and effectively manage its risks to realise its purpose 'to make your world a safer place' and deliver on its strategic objectives 'to create a stronger, more resilient IAG'.

Details of IAG's overall Risk Management Framework, which is outlined in the Risk Management Strategy, is set out in Note 3.1 within the 30 June 2023 Annual Report and in the Corporate Governance Statement, which is available at www.iag.com.au.

Climate and ESG risk management

We have an important role, and responsibility, in helping to communicate, manage, and mitigate the evolving risks that individuals and communities face across Australia and New Zealand under the changing climate. By aligning climate and broader environment, social and governance (ESG) considerations with our strategic ambitions, we are helping to generate long-term value for our shareholders, customers and communities.

We welcome mandatory climate-related disclosures as an important step in driving action to respond to climate risks and opportunities. Having aligned our climate reporting to the recommendations of the Taskforce for Climate-related Financial Disclosures for the past few years, our preparations for mandatory disclosure are continuing to progress, supporting our readiness to meet the proposed Australian and current New Zealand standards.

Our ongoing climate and ESG performance is supported by public ESG commitments and our Social & Environmental Framework, Climate & Disaster Resilience Action Plan, Responsible Investment Policy, and Reconciliation Action Plan. These can be found at www.iag.com.au. For more details regarding IAG's climate-related risk management, see our Group and New Zealand-specific FY23 climate-related disclosures at www.iag.com.au/sustainability and www.iag.co.nz/sustainability.

FY24 Guidance and outlook

IAG's financial performance in the first six months of FY24 and confidence in the strength of its underlying business is reflected in FY24 guidance which remains:

- 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; and
- 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;
 - A revised natural peril expectation of \$1,098 million;
 - No material prior period reserve releases or strengthening for the second half of FY24; and
 - No material movement in macro-economic conditions including foreign exchange rates or investment markets.

Following the 13.7% reported insurance margin recorded in 1H24, which included the impact of prior period reserve development and additional reinsurance reinstatement costs, IAG expects an improved second half which will benefit from the earn-through of the strong GWP growth.

The FY24 guidance aligns to IAG's 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 forward looking statements and other representations disclaimer on page 46 of this report.

Dividends

The Board has determined to pay an interim dividend of 10 cents per share, franked to 40% (1H23: 6.0 cents per share, franked to 30%). The interim dividend equates to a payout ratio of 59% of 1H24 NPAT (1H23: 68% of 1H23 NPAT adjusted for the business interruption claim provision release).

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

As at 31 December 2023, and prior to the payment of the interim dividend, IAG had a \$321 million franking balance on a consolidated basis. The Company currently has \$43 million franking credits available for distribution.

Significant changes in state of affairs

During the half year, the following changes became effective:

- On 8 November 2023, the Company issued \$400 million of subordinated debt. The subordinated debt qualifies as Tier 2 Capital under the Australian Prudential Regulation Authority's capital adequacy framework for general insurers.

Directors' report

Events subsequent to reporting date

Detail of matters subsequent to the end of the half year are set out below and in Note 3.9.

- On 16 February 2024, the Board determined to pay a 40% franked interim dividend of 10 cents per share. The dividend will be paid on 27 March 2024. The dividend reinvestment plan will operate likely by acquiring shares on-market for participants with no discount applied.
- On 16 February 2024, IAG announced it would undertake an on-market share buy-back of up to \$200 million.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 19 and forms part of the Directors' Report for the half year ended 31 December 2023.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by ASIC. Amounts in the financial report and Directors' Report have been rounded to the nearest million dollars unless otherwise stated, in accordance with that instrument.

Signed at Sydney this 16th day of February 2024 in accordance with a resolution of the Directors.



Nick Hawkins
Director

Lead Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Insurance Australia Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Insurance Australia Group Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'B. Twining'.

KPMG

A handwritten signature in black ink, appearing to read 'B. Twining'.

Brendan Twining
Partner

Sydney
16 February 2024

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Consolidated financial statements

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Consolidated statement of comprehensive income

For the half year ended 31 December 2023

	Note	31 December 2023 \$m	Restated 31 December 2022 \$m
Insurance revenue	2.2.1	7,552	6,853
Insurance service expense	2.2.1	(6,516)	(5,498)
Reinsurance held expense	2.2.2	(1,043)	(1,070)
Reinsurance held income	2.2.2	462	404
Insurance service result		455	689
Insurance finance expense	2.2.1	(269)	(47)
Reinsurance finance income	2.2.2	138	10
Investment income on assets backing insurance liabilities, net of expenses	3.2	290	89
Insurance profit		614	741
Investment income on shareholders' funds, net of expenses	3.2	147	72
Fee and other income		83	81
Share of net profit of associates		-	(8)
Finance costs		(85)	(64)
Fee-based, corporate and other expenses		(105)	(103)
Profit before income tax		654	719
Income tax expense for the period		(201)	(223)
Profit for the period		453	496
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Net movement in foreign currency translation reserve, net of tax		11	47
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans, net of tax		2	10
Other comprehensive income, net of tax		13	57
Total comprehensive income for the period, net of tax		466	553
Profit for the period attributable to			
Shareholders of the Parent		407	489
Non-controlling interests		46	7
Profit for the period		453	496
Total comprehensive income for the period attributable to			
Shareholders of the Parent		420	546
Non-controlling interests		46	7
Total comprehensive income for the period, net of tax		466	553
Earnings per share			
Basic earnings per ordinary share	3.5	16.77	19.88
Diluted earnings per ordinary share	3.5	16.21	18.36

The above consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements. The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has restated the comparative period. The impacts of adoption of AASB 17 are detailed in Note 1.2.

Consolidated balance sheet

As at 31 December 2023

	Note	31 December 2023 \$m	Restated 30 June 2023 \$m
Assets			
Cash held for operational purposes		570	474
Investments	3.1	12,354	11,822
Reinsurance contract held assets	2.2.2	6,771	7,264
Trade and other receivables		264	519
Current tax assets		51	31
Deferred tax assets		512	657
Right-of-use assets		341	365
Property and equipment		238	226
Other assets		130	87
Investment in joint venture and associates		9	10
Goodwill and intangible assets		3,716	3,632
Total assets		24,956	25,087
Liabilities			
Trade and other payables		405	712
Current tax liabilities		2	33
Deferred tax liabilities		10	-
Insurance contract liabilities	2.2.1	14,139	14,234
Lease liabilities		473	497
Provisions		332	393
Other liabilities		21	22
Interest-bearing liabilities	3.3	2,540	2,139
Total liabilities		17,922	18,030
Net assets		7,034	7,057
Equity			
Share capital	3.4	7,036	7,264
Treasury shares held in trust		(7)	(21)
Reserves		52	45
Retained earnings		(448)	(635)
Parent interest		6,633	6,653
Non-controlling interests		401	404
Total equity		7,034	7,057

The above consolidated balance sheet should be read in conjunction with the notes to the financial statements. The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has restated the comparative period. The impacts of adoption of AASB 17 are detailed in Note 1.2.

Consolidated statement of changes in equity

For the half year ended 31 December 2023

	Share capital \$m	Treasury shares held in Trust \$m	Foreign currency translation reserve \$m	Share-based remuneration reserve \$m	Retained earnings \$m	Non-controlling interests \$m	Total equity \$m
Balance at 1 July 2023 (restated)	7,264	(21)	4	41	(635)	404	7,057
Profit for the period	-	-	-	-	407	46	453
Other comprehensive income/(expense)	-	-	11	-	2	-	13
Total comprehensive income/(loss) for the period	-	-	11	-	409	46	466
Transactions with owners in their capacity as owners							
On-market share buy-back, including transaction costs	(228)	-	-	-	-	-	(228)
Share-based remuneration	-	14	-	(4)	(2)	-	8
Dividends determined and paid	-	-	-	-	(220)	(49)	(269)
Balance at 31 December 2023	7,036	(7)	15	37	(448)	401	7,034
Balance at 1 July 2022	7,386	(24)	(27)	30	(1,202)	337	6,500
Adjustment on initial application of AASB 17, net of tax	-	-	-	-	10	4	14
Balance at 1 July 2022 (restated)	7,386	(24)	(27)	30	(1,192)	341	6,514
Profit for the period (restated)	-	-	-	-	489	7	496
Other comprehensive income/(expense) (restated)	-	-	47	-	10	-	57
Total comprehensive income/(loss) for the period (restated)	-	-	47	-	499	7	553
Transactions with owners in their capacity as owners							
On-market share buy-back, including transaction cost	(73)	-	-	-	-	-	(73)
Share-based remuneration	-	11	-	(5)	(4)	-	2
Dividends determined and paid	-	-	-	-	(123)	(18)	(141)
Balance at 31 December 2022 (restated)	7,313	(13)	20	25	(820)	330	6,855

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements. The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has restated the comparative period. The impacts of adoption of AASB 17 are detailed in Note 1.2.

Consolidated cash flow statement

For the half year ended 31 December 2023

	Note	31 December 2023 \$m	Restated 31 December 2022 \$m
Cash flows from operating activities			
Premium received	2.2.1	7,678	6,989
Reinsurance held recoveries received	2.2.2	2,364	1,689
Claims and other expenses paid	2.2.1	(6,195)	(5,456)
Insurance acquisition cash flows	2.2.1	(828)	(735)
Reinsurance held premium paid net of ceding commission	2.2.2	(2,302)	(2,164)
Dividends, interest and trust distributions received		261	193
Finance costs paid		(80)	(52)
Income taxes paid		(94)	(64)
Other operating receipts		581	488
Other operating payments		(580)	(599)
Net cash flows from operating activities		805	289
Cash flows from investing activities			
Net cash flows on disposal/(acquisition) of subsidiaries and associates		9	353
Net cash flows from (purchase)/sale of investments and plant and equipment		(348)	(164)
Net cash flows from investing activities		(339)	189
Cash flows from financing activities			
On-market share buy-back, net of transaction costs		(228)	(73)
Proceeds from borrowings, net of transaction costs		399	308
Repayment of borrowings		(3)	(3)
Principal element of lease payments		(39)	(41)
Dividends paid to shareholders of the Parent		(220)	(123)
Dividends paid to non-controlling interests		(49)	(18)
Net cash flows from financing activities		(140)	50
Net movement in cash held		326	528
Effects of exchange rate changes on balances of cash held in foreign currencies		3	6
Cash and cash equivalents at the beginning of the financial period		1,353	938
Cash and cash equivalents at the end of the financial period¹		1,682	1,472

1 Includes \$570 million of cash held for operational purposes and \$1,112 million of cash and cash equivalents held in investments (31 December 2022: \$396 million of cash held for operational purposes, \$1,076 million of cash and cash equivalents held in investments).

The above consolidated cash flow statement should be read in conjunction with the notes to the financial statements. The Group adopted AASB 17 Insurance Contracts from 1 July 2023 and has restated the comparative period. The impacts of adoption of AASB 17 are detailed in Note 1.2.

Notes to the financial statements

1. Overview

Note 1.1 Introduction

The financial report is structured to provide prominence to the disclosures that are considered most relevant to the users' understanding of the operations, results and financial position of IAG.

The financial report has been organised into the following sections:

- 1. Overview** – Contains information that affects the financial report as a whole, as well as segment reporting disclosures.
- 2. Insurance disclosures** – Financial statement disclosures considered most relevant to the core insurance activities.
- 3. Interim disclosures** – Disclosures required to comply with the Australian Accounting Standard *AASB 134 Interim Financial Reporting*.

Note 1.2 About this report

A. Corporate information

Insurance Australia Group Limited (Company or Parent), the ultimate parent entity in the Group, is a for-profit company, incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange (ASX). Its registered office and principal place of business is Level 13, Tower Two, Darling Park, 201 Sussex Street, Sydney, NSW 2000, Australia. This financial report covers the consolidated financial statements for the Company and its subsidiaries (IAG or Group) for the period ended 31 December 2023.

This report is also to be read in conjunction with the Annual Report for the year ended 30 June 2023 and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

A description of the nature of IAG's operations and its principal activities is included in the Directors' Report.

B. Statement of compliance

This general purpose half year financial report was authorised by the Board of Directors for issue on 16 February 2024 and complies with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the recognition and measurement requirements of other applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB), the *Corporations Act 2001* and the ASX Listing Rules.

C. Basis of preparation

The financial statements have been prepared on the basis of historical cost principles, as modified by certain exceptions noted in the financial report, with the principal exceptions being the measurement of all investments and derivatives at fair value and the measurement of the liabilities for incurred claims and related reinsurance recoveries held based on fulfilment cash flows. All values are rounded to the nearest million dollars, unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

The balance sheet is prepared with the assets and liabilities presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date).

The financial report is presented in Australian dollars, which is the functional currency of the Company.

IAG adopted *AASB 17 Insurance Contracts* from 1 July 2023. The new standard is applied retrospectively, resulting in restatement of the comparative periods. Further details on the impact of adoption are outlined in section D.

D. Significant accounting policies adopted

The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in IAG and are the same as those applied for the previous reporting period, unless otherwise stated.

The financial statements of entities operating outside Australia that maintain accounting records in accordance with overseas accounting principles are adjusted where necessary to comply with the significant accounting policies of IAG. The significant accounting policies adopted in the preparation of this financial report are set out within the relevant note.

Notes to the financial statements

I. Changes in accounting policies

The following new and amended Australian Accounting Standards and Interpretations are applicable for the current reporting period.

Title	Description
AASB 17	Insurance Contracts
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
AASB 2021-7b	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [AASB 17 editorials]
AASB 2022-1	Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information
AASB 2022-7	Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
AASB 2023-2 ¹	Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules

¹ We expect legislation will be enacted with an effective date of 1 January 2024 (draft legislation is expected to be released by 30 June 2024) and IAG is expected to be in scope for the amendments due to the Group's operation in Singapore and New Zealand. IAG is in the process of estimating the impact on the Group, if any, and the potential financial impact is not yet known or reasonably estimable.

The most significant of these is the first-time adoption of *AASB 17* whose effect on the financial statements are discussed below. The other amendments do not have material impact on the Group's financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

II. Impact of the adoption of *AASB 17 Insurance Contracts*

This is the first set of Group financial statements in which *AASB 17* has been applied.

AASB 17 has brought significant change to the measurement and disclosure of insurance contracts issued and reinsurance contracts held as described below. *AASB 17* has been applied retrospectively, as if it has always been in effect.

The Group has applied the full retrospective approach to all insurance contracts and all reinsurance contracts held. Under the full retrospective approach, at 1 July 2022 the Group:

- identified, recognised and measured each group of insurance contracts issued and reinsurance contracts held as if *AASB 17* had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if *AASB 17* had always been applied;
- derecognised balances that would not have existed if *AASB 17* had always been applied; and
- recognised all transitional adjustments through retained earnings.

The accounting policies adopted as a result of *AASB 17* have been disclosed at Note 2.1. A reconciliation is provided below to explain the restatements required by its application.

Reconciliation of transition from AASB 1023 to AASB 17 as at 1 July 2022

	1 July 2022 \$m
Net insurance contracts liability as previously stated:	
Unearned premium liabilities	(6,831)
Premiums receivables	4,103
Commissions and other insurance contract payables	(1,030)
Deferred insurance expenses	1,030
Deferred levies and charges	112
Outstanding claims liabilities	(13,964)
Other recoveries on outstanding claims	1,286
Add impact of adopting AASB 17:	
Reversal of risk margin and inclusion of a risk adjustment for non-financial risk	767
Onerous contracts	(92)
Illiquidity premium	43
Total	(14,576)
Represented by:	
Insurance contract assets as currently presented	-
Insurance contract liabilities as currently presented	(14,576)
Net reinsurance contract held assets as previously stated:	
Deferred reinsurance expenses	2,804
Reinsurance held recoveries	7,444
Reinsurance held payables	(1,987)
Other reinsurance held liabilities	(621)
Add impact of adopting AASB 17:	
Reversal of risk margin and inclusion of a risk adjustment for non-financial risk	(668)
Onerous contracts	31
Illiquidity premium	(23)
Other adjustments	(37)
Total	6,943
Represented by:	
Reinsurance contract held assets as currently presented	6,943
Reinsurance contract held liabilities as currently presented	-

The Group has applied the transition requirements in AASB 17 and has disclosed the impact of the adoption of AASB 17 on each financial statement line item in the above reconciliation. The impact of the adoption of AASB 17 on retained earnings under the previous AASB 1023 General Insurance Contracts is shown below.

	1 July 2022 \$m
Brought forward equity (under AASB 1023)	(6,500)
Risk adjustment for non-financial risk	(99)
Onerous contracts	61
Illiquidity premium	(20)
Other adjustments	37
Deferred tax or income taxes	7
Brought forward equity (following adoption of AASB 17)	(6,514)

Substantive enactment regarding the amendments to existing tax provisions on adoption of AASB 17 was not passed prior to 31 December 2023. As such, the tax impacts of AASB 17 on 1H24 reporting are not recognised but instead are to be calculated in line with the existing tax law. On this basis, both AASB 17 transitional adjustments and 1H24 impacts have been disclosed as part of deferred taxes with no current tax release.

Notes to the financial statements

III. Critical accounting estimates and judgements

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are applied and judgements are made by management, the results of which affect the amounts recognised in the financial statements. The estimates and related assumptions are based on experience and other factors that are considered to be reasonable and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they are revised, and future periods if relevant. Details of the material estimates and judgements are set out within the relevant note, as outlined below:

Areas of critical accounting estimates and judgements	Note
Valuation of insurance contracts issued and reinsurance contracts held	2.2.1, 2.2.2
Intangible assets and goodwill impairment testing, initial measurement and useful life	n/a
Income tax and related assets and liabilities	n/a

Note 1.3 Segment reporting

IAG has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (being the chief operating decision maker) in assessing performance and determining the allocation of resources.

A. Reportable segments

IAG has general insurance operations in Australia and New Zealand, with the reportable segments for the half-year ended 31 December 2023 comprising the following business divisions:

I. Direct Insurance Australia

This segment predominantly provides personal lines, and some commercial lines, general insurance products sold directly to customers primarily under the NRMA Insurance brand, SGIO and SGIC brands (both of which completed transitioning to NRMA Insurance in January 2024), the RACV brand in Victoria (via a distribution relationship and underwriting joint venture with RACV), as well as the CGU Insurance and ROLLiN' Insurance brands.

II. Intermediated Insurance Australia

This segment predominantly provides commercial lines, and some personal lines, general insurance products sold to customers through intermediaries including brokers, agents, authorised representatives, and distribution partners primarily under the CGU Insurance and WFI brands, as well as the Coles Insurance brand via a distribution agreement with Coles.

III. New Zealand

This segment provides general insurance products underwritten in New Zealand. Insurance products are sold directly to customers predominantly under the State and AMI brands, and through intermediaries (insurance brokers and agents) primarily using the NZI and Lumley Insurance brands. General insurance products are also distributed by corporate partners, such as large financial institutions, using third party brands.

IV. Corporate and other

This segment comprises other activities, including corporate services, capital management activity, shareholders' funds investment activities, inward reinsurance from associates, investment in associates, and other businesses that offer products and services that are adjacent to IAG's insurance business. IAG's reinsurance operation is a corporate function that acts as the interface between the external providers of reinsurance capital and the operating business divisions. IAG does not manage, or view, the reinsurance operations as a separate business. Consequently, the operating results of the reinsurance operations are systematically allocated to the operating business segments.

B. Financial information

31 December 2023	Direct Insurance Australia \$m	Intermediated Insurance Australia \$m	New Zealand \$m	Corporate and other \$m	Total \$m
I. Segment result					
Insurance revenue	3,439	2,402	1,709	2	7,552
Insurance service expense	(3,106)	(1,993)	(1,415)	(2)	(6,516)
Reinsurance held expense	(446)	(314)	(281)	(2)	(1,043)
Reinsurance held income	265	21	174	2	462
Insurance service result	152	116	187	-	455
Insurance finance income/(expenses)	(94)	(136)	(39)	-	(269)
Reinsurance held finance income/(expense)	50	59	29	-	138
Investment income/(expense) on assets backing insurance liabilities, net of expenses	140	123	27	-	290
Insurance profit	248	162	204	-	614
Investment income/(expense) on shareholders' funds, net of expenses	-	-	-	147	147
Finance costs	-	-	-	(85)	(85)
Other net operating result	(3)	(3)	-	(16)	(22)
Profit/(loss) before income tax	245	159	204	46	654
Income tax expense					(201)
Profit/(loss) after income tax					453
II. Other segment information					
Capital expenditure ¹	-	-	-	155	155
Depreciation, amortisation and impairment expense	46	31	10	2	89

1 Capital expenditure includes acquisitions of property and equipment, intangibles and other non-current segment assets.

Notes to the financial statements

31 December 2022 (restated)	Direct Insurance Australia \$m	Intermediated Insurance Australia \$m	New Zealand \$m	Corporate and other \$m	Total \$m
I. Segment Result					
Insurance revenue	3,097	2,270	1,486	-	6,853
Insurance service expense	(2,872)	(1,474)	(1,147)	(5)	(5,498)
Reinsurance held expense	(468)	(356)	(245)	(1)	(1,070)
Reinsurance held income	385	(21)	40	-	404
Insurance service result	142	419	134	(6)	689
Insurance finance income/(expenses)	(22)	(19)	(6)	-	(47)
Reinsurance held finance income/(expense)	10	(4)	4	-	10
Investment income/(expense) on assets backing insurance liabilities, net of expenses	52	31	6	-	89
Insurance profit	182	427	138	(6)	741
Investment income/(expense) on shareholders' funds, net of expenses	-	-	-	72	72
Share of net profit of associates	(8)	-	-	-	(8)
Finance costs	-	-	-	(64)	(64)
Other net operating result	(4)	(1)	-	(17)	(22)
Profit/(loss) before income tax	170	426	138	(15)	719
Income tax expense					(223)
Profit/(loss) after income tax					496
II. Other segment information					
Capital expenditure ¹	-	-	-	150	150
Depreciation, amortisation and impairment expense	42	31	9	1	83

¹ Capital expenditure includes acquisitions of property and equipment, intangibles and other non-current segment assets.

2. Insurance disclosures

Section introduction

This section provides an overview of IAG's general insurance operations, which are the main driver of IAG's overall performance and financial position.

The adoption of AASB 17 has changed the way the Group's insurance and reinsurance business is measured and disclosed in the financial statements.

Note 2.1 Significant accounting policies

AASB 17 establishes new principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held.

Insurance contract liabilities comprise the following components:

- the liability for remaining coverage, being the fulfilment cash flows that relate to services that will be provided under the contracts in future periods; and
- the liability for incurred claims, being the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

Reinsurance contract assets comprise of the following components:

- the asset for remaining coverage, being the fulfilment cash flows that relate to services that will be received under the contracts in future periods, i.e. amounts that are expected to be recoverable from reinsurers in relation to future insurance claims that have not yet been incurred; and
- the asset for incurred claims, being the fulfilment cash flows that are expected to be received on claims that have already incurred on the underlying contract.

Under AASB 17, insurance revenue in each reporting period represents the change in the liability for remaining coverage that relates to insurance services provided to policyholders for which the Group expects to receive consideration.

The Group applies the same accounting policies to measure groups of insurance contracts issued and groups of reinsurance contracts held, adapted where necessary to reflect features of reinsurance held that differ from those of underlying contracts issued.

Recognition, derecognition and modification

Groups of insurance contracts issued are recognised from the earliest of:

- the beginning of the coverage period of the group;
- the date when the first payment from a policyholder in the group is due; or
- if facts and circumstances indicate that the group is onerous, from the time they are identified as onerous.

Groups of reinsurance contracts held are recognised from the earliest of:

- the beginning of the coverage period of the group, except that when reinsurance contracts held provide proportionate coverage, recognition is delayed until the date any underlying insurance contract is initially recognised (when that date is later than the beginning of the coverage period); and
- the date the Group recognises an onerous group of underlying insurance contracts, if the Group entered into the related reinsurance contract held before that date.

New contracts are added to a group in the reporting period in which that contract meets one of the criteria noted above, provided they meet the criteria of having been issued within a period of 12-months.

The Group derecognises insurance contracts when:

- the rights and obligations relating to the contract are extinguished (discharged, cancelled or expired); or
- the contract is modified to the extent that there would be a change in measurement model, a change in the applicable standard for measuring a component of the contract, substantial changes to the contract boundary, or reclassification into a different group.

Level of aggregation

AASB 17 recognition and measurement requirements are applied at the group of contracts level. In order to establish groups of contracts, the Group first identifies portfolios by aggregating insurance contracts that are subject to similar risks and managed together. Each portfolio is then first subdivided into groups of contracts that were issued within a 12-month period and then further disaggregated as follows:

Insurance contracts issued, are further disaggregated into two groups of contracts:

- contracts that are onerous on initial recognition; and
- any remaining contracts in the portfolio.

Reinsurance contracts held are assessed separately from underlying insurance contracts issued. Reinsurance contracts held are further disaggregated into three groups of contracts:

- contracts that have a net gain on initial recognition;
- contracts that relate to future coverage that have a net loss on initial recognition; and
- contracts relating to adverse development that on initial recognition have a net cost that is immediately recognised in profit or loss.

Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Contract boundaries

The measurement of a group of contracts includes all future cash flows within the boundary of each contract in the group. In determining which cash flows fall within the contract boundary, the Group considers its substantive rights and obligations arising from the terms of the contract as well as from applicable laws, regulation and business practices.

Measurement models

Insurance contracts issued and reinsurance contracts held must be measured using the general measurement model (GMM), unless the contracts meet certain eligibility criteria, in which case they may be measured using a simplified approach known as the premium allocation approach (PAA). Contracts are eligible to apply the PAA if they have a coverage period of one year or less, or if the applicable asset or liability for remaining coverage under that approach is not expected to materially differ from that under the GMM. Insurance contract liabilities and reinsurance contract held assets are measured applying the PAA whenever the Group is eligible to apply that approach.

Notes to the financial statements

Initial recognition

The Group's insurance contracts issued and reinsurance contracts held, with the exception of the Group's adverse development covers (ADCs), are eligible for the PAA for the following reasons:

- the majority of the Group's insurance and reinsurance contracts issued were automatically eligible, having a coverage period of one year or less; and
- for the remaining groups of insurance contracts issued and reinsurance contracts held, an assessment was performed to confirm that the measurement of the liability for remaining coverage or asset for remaining coverage in the case of reinsurance contracts held would not differ materially if calculated applying the GMM or the PAA. This assessment included modelling both the reasonable expected outcomes and volatility as key assumptions under both the PAA and GMM.

When applying the PAA, the liability for remaining coverage is calculated as the amount of premium received at initial recognition, less any insurance acquisition cash flows paid.

When measuring the liability for incurred claims, the Group discounts all future cash flows and includes an explicit risk adjustment for non-financial risk. The risk adjustment represents the compensation the Group requires to bear uncertainty about the amount and timing of cash flows arising from insurance contracts.

ADCs include reinsurance contracts held purchased to provide protection for the development of underlying claims on specified components of the IAG business. When accounting for ADCs in accordance with AASB 17, the insured event is deemed to be the determination of the ultimate cost of those claims and therefore the coverage period extends through the claims settlement period. Due to the specific nature of existing ADCs held and the length of coverage period, ADC reinsurance contracts held are measured using the GMM.

For ADC reinsurance contracts held which are assessed to be in a net loss position, the loss is recognised immediately in the profit or loss. If the contract is in a net gain position, the gain is recognised as Contractual Service Margin (CSM).

Subsequent measurement

For PAA, at the end of each reporting period, the carrying amount of the liability for remaining coverage is adjusted for any premiums received, amortisation of acquisition costs and insurance revenue recognised for service provided in the period. The Group applies the same principles to accounting for reinsurance contracts held.

For GMM, contracts in a net gain position, where a CSM has been established at initial recognition, the CSM is released to the profit or loss based on the pattern of coverage units. To the extent that fulfilment cashflows related to future service are remeasured, the remeasurement is reflected in the CSM.

An Asset for Incurred Claims (AIC) is only recognised when an insured event occurs, that is when the ultimate amount of the underlying claim is determined, which is normally concurrent with the full or partial settlement of a claim triggering a recovery within the ADC contract limit.

Acquisition cash flows

Insurance and reinsurance acquisition cash flows are allocated to groups of insurance contracts issued and reinsurance contracts held using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

If insurance or reinsurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts. The allocation to renewals is based on the manner in which the Group expects to recover those cash flows. The Group has chosen not to recognise acquisition cash flows as expenses when incurred, and instead includes costs related to contracts in force in the liability for remaining coverage or asset for remaining coverage.

Onerous contracts

The Group determines that contracts are not onerous on initial recognition, unless there are facts and circumstances indicating otherwise. If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, the Group recognises a loss in the insurance service expense in profit or loss and recognises a loss component within the liability for remaining coverage. When onerous contracts are covered by reinsurance contracts held, the Group recognises reinsurance income in the profit or loss and recognises a corresponding loss recovery component in the asset for remaining coverage.

Cash flows not contingent on claims

Amounts owing to reinsurers and offsetting amounts owed by reinsurers to the Group (not actually paid and repaid) which are not contingent on claims are excluded from reinsurance held income and reinsurance held expense.

The Group considers that amounts that would be received either as profit commission or as claims recoveries within the Group's whole-of-account quota share reinsurance contracts held are not contingent on claims and therefore these amounts will be offset against premiums to be ceded within reinsurance held expense.

Note 2.2 Insurance and reinsurance contract disclosures

Analysis of insurance and reinsurance contract assets and liabilities

The following reconciliations separately analyse movements in the liability for remaining coverage and liability for incurred claims in the period arising from insurance contracts issued and asset for remaining coverage and asset for incurred claims arising from reinsurance contracts held. These movements are reconciled to line items in the statement of profit or loss.

2.2.1 Insurance contract assets and liabilities

A. Composition – reconciliation of insurance contracts issued that are liabilities

The table below analyses the movement in the liability for remaining coverage and liabilities for incurred claims. The liability for incurred claims includes \$6,001 million (FY23: \$5,970 million) of insurance contract liabilities which are expected to be settled more than 12 months from the reporting date.

As at 31 December 2023	Liability for remaining coverage			Liability for incurred claims			
	Excluding loss component \$m	Loss component \$m	Total \$m	Estimated present value (PV) of future cash flows (excludes risk adjustment) \$m	Risk adjustment \$m	Total \$m	Insurance contract liability total \$m
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	2,118	69	2,187	10,664	1,383	12,047	14,234
Net insurance contract (assets)/liabilities at 1 July 2023	2,118	69	2,187	10,664	1,383	12,047	14,234
Changes in the statement of profit or loss:							
Insurance revenue	(7,552)	-	(7,552)	-	-	-	(7,552)
Insurance service expense:							
Incurred claims and other expenses	-	(56)	(56)	5,466	147	5,613	5,557
Amortisation of insurance acquisition cash flows	760	-	760	-	-	-	760
Changes that relate to past service	-	-	-	415	(213)	202	202
Changes that relate to future service	1	(4)	(3)	-	-	-	(3)
Total insurance service expense	761	(60)	701	5,881	(66)	5,815	6,516
Insurance service result	(6,791)	(60)	(6,851)	5,881	(66)	5,815	(1,036)
Insurance finance (income)/expense	-	7	7	223	39	262	269
Effect of movement in exchange rates	(2)	-	(2)	18	1	19	17
Amounts recognised in profit or loss	(6,793)	(53)	(6,846)	6,122	(26)	6,096	(750)
Cash flows:							
Premiums received (including premium refunds)	7,678	-	7,678	-	-	-	7,678
Insurance acquisition cash flows	(828)	-	(828)	-	-	-	(828)
Claims and other expenses paid	-	-	-	(6,195)	-	(6,195)	(6,195)
Total cash flows	6,850	-	6,850	(6,195)	-	(6,195)	655
Any other movements	-	-	-	-	-	-	-
Net balance at end of period	2,175	16	2,191	10,591	1,357	11,948	14,139
Closing insurance contract liabilities	2,175	16	2,191	10,591	1,357	11,948	14,139
Closing insurance contract assets	-	-	-	-	-	-	-
Net insurance contract (assets)/liabilities at 31 December 2023	2,175	16	2,191	10,591	1,357	11,948	14,139

Notes to the financial statements

As at 30 June 2023	Liability for remaining coverage			Liability for incurred claims			
	Excluding loss component \$m	Loss component \$m	Total \$m	Estimated PV of future cash flows (excludes risk adjustment) \$m	Risk adjustment \$m	Total \$m	Insurance contract liability total \$m
Opening insurance contract assets	-	-	-	-	-	-	-
Opening insurance contract liabilities	2,032	92	2,124	10,807	1,645	12,452	14,576
Net insurance contract (assets)/liabilities at 1 July 2022	2,032	92	2,124	10,807	1,645	12,452	14,576
Changes in the statement of profit or loss:							
Insurance revenue	(13,838)	-	(13,838)	-	-	-	(13,838)
Insurance service expense:							
Incurred claims and other expenses	4	(99)	(95)	11,513	260	11,773	11,678
Amortisation of insurance acquisition cash flows	1,379	-	1,379	-	-	-	1,379
Changes that relate to past service	-	-	-	(550)	(535)	(1,085)	(1,085)
Changes that relate to future service	(1)	69	68	-	-	-	68
Total insurance service expense	1,382	(30)	1,352	10,963	(275)	10,688	12,040
Insurance service result	(12,456)	(30)	(12,486)	10,963	(275)	10,688	(1,798)
Insurance finance (income)/expense	-	7	7	117	12	129	136
Effect of movement in exchange rates	(4)	-	(4)	36	1	37	33
Amounts recognised in profit or loss	(12,460)	(23)	(12,483)	11,116	(262)	10,854	(1,629)
Cash flows:							
Premiums received (including premium refunds)	14,043	-	14,043	-	-	-	14,043
Insurance acquisition cash flows	(1,497)	-	(1,497)	-	-	-	(1,497)
Claims and other expenses paid	-	-	-	(11,259)	-	(11,259)	(11,259)
Total cash flows	12,546	-	12,546	(11,259)	-	(11,259)	1,287
Any other movements	-	-	-	-	-	-	-
Net balance at end of period	2,118	69	2,187	10,664	1,383	12,047	14,234
Closing insurance contract liabilities	2,118	69	2,187	10,664	1,383	12,047	14,234
Closing insurance contract assets	-	-	-	-	-	-	-
Net insurance contract (assets)/liabilities at 30 June 2023	2,118	69	2,187	10,664	1,383	12,047	14,234

B. Recognition and measurement

Insurance revenue

Insurance revenue from contracts accounted for applying the PAA is recognised as income on a straight-line basis, based on the passage of time, for the majority of the Group's insurance contracts. However, in those circumstances when the expected pattern of release of risk during the coverage period differs significantly from the passage of time, income is recognised on the basis of the expected timing of incurred insurance service expenses.

Insurance service expense

Insurance service expense includes incurred claims, maintenance and claims handling costs and settlement costs and an allocation of acquisition cost cash flows. Incurred claims represents claims payments and movements between the liabilities for incurred claims and loss component at the beginning and end of the period.

Acquisition cash flows are those arising from the costs of selling, underwriting and starting a group of insurance contracts. Acquisition cash flows are deferred and recognised as an expense over time in line with the recognition of related insurance revenue. Acquisition cash flows associated with issued contracts are included in the related liability for remaining coverage.

Finance (income)/expenses from insurance contracts issued

Insurance finance income/expense includes amounts related to the effects of the time value of money and financial risks. When measuring the liability for incurred claims, and any loss component, the Group discounts all future cash flows.

2.2.2 Reinsurance contract assets and liabilities

A. Composition – reconciliation of reinsurance contracts held that are assets

The table below analyses the movement in the reinsurance contract(s) held asset for remaining coverage and reinsurance contract(s) held asset for incurred claims. The reinsurance contract(s) held asset for incurred claims includes \$2,456 million (FY23: \$2,557 million) of reinsurance held recoveries which are expected to be settled more than 12 months from the reporting date.

As at 31 December 2023	Reinsurance contract(s) held asset for remaining coverage (ARC)				Reinsurance contract(s) held asset for incurred claims (AIC)			
	Excluding risk adjustment and loss recovery component	Risk adjustment	Loss recovery component	Total	Estimated PV of future cash flows (excludes risk adjustment)	Risk adjustment	Total	Reinsurance contract held asset total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening reinsurance contract held assets	671	234	23	928	5,948	388	6,336	7,264
Opening reinsurance contract held liabilities	-	-	-	-	-	-	-	-
Net Reinsurance contract held assets/(liabilities) at 1 July 2023	671	234	23	928	5,948	388	6,336	7,264
Changes in the statement of profit or loss:								
Allocation of reinsurance premiums paid	(1,043)	-	-	(1,043)	-	-	-	(1,043)
Amounts recoverable from reinsurers								
Recoveries of incurred claims including other insurance expenses	(37)	-	(16)	(53)	245	50	295	242
Changes that relate to past service	-	-	-	-	318	(74)	244	244
Changes that relate to future service	-	(22)	(2)	(24)	-	-	-	(24)
Reinsurance cashflows not contingent on claims	(1,377)	-	-	(1,377)	1,377	-	1,377	-
Total reinsurance held income	(1,414)	(22)	(18)	(1,454)	1,940	(24)	1,916	462
Net reinsurance held income/(expense)	(2,457)	(22)	(18)	(2,497)	1,940	(24)	1,916	(581)
Finance income/(expense) from reinsurance contracts held	11	8	-	19	107	12	119	138
Effects of movements in exchange rates	(1)	-	-	(1)	13	-	13	12
Amounts recognised in profit or loss	(2,447)	(14)	(18)	(2,479)	2,060	(12)	2,048	(431)
Cash flows:								
Reinsurance premiums paid net of any ceding commissions and including any other directly attributable reinsurance expenses paid	2,302	-	-	2,302	-	-	-	2,302
Recoveries from reinsurers	39	-	-	39	(2,403)	-	(2,403)	(2,364)
Total cash flows	2,341	-	-	2,341	(2,403)	-	(2,403)	(62)
Any other movements	-	-	-	-	-	-	-	-
Net balance at end of period	565	220	5	790	5,605	376	5,981	6,771
Closing reinsurance contract held assets	565	220	5	790	5,605	376	5,981	6,771
Closing reinsurance contract held liabilities	-	-	-	-	-	-	-	-
Net reinsurance contract held assets/(liabilities) at 31 December 2023	565	220	5	790	5,605	376	5,981	6,771

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As at 30 June 2023	Reinsurance contract(s) held asset for remaining coverage (ARC)				Reinsurance contract(s) held asset for incurred claims (AIC)			
	Excluding risk adjustment and loss recovery component \$m	Risk adjustment \$m	Loss recovery component \$m	Total \$m	Estimated PV of future cash flows (excludes risk adjustment) \$m	Risk adjustment \$m	Total \$m	Reinsurance contract held asset total \$m
Opening reinsurance contract held assets	769	340	31	1,140	5,410	393	5,803	6,943
Opening reinsurance contract held liabilities	-	-	-	-	-	-	-	-
Net Reinsurance contract held assets/(liabilities) at 1 July 2022	769	340	31	1,140	5,410	393	5,803	6,943
Changes in the statement of profit or loss:								
Allocation of reinsurance premiums paid	(2,023)	-	-	(2,023)	-	-	-	(2,023)
Amounts recoverable from reinsurers								
Recoveries of incurred claims including other insurance expenses	(73)	-	(32)	(105)	1,696	109	1,805	1,700
Changes that relate to past service	-	-	-	-	(23)	(120)	(143)	(143)
Changes that relate to future service	(88)	(102)	23	(167)	-	-	-	(167)
Reinsurance cashflows not contingent on claims	(2,321)	-	-	(2,321)	2,321	-	2,321	-
Total reinsurance held income	(2,482)	(102)	(9)	(2,593)	3,994	(11)	3,983	1,390
Net reinsurance held income/(expense)	(4,505)	(102)	(9)	(4,616)	3,994	(11)	3,983	(633)
Finance income/(expense) from reinsurance contracts held	1	(4)	1	(2)	50	6	56	54
Effects of movements in exchange rates	(3)	-	-	(3)	17	-	17	14
Amounts recognised in profit or loss	(4,507)	(106)	(8)	(4,621)	4,061	(5)	4,056	(565)
Cash flows:								
Reinsurance premiums paid net of any ceding commissions and including any other directly attributable reinsurance expenses paid	4,101	-	-	4,101	-	-	-	4,101
Recoveries from reinsurers	308	-	-	308	(3,523)	-	(3,523)	(3,215)
Total cash flows	4,409	-	-	4,409	(3,523)	-	(3,523)	886
Any other movements	-	-	-	-	-	-	-	-
Net balance at end of period	671	234	23	928	5,948	388	6,336	7,264
Closing reinsurance contract held assets	671	234	23	928	5,948	388	6,336	7,264
Closing reinsurance contract held liabilities	-	-	-	-	-	-	-	-
Net reinsurance contract held assets/(liabilities) at 30 June 2023	671	234	23	928	5,948	388	6,336	7,264

B. Recognition and measurement

Reinsurance recoveries

The Group uses consistent assumptions to measure the asset for remaining coverage for reinsurance contracts held and the liability for remaining coverage for underlying insurance contracts. Reinsurance recoveries represent the amounts ultimately expected to be received from the reinsurer considering contractual terms and counterparty credit risk. They are measured as the discounted present value of expected future receipts due from reinsurers net of any allowance for the risk of non-performance.

Net reinsurance held income/(expense)

Income or expense from reinsurance contracts held includes amounts recoverable from reinsurers and an allocation of reinsurance premiums paid. In Note 2.2.2.A the Group discloses that cash flows that are not contingent on claims of the underlying contract will be offset against premiums to be ceded to the reinsurer within reinsurance held expense, i.e., recorded as part of reinsurance held expense.

The Group has chosen to present income and expenses from reinsurance contracts held as separate line items in profit or loss.

Reinsurance finance income/(expense)

Reinsurance finance income/expense includes amounts related to the effects of the time value of money and financial risks.

2.2.3 Changes during the period

A. Business interruption

The provision for business interruption claims associated with COVID-19 was \$384 million at 31 December 2023 (30 June 2023: \$397 million - restated on AASB 17 basis reflecting a \$3 million reduction from the AASB 1023 basis). The \$13 million reduction in the provision since 30 June 2023 is primarily due to claims payments made during the period. As further information becomes available, IAG will review the provision and make adjustments accordingly.

Insurance Australia Limited (IAL) continues to process existing and new business interruption claims and defend a class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies.

B. Trade credit insurance

BCC Trade Credit Pty Ltd (BCC) is an underwriting agency that was authorised to underwrite trade credit insurance, in accordance with specific underwriting guidelines, through IAL. In April 2019, IAG sold its interest in BCC to Tokio Marine Management (Australasia) Pty Ltd with effect from 9 April 2019. As part of the sale, IAL put in place transitional arrangements for BCC to continue to underwrite risks on behalf of IAL to 30 June 2019, with Tokio Marine & Nichido Fire Insurance Co., Ltd (TMNF) becoming the licensee responsible for BCC effective 1 July 2019. IAL also put in place protections in respect of any potential exposure to trade credit insurance policies written by BCC on behalf of IAL, both through reinsurance in place in respect of those policies and also through arrangements with TMNF for it to cover any remaining exposure to trade credit insurance written by BCC on behalf of IAL.

Since 2020, a significant number of claims have been received by IAL under policies purportedly issued by BCC on behalf of IAL to Greensill entities. The collapse of the Greensill entities has been the subject of widespread media interest, ongoing foreign regulatory inquiries and litigation overseas. IAL denies that it is liable in respect of the claims made against it under purported Greensill policies. A number of those claims are now the subject of complex litigation proceedings currently before the Federal Court of Australia and IAL is defending all of those proceedings.

IAL's position in respect of the claims made under purported Greensill policies is that first, IAL is not bound by the policies (including because they were issued outside the terms of BCC's underwriting authority) and, secondly, even if IAL is bound by the policies, they do not provide cover for the alleged losses claimed.

There is complexity around the matters that will need to be determined by the court in the current Federal Court proceedings. There are a number of parties involved in those proceedings, including BCC, one of its former trade credit underwriters, as well as Greensill parties. Allegations have been raised against various parties involved in the proceedings, including allegations against BCC and one of its former trade credit underwriters regarding misleading or deceptive conduct and breaches of warranties of authority, and allegations against Greensill parties alleging fraudulent non-disclosure and misrepresentations and misleading or deceptive representations. Given the complexity and number of parties involved in the litigation, IAG expects that the litigation proceedings will take a number of years.

IAL is also managing trade credit claims relating to policies purportedly issued by BCC on behalf of IAL to other entities unrelated to Greensill. A number of those claims are now the subject of litigation proceedings currently before the courts, and IAL has denied those claims and is defending the proceedings.

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IAL will continue to defend all of the claims and the litigation. As with any litigation, the potential outcomes are inherently uncertain and there are risks that a court may make a finding contrary to IAL's position and that any finding may become the subject of appeals. If IAL is determined by a court to be liable for any of the claims currently the subject of litigation, IAL will seek, concurrently or subsequently, to rely on agreements that it had put in place at the time of the sale in respect of any potential exposure to trade credit insurance policies written by BCC on behalf of IAL (as described above). As previously stated, there is a risk that a reinsurer or other party under those agreements will challenge its obligations under those agreements. There may also be timing differences between any court determination against IAL and enforcement of IAL's rights under those agreements.

As outlined above, IAG expects that these matters will not be resolved for a significant period of time and it is currently not known what the outcome of the proceedings or the actual value of any potential exposure to IAL will be if any claims are successful.

IAG does not consider that the face value of the claimed amounts in the proceedings provide a meaningful indication of any potential exposure of IAL. If aggregated, these would amount to approximately A\$7 billion plus interest (applying exchange rates as at 31 December 2023). The reasons this is not considered a meaningful indication of any potential exposure of IAL, include:

- pleaded claims state that the claimed amounts will be reduced by sums recovered by the claimants from third-parties through other means, the value of which are not yet known. Such third-party recoveries include refinancing and repayments;
- IAL's multiple defences in the proceedings – including that IAL is not bound by the policies, and even if IAL is bound by the policies, they do not provide cover for the alleged losses claimed;
- IAL's recovery rights under reinsurance arrangements; and
- IAL's recovery rights from TMNF under the arrangements outlined above.

Based on the above, and the current status of the proceedings, IAG maintains that, through the protections it has put in place, it has no net insurance exposure to trade credit policies sold through BCC.

In the interim, IAG has revised its liability for incurred claims to \$459 million at 31 December 2023 (30 June 2023: \$466 million - restated on AASB 17 basis reflecting a \$1 million reduction from the AASB 1023 basis) mainly due to the settlement of a non-Greensill related claim and continued incurrence of legal costs relating to the defence of the litigation. This liability for incurred claims has been determined in accordance with IAG's usual claims reserving practices. IAG has also recognised an equivalent amount of \$459 million (30 June 2023: \$466 million - restated on AASB 17 basis reflecting a \$1 million reduction from the AASB 1023 basis) of reinsurance contracts held asset for incurred claims in respect of trade credit related claims.

Note 2.3 Significant accounting estimates and judgements

Accounting estimates

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are applied, and judgements are made by management, the results of which affect the amounts recognised in the financial statements. The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they are revised, and future periods if relevant. Details of the material estimates and judgements are set out below.

I. Fulfilment cash flows

Fulfilment cash flows comprise estimates of discounted future cash flows and a risk adjustment for non-financial risk. In estimating the fulfilment cash flows, the Group considers the range of possible outcomes in an unbiased way considering the amount and timing of cash flows and applying a probability weighting to each scenario. In determining possible scenarios, the Group uses all reasonable and supportable information available without undue cost or effort – including information about past events, current conditions and forecasts.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, acquisition cash flows and other costs incurred in fulfilling contracts (including claims handling costs and certain administration costs). Insurance acquisition cash flows and other costs incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

II. Risk adjustment

The risk adjustment for non-financial risk is the compensation the Group requires for bearing uncertainty about the amount and timing of cash flows arising from insurance risk and other non-financial risks, including expense risk. It measures the degree of variability of expected future cash flows and the Group-specific price for bearing that risk. With regards to reinsurance contracts held, the risk adjustment reflects the compensation the reinsurer requires for the uncertainty of the cash flows transferred.

The risk adjustment required to provide a given confidence level or Probability of Sufficiency (PoS) for two or more classes of business or for two or more geographic locations combined is less than the sum of risk adjustments for the individual classes. This reflects the benefit of diversification, which is taken into account when calculating the risk adjustment to the extent the benefit of diversification is included when determining the compensation that is required for bearing that risk. The level of diversification assumed between classes considers industry analysis, historical experience and the judgement of experienced and qualified actuaries.

The Group determines the risk adjustment for non-financial risk at the Group level and allocates it to groups of insurance and reinsurance contracts in a systematic and rational way. In estimating the risk adjustment, the Group uses the cost of capital method. The method estimates the additional amount of capital required for the amount of uncertainty and estimates the expected cost of that capital over the period at risk.

The risk adjustment for IAG's active portfolios has a PoS of about 75%. We have provisioned higher risk adjustment rate with respect to our run-off portfolios and other emerging risks such that the total risk adjustment has a PoS of approximately 85%.

The net risk adjustment for insurance contracts issued and reinsurance contracts held corresponds to the following confidence levels as set out below:

	31 December 2023	30 June 2023
Risk adjustment on liability for incurred claims	%	%
Net risk adjustment applied (all portfolios including run-off and emerging risks)	15.1%	15.7%
Confidence level of the net risk adjustment (active portfolios)	~75%	~75%
Confidence level of the net risk adjustments (all portfolios including run-off and emerging risks)	~85%	~85%

III. Discount rates

In determining discount rates for each group of contracts under *AASB 17 Insurance Contracts*, the Group applies a bottom-up approach. Under this approach, the Group estimates discount rates as points on a liquid, risk-free rate curve for the same currency and duration as the cash flows of the relevant insurance contracts. The Group adjusts the risk-free rate for an illiquidity premium, 25 basis points, as yield curves derived from observable market prices reflect liquid assets rather than insurance contracts, for which there are estimates of the projected timing of fulfilment cash flows. The Group applies judgement in determining the liquidity characteristics of the group of insurance contracts.

Projected future claim payments, both insurance and reinsurance, and other recoveries and associated claims handling costs, are discounted to a present value using discount rates derived applying the bottom-up approach, as summarised below.

	Insurance contracts issued		Reinsurance contracts held	
	31 December 2023	30 June 2023	31 December 2023	30 June 2023
	%	%	%	%
Discount rate	3.9%–5.8%	4.2%–6.0%	3.9%–5.8%	4.2%–6.0%

3. Interim disclosures

Section introduction

This section includes information that is required to be disclosed in accordance with the Australian Accounting Standard *AASB 134 Interim Financial Reporting*, Corporations Act and ASX Listing Rules, and which are relevant to understanding the changes in IAG's financial position and performance since the end of the last annual reporting period. The impacts of adopting *AASB 17* are addressed within Notes 1 and 2 above.

Note 3.1 Investments

All investments are designated at fair value through profit or loss. Investments are recorded and subsequently remeasured to fair value at each reporting date. Changes in the fair value are recognised as realised or unrealised investment gains or losses in profit or loss. IAG recognises transfers into and transfers out of fair value hierarchy levels (described below) at the end of the reporting period. Purchases and sales of investments are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset. Transaction costs for purchases of investments are expensed as incurred. Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transferred.

The inputs used to determine the fair value for securities recognised under each level of the fair value hierarchy are set out below.

I. Level 1 quoted prices

Fair value is determined by reference to quoted prices (mid-market) in active markets for identical assets and liabilities. For IAG, this category includes cash and short-term discount securities, government securities and listed equities.

II. Level 2 other observable inputs

Fair value is determined by reference to quoted prices in active markets for similar assets or liabilities or by reference to other significant inputs that are not quoted prices but are based on observable market data, for example interest rate yield curves observable at commonly quoted intervals. The valuation techniques may include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models. For IAG, this category primarily includes corporate and other fixed interest securities where the market is considered to be lacking sufficient depth to be considered active. There have been no significant transfers between Level 1 and Level 2 during the current and prior financial periods.

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III. Level 3 includes unobservable inputs

Fair value is determined using valuation techniques in which a number of the significant inputs are not based on observable market data. Level 3 investments are primarily invested in interest-bearing instruments and unlisted equity, held via unlisted trusts.

Fair value of these unlisted trusts is based on the net asset value as advised by the external investment manager of these funds who has responsibility for the valuation of the underlying securities. The investment manager may use various valuation techniques in the determination of fair value based on a range of internal, external and third party inputs where available. The fair value of the directly held unlisted equity is based on a methodology leveraging inputs relating to the latest capital transactions executed by the respective companies. During the current financial period, in addition to changes in fair value, movements in Level 3 investments included:

- sales of \$1 million (31 December 2022: \$15 million) and purchases of \$36 million (31 December 2022: \$67 million) in interest-bearing instruments;
- sales of \$77 million (31 December 2022: \$42 million) in unlisted equity with no purchase in current period (31 December 2022: \$11 million); and
- there have been no significant transfers between Level 2 and Level 3 during the current and prior financial periods.

The table below separates the total investment balance by hierarchy category:

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
31 December 2023				
Interest-bearing investments	2,919	7,624	527	11,070
Growth investments	670	214	284	1,168
Other investments	20	96	-	116
	3,609	7,934	811	12,354
30 June 2023				
Interest-bearing investments	2,706	7,431	480	10,617
Growth investments	594	209	399	1,202
Other investments	-	3	-	3
	3,300	7,643	879	11,822

Note 3.2 Net finance expense and investment income

The following table presents the total amount of finance income or expenses, including the relationship between insurance finance income or expense and the investment return on assets.

	31 December 2023 \$m	31 December 2022 \$m
A. Investment income		
Net income/(expense) from financial instruments measured at fair value through profit or loss	161	(42)
Interest revenue	264	176
Net gain/(loss) from foreign exchange	4	-
Other income/(expense)	8	27
Total net investment income	437	161
Represented by:		
Investment income on assets backing insurance liabilities, net of expenses	290	89
Investment income/(loss) on shareholders' funds, net of expenses	147	72
Total net investment income	437	161
B. Insurance finance income/(expense) from insurance contracts issued recognised in profit or loss		
Interest accreted	(214)	(152)
Effect of changes in discount rates and other financial assumptions	(55)	105
Total insurance finance expenses	(269)	(47)
C. Reinsurance finance income/(expense) from reinsurance contracts held recognised in profit or loss		
Interest accreted	111	71
Effect of changes in discount rates and other financial assumptions	27	(61)
Total reinsurance finance income	138	10

Notes to the financial statements

Note 3.3 Interest-bearing liabilities

			31 December 2023		30 June 2023	
Final maturity date	Issue date	Principal amount	Carrying value \$m	Fair value \$m	Carrying value \$m	Fair value \$m
A. Composition						
I. Capital nature						
Tier 1 regulatory capital						
Capital notes						
No fixed date	22 Dec 2022	\$500 million	500	513	500	506
Tier 2 regulatory capital						
AUD subordinated term notes						
15 December 2038	8 Nov 2023	\$400 million	400	405	-	-
15 December 2036	24 Aug 2020	\$450 million	450	456	450	450
15 June 2044	29 Mar 2018	\$350 million	350	351	350	350
15 June 2045	28 Mar 2019	\$450 million	450	453	450	450
			1,650		1,250	
NZD subordinate term notes ¹						
15 June 2038	5 Apr 2022	NZ\$400 million	371	349	368	338
II. Operational nature						
Other interest-bearing liabilities			33	33	36	36
Less: capitalised transaction costs			(14)		(15)	
			2,540		2,139	

1. At the reporting date, the Company recognised accrued interest of \$1 million (30 June 2023: \$1 million) which is presented within trade and other payables.

B. Significant movements during the period

On 8 November 2023, the Company issued \$400 million of subordinated notes. The subordinated notes qualify as Tier 2 Capital under the Australian Prudential Regulation Authority's (APRA) capital adequacy framework for general insurers.

The significant terms and conditions of the subordinated notes issued in November 2023 are as follow:

- floating interest rate equal to the three-month market rate (currently BBSW) plus a margin of 2.50% per annum is payable quarterly;
- IAG has an option to redeem or resell the notes at face value on each interest payment date between 15 December 2028 and 15 June 2029 and on each interest payment date on or after 15 September 2031 and for certain tax and regulatory events (in each case subject to APRA's prior written approval); and
- if the notes are not redeemed, converted or written-off beforehand, the notes can be converted into a variable number of ordinary shares of the Company (subject to a maximum of 140.4 million shares) at the option of holders on the interest payment date falling on 15 June 2031 (subject to the note terms).

C. Recognition and measurement

Interest-bearing liabilities are initially measured at fair value (net of transaction costs) and subsequently measured at amortised cost using the effective interest method. Based on market conditions at any point in time, the carrying value of the liabilities may not be representative of the fair value of the liabilities.

Fair value for all interest-bearing liabilities is calculated using their quoted market price in active markets (fair value hierarchy level 1), except for the AUD subordinated term notes where their fair value is calculated using their quoted market price in a market that is considered to be lacking sufficient depth to be considered active (fair value hierarchy level 2).

Note 3.4 Equity

	31 December 2023	30 June 2023	31 December 2023	30 June 2023
	Number of shares in millions	Number of shares in millions	\$m	\$m
A. Share capital				
Ordinary shares				
Balance at the beginning of the financial period	2,441	2,465	7,264	7,386
On-market share buy-back, including transaction costs	(39)	(24)	(228)	(122)
Balance at the end of the financial period	2,402	2,441	7,036	7,264

B. Nature and purpose of equity

All ordinary shares on issue are fully paid and have no par value. Ordinary shares entitle the holder to a vote at the general meeting of the Company and to participate in the dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held.

Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Transaction costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

C. Changes during the period

On 18 December 2023, IAG announced completion of its on-market share buy-back for a total consideration of \$350 million (including transaction cost). From commencement of the buy-back in November 2022, the Company acquired approximately 63 million shares for a consideration of \$350 million at an average price per share of \$5.51.

Note 3.5 Earnings per share

	31 December 2023 cents	Restated 31 December 2022 cents
A. Reporting period values		
Basic earnings per ordinary share ¹	16.77	19.88
Diluted earnings per ordinary share ²	16.21	18.36

1 Basic earnings per ordinary share is determined by dividing the profit or loss attributable to shareholders of the Parent by the weighted average number of shares of the Parent on issue during the reporting period. Treasury shares held in trust are deducted, but earnings attributable to those shares are included.

2 Diluted earnings per ordinary share is determined by dividing the profit or loss attributable to shareholders of the Parent, adjusted for the finance costs of dilutive convertible instruments, by the weighted average number of ordinary shares and dilutive potential ordinary shares, primarily as a result of debt instruments that possess a conversion feature.

	31 December 2023 \$m	Restated 31 December 2022 \$m
B. Reconciliation of earnings used in calculating earnings per share		
Profit attributable to shareholders of the Parent which is used in calculating basic and diluted earnings per share	407	489
Finance costs of dilutive convertible securities, net of tax	50	36
Profit attributable to shareholders of the Parent which is used in calculating diluted earnings per share	457	525

Notes to the financial statements

	31 December 2023 Number of shares in millions	31 December 2022 Number of shares in millions
C. Reconciliation of weighted average number of ordinary shares used in calculating earnings per share		
Weighted average number of ordinary shares on issue (adjusted for treasury shares held in trust) used in the calculation of basic earnings per share	2,427	2,460
Weighted average number of dilutive potential ordinary shares relating to:		
Convertible securities	391	398
Unvested share-based remuneration rights supported by treasury shares held in trust	2	2
	2,820	2,860

Note 3.6 Dividends

	31 December 2023		31 December 2022	
	Cents per share	\$m	Cents per share	\$m
A. Ordinary shares				
2023 30% franked final dividend paid on 28 September 2023 (31 December 2022: 2022 70% franked final dividend)	9.0	220	5.0	123
B. Dividend not recognised at reporting date				
2024 40% franked interim dividend to be paid on 27 March 2024 (31 December 2022: 2023 30% franked interim dividend)	10.0	240	6.0	147

C. Dividend reinvestment

The Company has a Dividend Reinvestment Plan (DRP) which allows eligible shareholders with ordinary shares to elect to receive their dividend entitlement in the form of ordinary shares of the Company. The price of DRP shares is the volume-weighted average price (VWAP), less a discount if determined by the Directors, calculated over the pricing period (which is at least five trading days) as determined by the Directors for each dividend payment date. A copy of the terms and conditions for the DRP is available at www.iag.com.au in the shareholder centre section.

The DRP for the 2023 final dividend paid on 28 September 2023 was settled with the on-market purchase of 5.6 million shares priced at \$5.79 per share (based on a daily VWAP for 10-day trading window from 4 September 2023 to 15 September 2023 inclusive, with no discount applied).

Note 3.7 Derivatives

A. Reporting date positions

	31 December 2023			30 June 2023		
	Notional contract amount \$m	Fair value asset \$m	Fair value liability \$m	Notional contract amount \$m	Fair value asset \$m	Fair value liability \$m
Derivatives (without hedge accounting applied)						
Bond futures	4,141	20	-	3,722	-	(14)
Share price index futures	10	-	-	(3)	-	-
Forward foreign exchange contracts	4,277	96	-	3,453	6	(21)

All derivative contracts are expected to be settled within 12 months.

B. Recognition and measurement

Derivatives without hedge accounting applied

The fair value of bond futures and share price index futures are measured using a quoted price in an active market (level 1 in the fair value hierarchy), whilst the fair value of forward foreign exchange contracts is determined using observable inputs (level 2 in the fair value hierarchy).

Note 3.8 Contingencies

As at 31 December 2023, the Group had the following specific contingent liabilities to report:

- On 1 August 2022, IAG announced it had been served with a shareholder representative proceeding filed in the Supreme Court of Victoria on behalf of persons who acquired shares in IAG during the period 11 March 2020 and 20 November 2020 (inclusive), in relation to IAG's disclosure of the potential impact of COVID-19 related business interruption claims. Since that time, there have not been any material developments in the proceedings. As such, it is currently not possible to determine the ultimate financial impact this proceeding may have on IAG, if any. IAG continues to defend the proceeding.
- On 25 August 2023, IAG acknowledged the civil penalty proceedings commenced by the Australian Securities and Investments Commission (ASIC) in the Federal Court of Australia against Insurance Australia Limited (IAL) and Insurance Manufacturers of Australia Pty Limited (IMA) on 24 August 2023. The proceedings allege contraventions of the *ASIC Act 2001* and the *Corporations Act 2001* concerning the pricing of, and certain disclosures about how premiums are priced, for renewing customers of SGIO, SGIC and RACV home insurance products. IAL and IMA maintain they have delivered on loyalty promises made to customers, do not agree that they have misled customers about the extent of the discounts they would receive, and are defending the proceedings. It is currently not possible to determine the ultimate financial impact this proceeding may have on IAG, if any.

From time to time the Group is exposed to contingent risks and liabilities arising from the conduct of its business including:

- actual and potential disputes, claims and legal proceedings, including litigation arising out of insurance policies and regulatory matters;
- investigations into conduct, including actual and potential regulatory breaches, carried out by regulatory authorities on either an industry-wide or Group-specific basis;
- internal investigations and reviews into conduct, including actual and potential regulatory breaches, carried out by or on behalf of the Group; and
- contracts that involve giving contingent commitments such as warranties, indemnities or guarantees.

The insurance industry, including IAG, is highly regulated and has been the subject of increasing scrutiny by regulators. In recent years, there has been an increase in the number of matters in respect of which the Group engages with its regulators, including in relation to pricing issues and which is the subject of ongoing inquiries and investigations.

The above listed matters are highly complex and uncertain. The Directors are of the opinion that provisions are not required in respect of such matters, as it is either not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

Note 3.9 Events subsequent to reporting date

As the following events occurred after reporting date and did not relate to conditions existing at reporting date, no account has been taken of them in the financial statements for the current reporting period ended 31 December 2023.

- On 16 February 2024, the Board determined to pay a 40% franked interim dividend of 10 cents per share. The dividend will be paid on 27 March 2024. The dividend reinvestment plan will operate likely by acquiring shares on-market for participants with no discount applied.
- On 16 February 2024, IAG announced it would undertake an on-market share buy-back of up to \$200 million.

Note 3.10 Net tangible assets

	31 December 2023	Restated 30 June 2023
	\$	\$
Net tangible assets per ordinary share	1.21	1.24

Net tangible assets per ordinary share have been determined using the net assets on the balance sheet including all right-of-use assets, adjusted for non-controlling interests, intangible assets and goodwill.

Directors' declaration

In the opinion of the Directors of Insurance Australia Group Limited:

- the consolidated financial statements and Notes 1 to 3.10 are in accordance with the *Corporations Act 2001* including:
 - giving a true and fair view of the financial position of the Group as at 31 December 2023 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
 - complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 16th day of February 2024 in accordance with a resolution of the Directors.



Nick Hawkins
Director

Forward-looking statements and other representations

This report contains forward-looking statements including statements regarding IAG's strategy, 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", "commit" or other similar words. Guidance on future earnings or performance are also forward-looking statements.

These forward-looking statements reflect our current views and expectations of future events and are based on assumptions and contingencies which are subject to change. Such statements involve risks (both known and unknown) and assumptions, many of which are beyond IAG's control. This may cause actual results to differ materially from those expressed or implied in such statements. You are cautioned not to place undue reliance upon such forward looking statements. IAG assumes no obligation to update such forward-looking statements (except as required by law).

Some of the key risks which could cause actual results to differ materially from those expressed or implied are detailed in Note 3.1 within the 30 June 2023 Annual Report which is available at www.iag.com.au.

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.

There are also particular risks and uncertainties associated with forward-looking statements and other representations relating to environment, social and governance (ESG) issues, including but not limited to climate change, climate and disaster resilience and other sustainability related statements, commitments, targets, projections, scenarios, assessments, forecasts and expectations. These are subject to risks (both known and unknown), and there are significant uncertainties, limitations and assumptions in the metrics and modelling on which these statements rely. In particular, the metrics, methodologies and data relating to climate and sustainability are rapidly evolving and maturing, including the methodologies to capture and record emissions, and there is uncertainty around future climate and sustainability related policy and legislation.

Independent Auditor's Review Report



Independent Auditor's Review Report

To the shareholders of Insurance Australia Group Limited

Conclusion

We have reviewed the accompanying half year financial report of Insurance Australia Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Insurance Australia Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The half year financial report comprises:

- Consolidated balance sheet as at 31 December 2023;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the half year ended on that date;
- Notes 1 to 3.10 including selected explanatory notes; and
- The Directors' Declaration.

The Group comprises Insurance Australia Group Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

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Independent Auditor's Review Report

Responsibilities of the Directors for the half year financial report

The Directors of the Company are responsible for:

- the preparation of the half year financial report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the half year financial report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Brendan Twining
Partner
Sydney
16 February 2024

Andrew Reeves
Partner

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