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06

CFO Update

CFO update

Deeper dive into capital, reinsurance and expense base



Capital Platform

- Strong capital base built on equity, hybrid and reinsurance components



Reinsurance

- Impact of reinsurance program on perils allowance and capital



Cost base

- Gross operating cost trajectory
- Capitalised expenditure profile



AASB17


- Will apply from 1 July 2023
- No impact on capital, solvency or business strategy

Capital platform



Equity

- Capital management options
- Ongoing on-market buyback



Debt / hybrid

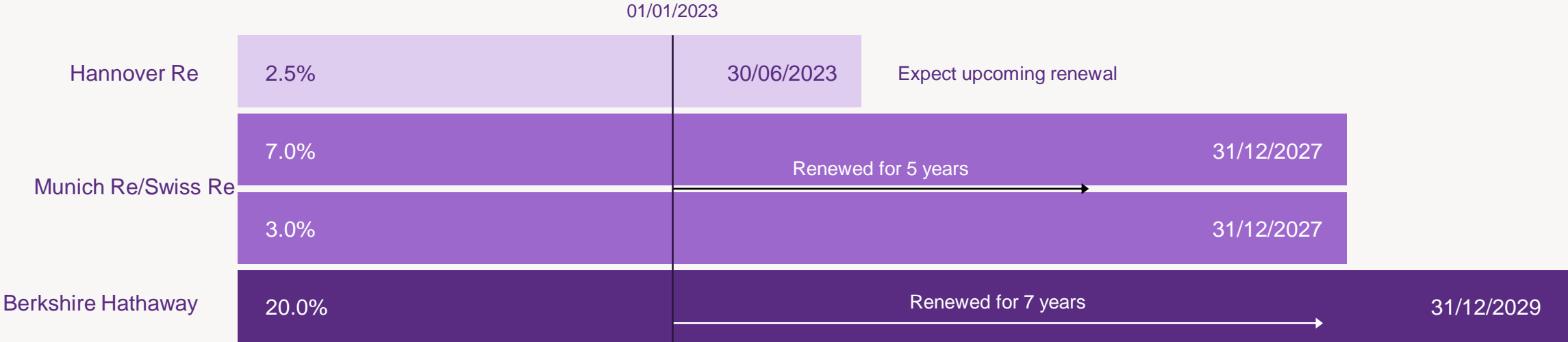
- Hybrid securities
- Subordinated term notes



Reinsurance

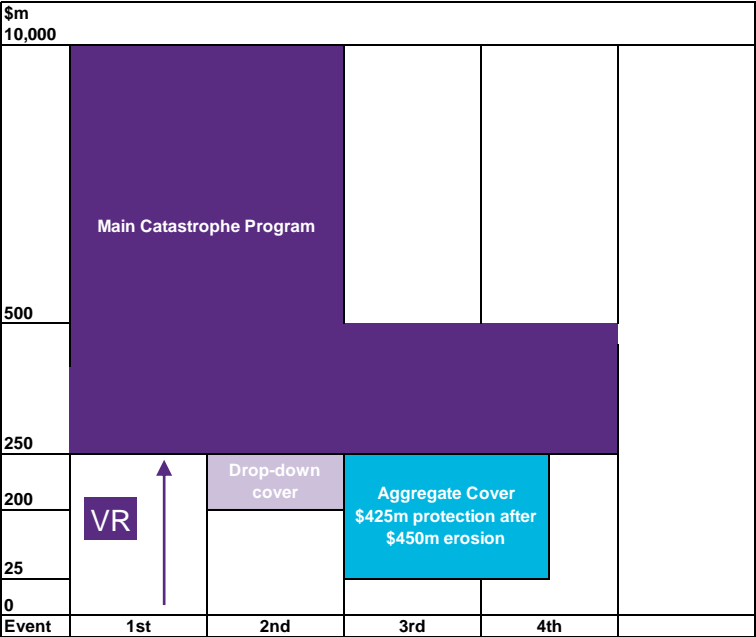
- Catastrophe and earnings volatility covers
- Unique quota share arrangements

Quota share arrangements



Impact of global reinsurance market changes

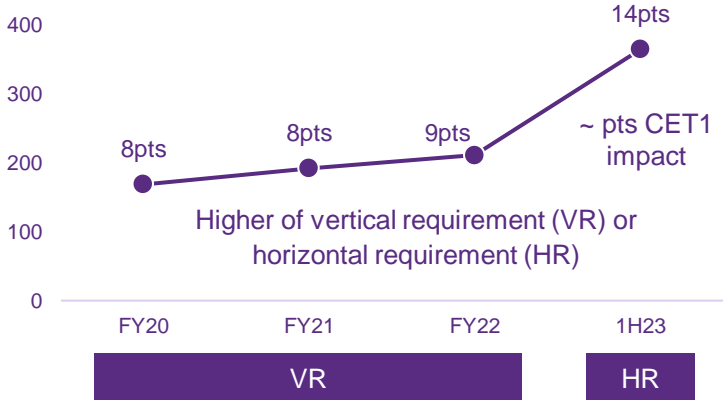
Gross catastrophe reinsurance program at 1 Jan 2020



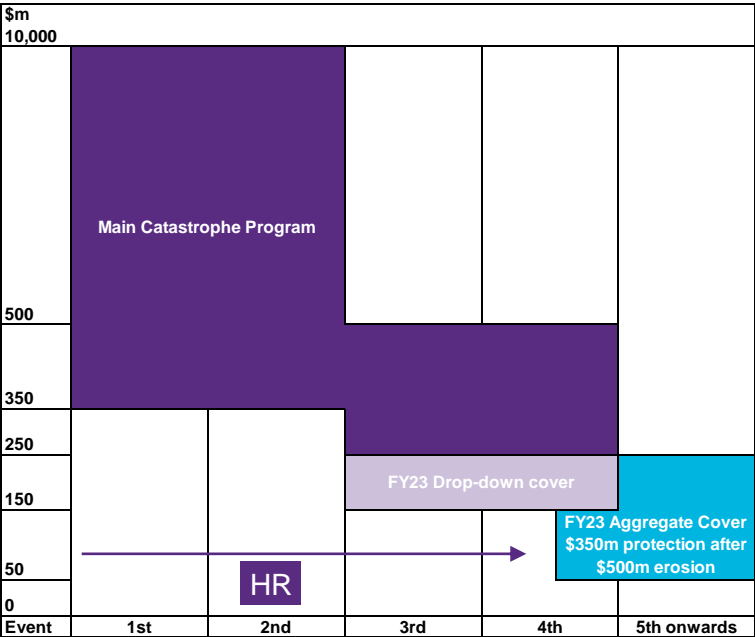
Comparison of 2023 program to 2020 program



Insurance concentration risk charge (ICRC)



Gross catastrophe reinsurance program at 1 Jan 2023



¹ Represents portion of overall perils allowance increase attributable solely to the impact of the change in the reinsurance program.

Cost base

~\$2.5bn gross operating cost target achieved in FY21 and FY22, and **on track for FY23**

Expected increase in gross operating costs from FY24. Drivers of cost uplift include:

- Wage inflation pressure
- Additional technology expenses
- Amortisation of capitalised software

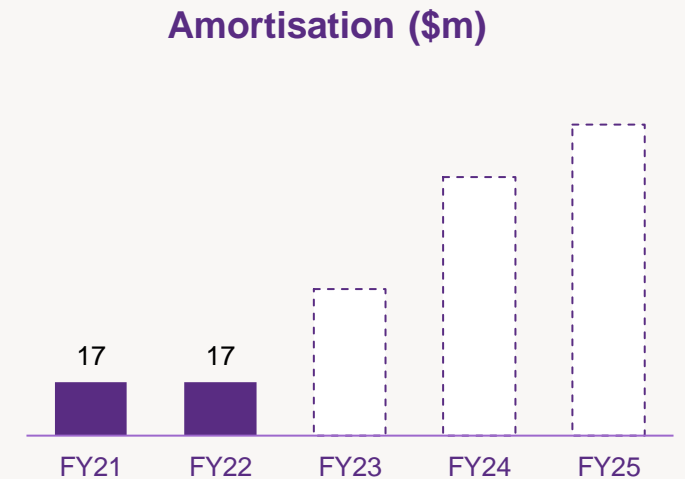
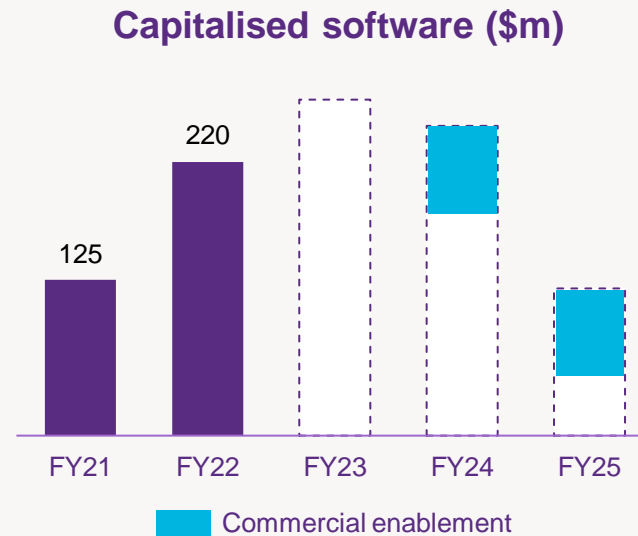
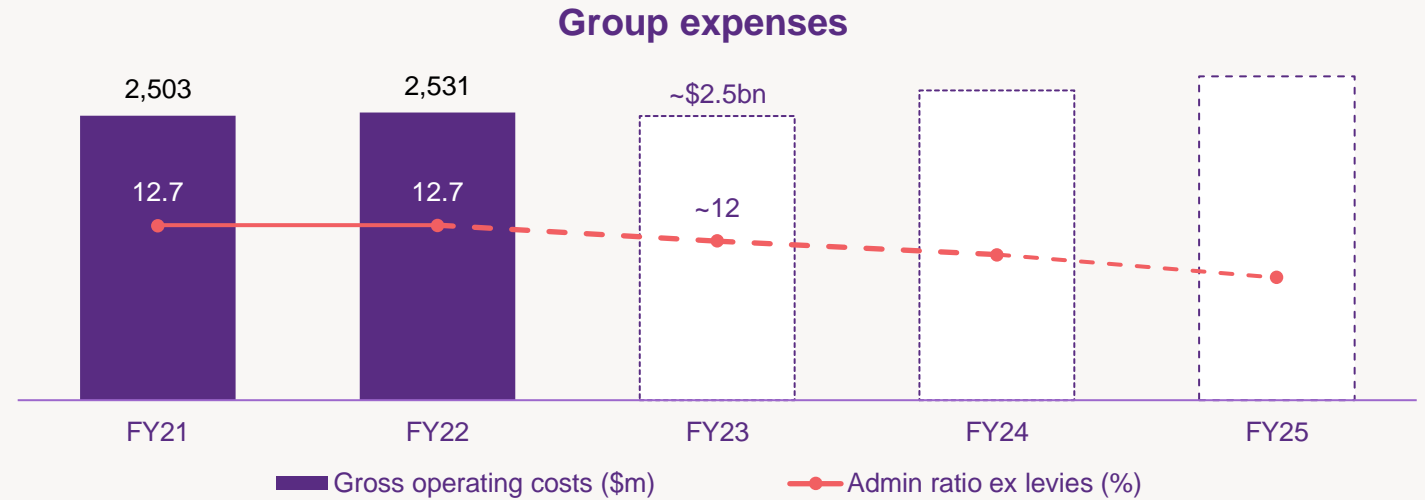
Offset by:

- Automation and optimisation benefits
- Lower property costs¹

Group administration ratio ex levies expected to reduce to ~12% in FY23 and remain at or below this level

Capitalised software expected to peak in FY23

¹ Property optimisation plans lead to a change in use of our AASB16 Leases right of use assets and are expected to result in an impairment of approximately \$20m.



Charts display directional trend only

AASB17

AASB17 will NOT impact our capital or solvency requirements or business strategy



Onerous contracts

Testing at a more granular level than the current Liability Adequacy Test (LAT) which is at the segment level



Financial impact

Impacts the timing of recognition, measurement and disclosure of our insurance contracts

'Day one' transition adjustment will be taken to Retained Earnings



Timing

Applies from 1 July 2023

An 'opening balance sheet' at 1 July 2022 is being prepared



Measurement approach

Premium Allocation Approach expected to apply across IAG's insurance contracts



Capital & Balance Sheet

Cost of capital approach to risk adjustment likely to result in a lower probability of adequacy

Expected to be broadly consistent with APRA's capital requirements

Proposed approach is to continue to provide existing key reporting metrics GWP, NEP and Insurance Profit.

These will continue to form the basis of our guidance and medium-term targets.