



Strategic Alliance with RACQ

28 November 2024



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

Exclusive Strategic Alliance with RACQ



Transaction Overview	<ul style="list-style-type: none">• IAG and RACQ have entered into an exclusive long-term partnership, which includes:<ul style="list-style-type: none">– Transfer of the RACQ Insurance (“RACQI”) entity and existing portfolio to IAG– 25 years exclusive access to RACQ’s network for distribution of RACQ branded general insurance products– Commitment from both parties to continue to invest in RACQ’s member experience and delivery of leading insurance products and services• The transaction is expected to complete in the third quarter of 2025 and is subject to customary closing conditions, including ACCC clearance
Compelling 25-year Strategic Alliance	<ul style="list-style-type: none">• RACQ is one of Queensland’s most trusted brands• Complements IAG’s proud history with motoring clubs• Accelerates IAG’s Australian Retail Strategy• Provides IAG the opportunity to offer leading products and services to RACQ’s ~1.7m members• IAG to maintain its existing brands in Queensland
Financial Details	<ul style="list-style-type: none">• IAG’s consideration for 90% of the shares of RACQ Insurance and the entry into a strategic alliance for \$855* million comprises:<ul style="list-style-type: none">– payment for the shares equivalent to the expected net tangible asset value at time of completion ~\$522m*; and– upfront payment of ~\$333m* for entry into an exclusive 25-year distribution agreement• Ongoing market-standard commissions to RACQ for the distribution of general insurance products• IAG has an option, exercisable 2 years after completion, to acquire the remaining 10% equity stake on consistent terms• RACQI FY24 GWP of \$1.3bn excluding the run-off CTP portfolio• EPS accretive for IAG shareholders expected in the first full-year• Funded from surplus capital, with IAG’s pro forma capital position to remain within the CET1 target range• Consistent with the ‘through the cycle’ 15% insurance margin and 14-15% ROE targets <p>*Subject to customary completion adjustments</p>

Overview of RACQ and RACQI



Largest club in Queensland

~1.7m

RACQ Group members

119 years of operation

~60%

of members with 10+ year membership

RACQ Strategic Vision

“To be a trusted partner for our members, providing solutions to live and move safely, securely and sustainably”

FY24 GWP¹

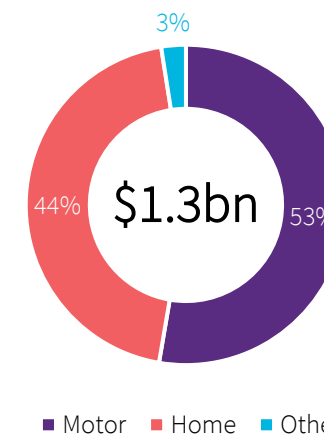
\$1.3bn

Queensland position

#2

motor and home insurance³

FY24 GWP Split by Product¹



NPS Score²

68

RepTrak score

#1

Queensland Insurance reputation

¹ Excluding CTP. ² YTD December 2023. ³ Market share of home and contents insurance and comprehensive and third party motor insurance purchases in a three month period in QLD as at Jun-2023.

A Compelling Strategic Alliance with RACQ



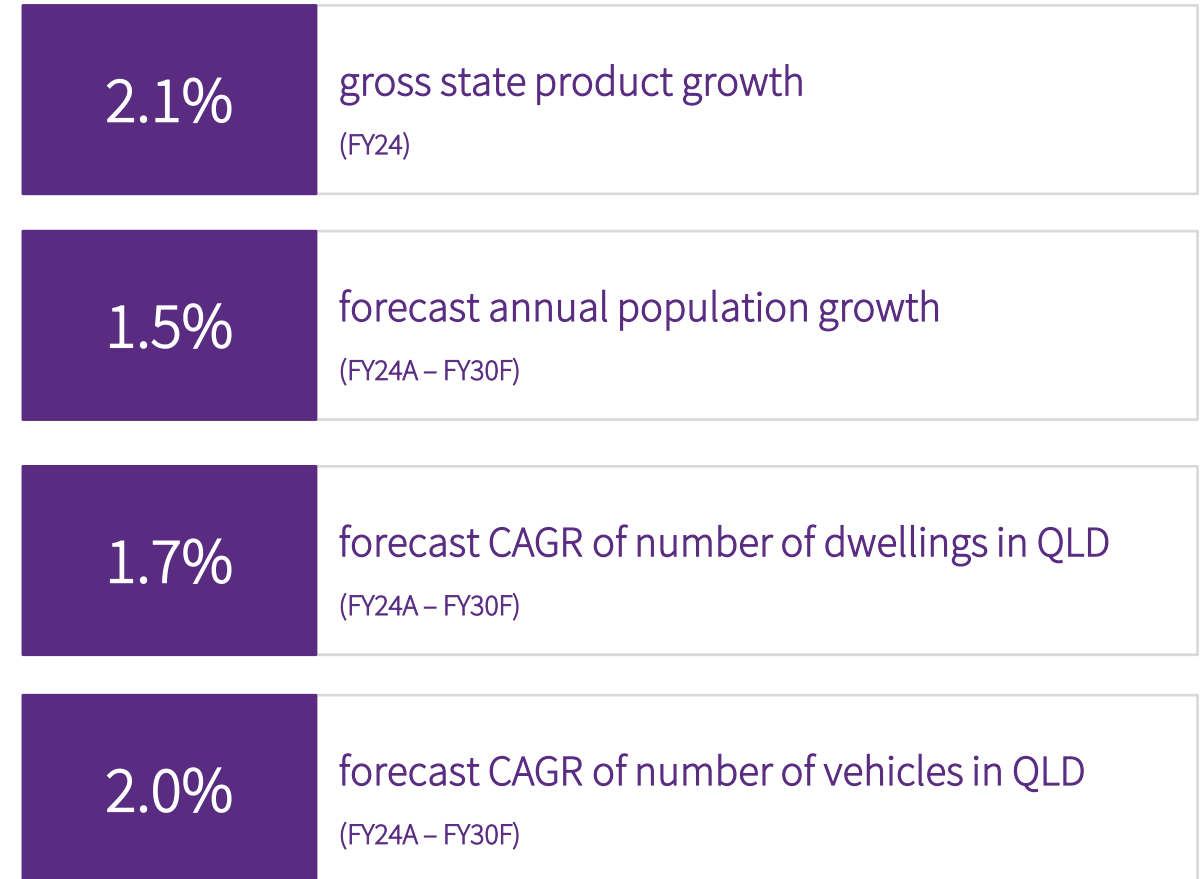
1 Attractive Queensland economy	2 Builds on IAG's successful history with motoring club partnerships	3 RACQ is a highly trusted Queensland brand	4 RACQI has a complementary personal lines portfolio	5 De-risked integration plan	6 Strong financial outcomes
<ul style="list-style-type: none"> Queensland's economy remains strong and is set to continue to outperform Strong population growth and increasing dwelling construction and building approval rates expected to continue 	<ul style="list-style-type: none"> Track record of underwriting business for the largest members clubs in Australia, while maintaining their own autonomy and brand independence Complementary cultures focussed on member outcomes 	<ul style="list-style-type: none"> Provides access to Queensland's largest club with ~1.7m members Strong retention rates across the book with net promoter score of 68+ 	<ul style="list-style-type: none"> Complementary portfolio containing Home, Motor, Pet and Pleasure Craft ~97% of RACQI portfolio relates to Home and Motor in FY24 	<ul style="list-style-type: none"> Transfer to IAG's Enterprise Platform to reduce risk and support growth Transitional Services Agreement to support a seamless and timely integration of customers 	<ul style="list-style-type: none"> Material synergies from reinsurance and cost efficiencies Funded from surplus capital EPS accretive in first full year
<p>Consistent with IAG's 'through the cycle' 15% insurance margin and 14-15% ROE targets</p>					

1 Attractive Queensland Economy



- **Queensland is an attractive growth area in Australia in which IAG currently is underweight**
- **Queensland economy has grown above pre-pandemic levels and continues to recover strongly post the COVID-19 pandemic**
- **Growing population in Queensland driving demand for registered motor vehicles and continuing to drive property prices across Queensland**
- **IAG has been a material contributor to the shape and design of the Federal Government Cyclone Pool and supported its introduction. This underpins IAG's commitment to and support of risk transfer mechanisms that help Queenslanders and Australians**

Queensland Market Key Statistics



Sources: Australian Bureau of Statistics, Deloitte Access Economics. Figures shown to June year end.

2 Builds on IAG's Successful History of Motoring Club Partnerships



~1.7m members

~2.5m members

~2.3m members

- ✓ High member penetration across all states
- ✓ Market leading customer loyalty and engagement program that rewards loyalty and gives customers control of identification, consent and payment
- ✓ Focus on digital and local presence, including support for vulnerable customers, to elevate customer experience

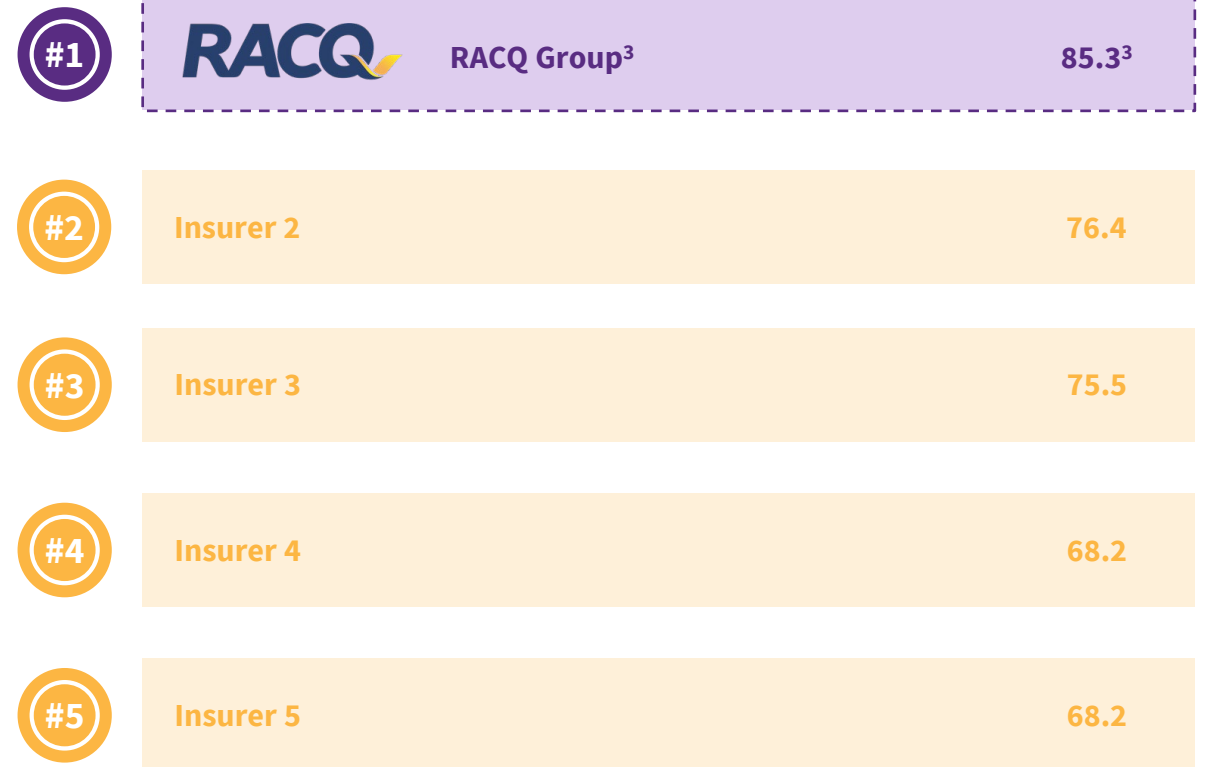
3 RACQ is a Highly Trusted Queensland Brand



- Net promoter score of 68¹
- Strong member services culture driving engagement
- Retention rates of ~80% in the motor book and ~85% in the home book²
- #1 RepTrak brand in Queensland for general insurers
- High member loyalty, with ~60% holding membership with RACQ Group for 10 years or more

RACQ Group's Reputation Leads Queensland Insurers

RepTrak Q2'24 Benchmark Scores



¹YTD December 2023. ²FY21-25F average. Weighted average based on active covers for GWP / policy, and the previous years' new business and renewed policies for Retention Rate (i.e. FY23 retention rate is based on FY23 renewal units divided by FY22 new and renewal units). ³ Relative standing of the RACQ Group Brand as measured against RepTrak's respective benchmarks.

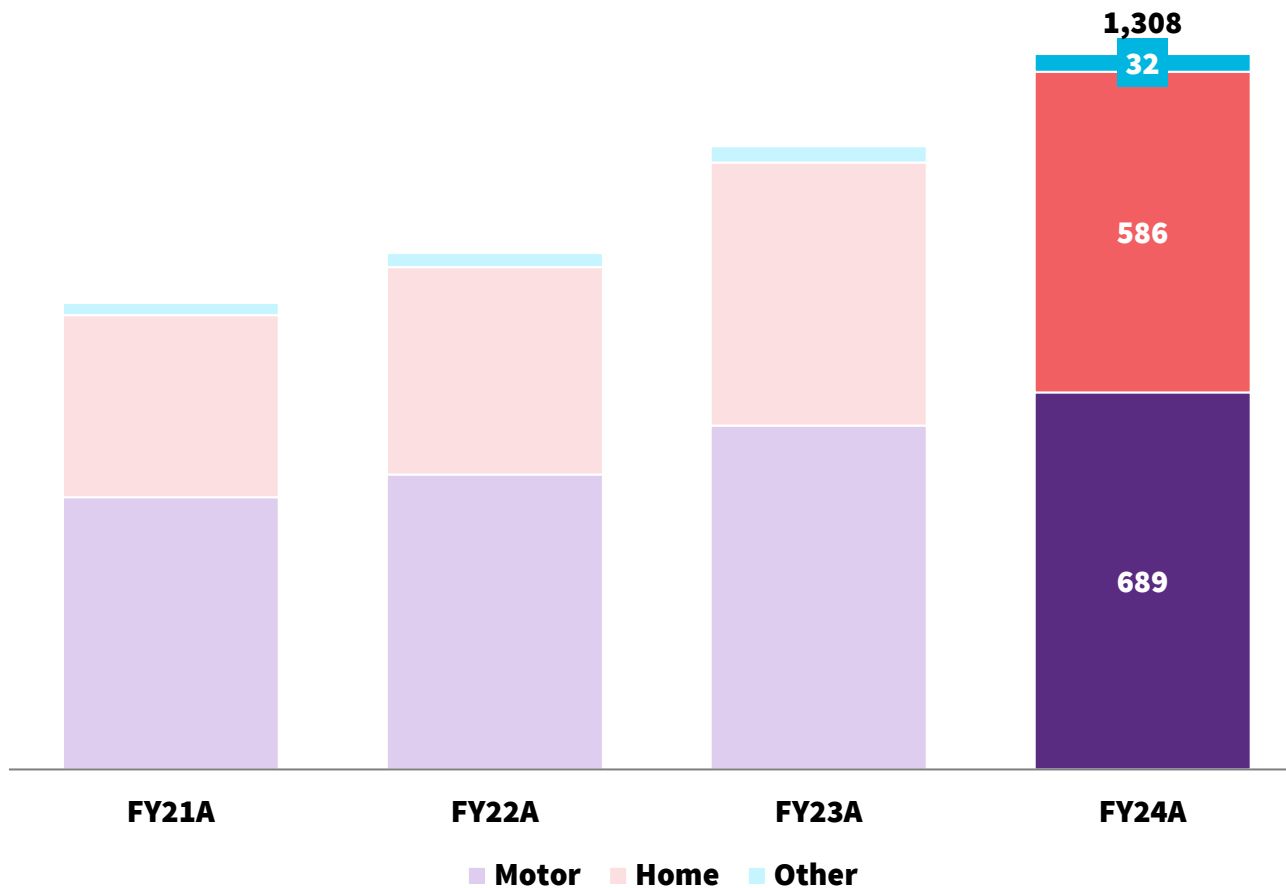
4 RACQI has a Complementary Personal Lines Portfolio



RACQI GWP¹ (\$m)

FY21 – 24 CAGR

Portfolio Composition



Total: 15%
Other: 14%
Home: 21%
Motor: 11%

- Motor**
- Largely consists of Comprehensive² Motor products (~95%), with the remainder predominantly Third Party Property³
 - Retention rate of ~80%
- Home**
- Building⁴ contributes ~60% FY24 GWP, with Contents & SPE and Honey contributing ~20% each
 - Retention rate of ~85% (ex. Honey)
- Other**
- Consists of Pet and Pleasure Craft

¹ Excludes CTP portfolio which is in run-off. ² Comprehensive includes Automotive, Bike & Buggy, Trailer & Caravan & Veteran Vintage. ³ Third Party Property includes Fire & Theft and Property. ⁴ Building includes Building, Mortgagee and Strata.

5 De-Risked Integration Plan



(9-12 months)

- Regulatory and government engagement
- Develop detailed Day 1 system integration, including technology and financial operations
- Establish working plan for Transitional Services Agreement
- Transition RACQI employees

(0-24 months post-completion)

- Roll-out IAG's Enterprise Platform to RACQ, reducing risk of technology integration
- Integration between RACQ CRM and IAG
- Roll off from TSA and commence standalone entity for regulatory and operational purposes

Outcomes

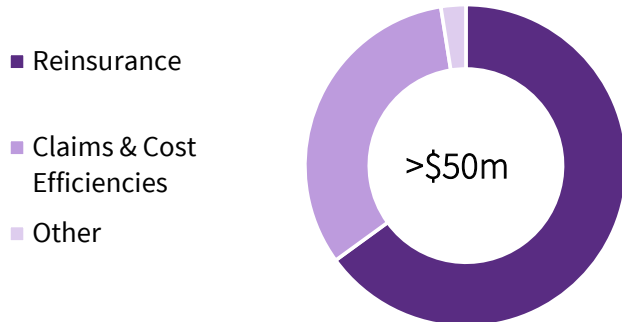
- ✓ Strategic alliance working plan and structures established
- ✓ TSA agreed and detailed schedules developed
- ✓ Members notified of Strategic Alliance commencement
- ✓ Approval from The Australian Competition and Consumer Commission (ACCC) and Commonwealth Treasurer (FSSA Approval)
- ✓ Complete transition to Enterprise Platform, with pricing on Earnix
- ✓ Complete licenses consolidation

6 Strong Financial Outcomes

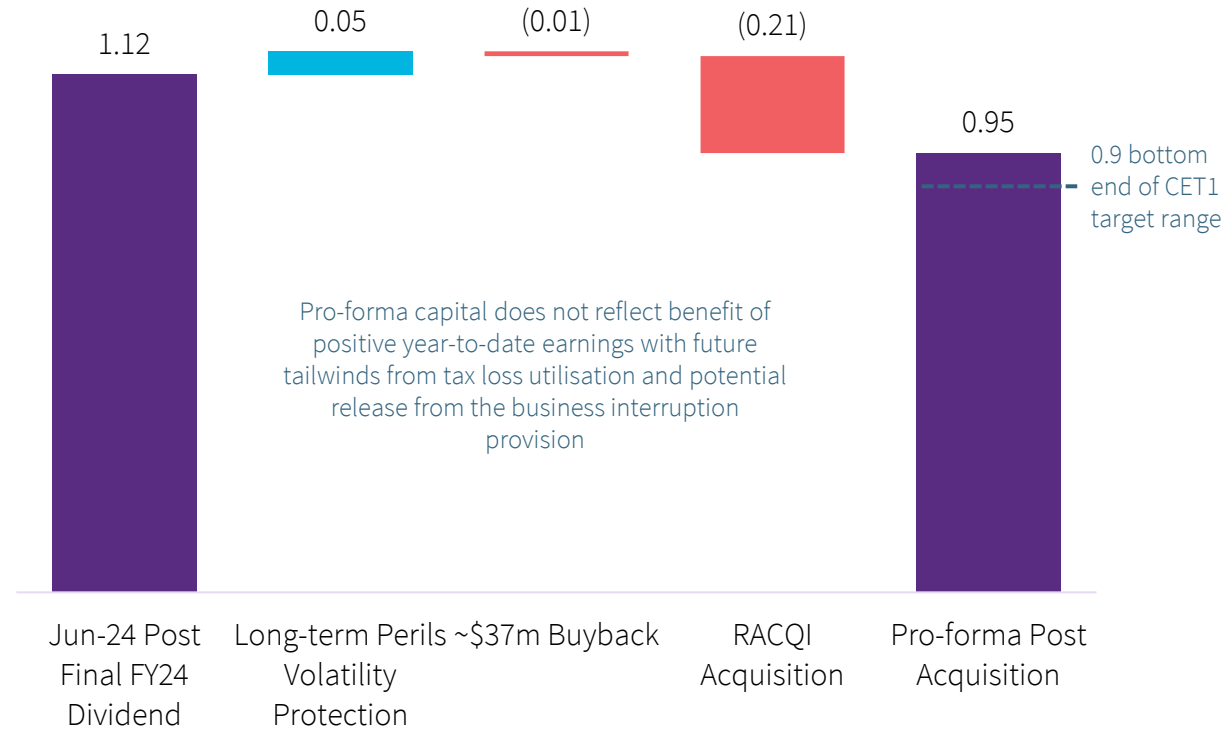
Financial Outcomes

- Annual run rate synergy benefit expected to exceed \$50m per annum, largely by adopting IAG’s reinsurance strategy
- Reinsurance synergies expected to be realised in first full year
- EPS accretion expected in the first full-year
- Consistent with ‘through the cycle’ 15% insurance margin and 14-15% ROE targets
- Total transaction and integration costs of ~\$70m over 2 years includes capitalised software integration costs

Annual Run Rate Synergies



Pro-forma CET1 Multiple



In Summary: A Compelling Strategic Alliance with RACQ



- 1 Entry into an exclusive long-term partnership with RACQ
- 2 Greater exposure to an attractive Queensland economy
- 3 Builds on IAG's successful history with motor club partnerships
- 4 Access to RACQ's highly trusted brand and ~1.7m members
- 5 Reduced risk associated with the integration and transition plan, with benefits to be realised from IAG's Enterprise Platform
- 6 Complementary personal lines portfolio with positive growth dynamics
- 7 Strong financial outcomes – funded by internal resources with meaningful reinsurance synergy opportunity
- 8 EPS accretion expected in the first full year, consistent with IAG's 'through the cycle' insurance margin and ROE targets



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