Insurance Australia Group Limited
ABN 60 090 739 923

Half year report for the period ended 31 December 2025

Results for announcement to the market

	31 December 2025	31 December 2024	Change		
	$m	$m		$m	%[1]
Revenue from ordinary activities	**11,140**	9,036	Up	2,104	23.3%
Net profit/(loss) after tax from ordinary activities attributable to shareholders of the Parent	**505**	778	Down	(273)	(35.1%)
Net profit/(loss) attributable to shareholders of the Parent	**505**	778	Down	(273)	(35.1%)

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
2025 Final dividend	19.0 cents	7.6 cents
2026 Interim dividend	12.0 cents	3.0 cents

Interim dividend date	
Record date	18 February 2026
Payment date	13 March 2026

Insurance Australia Group Limited's (Company or Parent) Dividend Reinvestment Plan (DRP) will operate 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 19 February 2026. The DRP Issue Price will be based on a volume-weighted average price for an 8-day trading window from 23 February 2026 to 4 March 2026 inclusive.

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

This Appendix 4D for the half year ended 31 December 2025 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 2025 (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 2025 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 2024 (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 2025

Insurance Australia Group Limited
ABN 60 090 739 923

Financial report

For the half year ended 31 December 2025

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 41 for IAG's full disclaimer in relation to forward-looking statements and other representations.

Contents

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 2025 (1H26). This report covers the reporting period 1 July 2025 to 31 December 2025, 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
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 AM	Director since 1 September 2021 – retired on 12 September 2025
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
JoAnne M Stephenson	Director since 12 May 2025
Wendy Thorpe OAM	Director since 1 July 2023
Michelle K Tredenick OAM	Director since 13 March 2018
Executive	
Nicholas (Nick) B Hawkins	Managing Director and Chief Executive Officer since 2 November 2020

Operating and financial review

The operating and financial review section includes the information below as well as the information in the FY26 Guidance and outlook section on page 14 and Review of financial condition section on pages 14 to 15.

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

The management reported results differ in some respects from the statutory results, however IAG's 1H26 reported profit is the same under the statutory and management basis.

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 Report.

Further detailed information on the management result, in Excel format, is available on the IAG website.

Reconciliation between the 1H26 statutory result (IFRS) to 1H26 management result (non-IFRS)

The 1H26 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 $815 million is unchanged from the statutory result.

The re-presentation of the line items is outlined in a further reconciliation on page 7. Reinsurance cash flows that are not contingent on claims such as exchange and fixed reinsurance commission are presented in the 'reinsurance held expense' line in the statement of comprehensive income. Reinsurance cash flows that are considered as contingent on claims such as claims recoveries and profit commission are presented in the 'reinsurance held income' line in the statement of comprehensive income. Reinsurance cash flows that IAG expects to receive under all circumstances (regardless of whether an insured event occurs) are excluded from both the reinsurance held expense and reinsurance held income in the statement of comprehensive income.

RACQ Insurance Limited acquisition

On 1 September 2025 the Company completed its acquisition of 90% of the shares in RACQ Insurance Limited (RACQI). The HY26 reported results includes four months' results for RACQI from that date, and forms part of the Retail Insurance Australia segment. Refer to Note 3.8 for further details.

As at 31 December 2025	Statutory result IFRS $m	Reclassification $m	Other adjustment[1] $m	Management result Non-IFRS[2] $m
Insurance revenue	9,351	(9,063)	(288)	-
Insurance service expense	(8,393)	8,107	286	-
Reinsurance held expense	(1,717)	3,715	(1,998)	-
Reinsurance held income	1,431	(2,704)	1,273	-
Insurance service result	**672**	**55**	**(727)**	-
Insurance finance income/(expense)	(61)	61	-	-
Reinsurance finance income/(expense)	23	(24)	1	-
Insurance operating result	**634**	**92**	**(726)**	-
Analysed as:				
Gross written premium	-	**8,929**	-	**8,929**
Gross earned premium	-	9,063	-	9,063
Reinsurance expense	-	(3,715)	-	(3,715)
Net earned premium	-	**5,348**	-	**5,348**
Net claims expense	-	(3,506)	-	(3,506)
Commission expense	-	(703)	226	(477)
Administration expense	-	(1,231)	500	(731)
Underwriting profit/(loss)	-	**(92)**	**726**	**634**
Investment income on assets backing insurance liabilities, net of expenses	90	-	-	90
Insurance profit	**724**	-	-	**724**
Net corporate expense	-	-	-	-
Net other operating income/(expense)	91	-	-	91
Profit/(loss) before income tax	**815**	-	-	**815**
Income tax expense	(252)	-	-	(252)
Profit/(loss) after income tax	**563**	-	-	**563**
Non-controlling interests	(58)	-	-	(58)
Profit/(loss) attributable to IAG shareholders	**505**	-	-	**505**

1. Other adjustment relates to reinsurance reclassifications and business acquisition.
2. Represents the *AASB 17* results reclassified to be consistent with the management presentational basis.

1H25 statutory result to 1H25 management result reconciliation

As at 31 December 2024	Statutory result IFRS $m	Reclass-ification $m	Other adjust-ment[1] $m	Statutory result (re-presented) Non-IFRS[2] $m	BI provision reclassifi-cation[3] $m	Manage-ment result Non-IFRS[2] $m
Insurance revenue	8,366	(8,366)	-	-	-	-
Insurance service expense	(6,111)	6,113	(2)	-	-	-
Reinsurance held expense	(1,260)	3,436	(2,176)	-	-	-
Reinsurance held income	54	(1,496)	1,442	-	-	-
Insurance service result	**1,049**	**(313)**	**(736)**	**-**	**-**	**-**
Insurance finance income/(expense)	(238)	238	-	-	-	-
Reinsurance finance income/(expense)	119	(119)	-	-	-	-
Insurance operating result	**930**	**(194)**	**(736)**	**-**	**-**	**-**
Analysed as:						
Gross written premium	**-**	**8,426**	**-**	**8,426**	**-**	**8,426**
Gross earned premium	-	8,366	-	8,366	-	8,366
Reinsurance expense	-	(3,436)	-	(3,436)	-	(3,436)
Net earned premium	**-**	**4,930**	**-**	**4,930**	**-**	**4,930**
Net claims expense	-	(2,839)	-	(2,839)	(200)	(3,039)
Commission expense	-	(677)	224	(453)	-	(453)
Administration expense	-	(1,220)	512	(708)	-	(708)
Underwriting profit/(loss)	**-**	**194**	**736**	**930**	**(200)**	**730**
Investment income on assets backing insurance liabilities, net of expenses	227	-	-	227	-	227
Insurance profit	**1,157**	**-**	**-**	**1,157**	**(200)**	**957**
Net corporate expense	-	-	-	-	200	200
Net other operating income/(expense)	120	-	-	120	-	120
Profit/(loss) before income tax	**1,277**	**-**	**-**	**1,277**	**-**	**1,277**
Income tax expense	(381)	-	-	(381)	-	(381)
Profit/(loss) after income tax	**896**	**-**	**-**	**896**	**-**	**896**
Non-controlling interests	(118)	-	-	(118)	-	(118)
Profit/(loss) attributable to IAG shareholders	**778**	**-**	**-**	**778**	**-**	**778**

1. Other adjustment relates to reinsurance reclassifications.
2. Represents the *AASB 17* results reclassified to be consistent with the management presentational basis.
3. The provision for business interruption related claims release is not expected to be a feature of the Group's future sustainable earnings profile. As a result, and to ensure consistency of the reporting of key insurance measures and metrics, this item has been shown in the 'Net corporate expense' line in the management reported view of the results, consistent to the treatment in prior periods.

Reconciliation of the statutory to management re-presentation

A reconciliation of the re-presentation from management to statutory view has been provided below to assist the users of the financial statements.

	Net earned premium		Net claims expense		Commission expense		Administration expense		Investment income[1]		Statutory Total	
For the half year ended 31 December	**2025 $m**	**2024 $m**	**2025 $m**	**2024 $m**	**2025 $m**	**2024 $m**	**2025 $m**	**2024 $m**	**2025 $m**	**2024 $m**	**2025 $m**	**2024 $m**
Insurance revenue	9,063	8,366	288	-	-	-	-	-	-	-	9,351	8,366
Insurance service expense	-	-	(6,459)	(4,214)	(703)	(677)	(1,231)	(1,220)	-	-	(8,393)	(6,111)
Reinsurance held expense	(3,715)	(3,436)	1,272	1,440	226	224	500	512	-	-	(1,717)	(1,260)
Reinsurance held income	-	-	1,431	54	-	-	-	-	-	-	1,431	54
Insurance service result	**5,348**	**4,930**	(3,468)	**(2,720)**	(477)	**(453)**	(731)	**(708)**	-	**-**	672	**1,049**
Net insurance finance income/(expense)	-	-	(38)	(119)	-	-	-	-	-	-	(38)	(119)
Insurance operating result	**5,348**	**4,930**	(3,506)	**(2,839)**	(477)	**(453)**	(731)	**(708)**	-	**-**	634	**930**
Investment income[1]	-	-	-	-	-	-	-	-	90	227	90	227
Insurance profit	**5,348**	**4,930**	(3,506)	**(2,839)**	(477)	**(453)**	(731)	**(708)**	**90**	**227**	724	**1,157**

1. On assets backing insurance liabilities, net of expenses.

Key Metrics

Key results	1H25	2H25	1H26	1H26 vs 1H25 Mvt
Net profit/(loss) after tax ($m)	**778**	**581**	**505**	**(35.1%)**
Insurance profit/(loss) ($m)	**957**	**786**	**724**	**(24.3%)**
Gross written premium (GWP) ($m)	**8,426**	**8,680**	**8,929**	**+6.0%**
Net earned premium (NEP) ($m)	4,930	5,054	5,348	+8.5%
Reported insurance margin (%)	**19.4%**	**15.6%**	**13.5%**	**(590bps)**
Underlying insurance margin (%)	**15.1%**	**15.8%**	**15.1%**	-
Earnings per share (cents per share)	32.88	24.59	21.37	(35.0%)
Diluted earnings per share (cents per share)	31.31	24.28	21.06	(32.7%)
Return on equity (ROE) (% pa)	22.7%	16.2%	13.8%	(890bps)
Cash earnings ($m)	**640**	**533**	**507**	**(20.8%)**
Cash earnings per share (cents per share)	27.05	22.56	21.46	(20.7%)
Diluted cash earnings per share (cents per share)	26.15	22.40	21.13	(19.2%)
Cash return on equity (ROE) (% pa)	18.7%	14.9%	13.9%	(480bps)
Dividend (cents per share)	**12.0**	**19.0**	**12.0**	-
Prescribed Capital Amount (PCA) multiple	2.40	2.43	2.18	(22pts)
Common Equity Tier 1 Capital (CET 1) multiple	1.42	1.47	1.18	(24pts)
Net tangible assets per ordinary share ($)	1.35	1.44	1.24	(8.1%)

The Group's profit after tax for the half year was $505 million (1H25: $778 million). This result included:

- An increase in the underlying insurance profit to $804 million (1H25: $747 million). Due to the $174 million loss from the RACQI portfolio which was impacted by a significant number of major natural perils events, there was a $233 million decrease in pre-tax insurance profit to $724 million (1H25: $957 million). The reported insurance profit also included favourable prior period reserves releases;
- a nil corporate expense outcome compared to the $140 million post-tax release from the business interruption provision in 1H25; and
- a reduction in investment income on technical reserves and shareholder funds.

The reported insurance profit was $724 million (1H25: $957 million) which equates to a reported insurance margin of 13.5% (1H25: 19.4%). The reported insurance profit included unfavourable net natural perils experience of $152 million compared to allowance, a net release of prior year reserves of $66 million and a $6 million positive impact from the narrowing of credit spreads. Excluding the impact of RACQI, the insurance profit was $898 million which equates to a reported insurance margin of 17.7%.

The underlying insurance margin of 15.1% was in line with the prior corresponding half year (1H25: 15.1%). This reflects a combination of influences including an improvement in the underlying claims ratio and expense ratio, partially offset by a lower investment yield on technical reserves. Excluding the impact of RACQI, the underlying insurance margin was 16.3%.

Detailed Management Profit & Loss and Ratios

Group Results	1H25 $m	2H25 $m	1H26 $m
Gross written premium	**8,426**	**8,680**	**8,929**
Gross earned premium	8,366	8,408	9,063
Reinsurance expense	(3,436)	(3,354)	(3,715)
Net earned premium	**4,930**	**5,054**	**5,348**
Net claims expense	(3,039)	(3,287)	(3,506)
Commission expense	(453)	(456)	(477)
Administration expense	(708)	(762)	(731)
Underwriting profit	**730**	**549**	**634**
Investment income on technical reserves	227	237	90
Insurance profit	**957**	**786**	**724**
Net corporate expense	200	70	-
Interest	(92)	(100)	(90)
Profit/(loss) from fee-based business	(3)	(5)	(3)
Investment income on shareholders' funds	217	186	186
Profit before income tax and amortisation	**1,279**	**937**	**817**
Income tax expense	(381)	(297)	(252)
Profit after income tax (before amortisation)	**898**	**640**	**565**
Non-controlling interests	(118)	(58)	(58)
Profit after income tax and non-controlling interests (before amortisation)	**780**	**582**	**507**
Amortisation and impairment	(2)	(1)	(2)
Profit/(loss) attributable to IAG shareholders	**778**	**581**	**505**
Insurance Ratios	**1H25**	**2H25**	**1H26**
Loss ratio	61.6%	65.0%	65.6%
Immunised loss ratio	61.3%	64.1%	66.8%
Expense ratio	23.6%	24.1%	22.6%
Commission ratio	9.2%	9.0%	8.9%
Administration ratio	14.4%	15.1%	13.7%
Administration ex-levies ratio	11.9%	12.5%	11.7%
Combined ratio	85.2%	89.1%	88.2%
Immunised combined ratio	84.8%	88.2%	89.4%
Reported insurance margin	19.4%	15.6%	13.5%
Underlying insurance margin	15.1%	15.8%	15.1%

Premiums

The Group's reported 1H26 GWP of $8,929 million increased by 6.0% on the prior corresponding period (1H25: $8,426 million). Divisional premium trends are as follows:

Retail Insurance Australia (RIA)

RIA delivered GWP growth of 14.4% to $4,923 million (1H25: $4,305 million). This included a $502 million contribution from the acquired RACQI business. Underlying GWP growth was approximately 4% after removal of RACQI, the transfer of RIA's farm portfolio to IIA and the ongoing run off of the Coles portfolio.

- Motor GWP increased by 12.1% to $2,291 million, with RIA's underlying low single-digit growth reflecting modest premium increases offset by lower new business volume in NSW. Renewal rates improved to slightly below 90%.
- Home GWP rose by 20.7% to $2,005 million. Underlying growth of mid-to-high single-digit was rate-driven and complemented by our above system volume growth in all states excluding Queensland.
- Long-tail (CTP) GWP increased by 5.1% to $412 million with NSW and ACT achieving high single-digit growth. South Australian CTP experienced some volume decline following strong growth in the prior period.
- Direct SME GWP decreased by 24.4% to $93 million reflecting the $30 million farm portfolio transfer to the IIA WFI brand in the first quarter. Underlying growth was modest with comparatively stronger performance across digital channels.

Intermediated Insurance Australia (IIA)

Premium declined in IIA by 1.2% to $2,206 million (1H25: $2,233 million). After normalising for the impact of multi-year workers' compensation premium written in the prior period and other impacts, underlying growth of approximately 3.5% was achieved:

- Commercial short-tail GWP grew 5.6% to $1,338 million, or approximately 3.5% on an underlying basis driven by strong growth in business packages and commercial fleet. CGU Padlock, the commercial property owners' product, also saw strong growth following the launch on Guidewire Cloud as part of the transformation program. This was partially offset by approximately 20% decline in strata premium, as underwriting discipline was exercised in a challenging market.
- Commercial long-tail GWP decreased by 16% to $534 million, while an underlying decline of approximately 1.5% reflected competitive pressures which impacted new business in professional risks and liability. This was partially offset by strong wage growth in workers' compensation.
- Personal Lines GWP grew by 1.2% to $334 million, with rate increases to cover inflation being partially offset by volume reduction in motor.

New Zealand

New Zealand's GWP reduced by 4.6% to $1,800 million (1H25: $1,887 million), partly impacted by a weak New Zealand dollar. In local currency terms, GWP decreased by 2.6% to NZ$2,022 million:

- Direct local currency GWP grew by 3.6% to NZ$899 million. The home owner and private motor portfolios saw solid GWP growth driven by higher volumes reflecting an improvement in both new business and retention levels. This was partially offset by lower rates reflecting improved claims experience.
- The bank partner channel achieved local currency GWP growth of 2.9% to NZ$315 million, with rate increases across the key personal lines portfolios, partly offset by lower volumes.
- In NZI, the broker intermediated channel, local currency GWP decreased by 10.4% to NZ$808 million, impacted by challenging market conditions. The business continues to exercise disciplined underwriting, leveraging NZI's strong brand and value-added propositions.

Insurance margin

The underlying insurance margin is the reported insurance margin adjusted for prior year reserve releases or strengthening, natural perils claim costs above or below related allowances and credit spread gains or losses.

Insurance margin impacts – Group	1H25 $m	2H25 $m	1H26 $m
Reported insurance profit	**957**	**786**	**724**
Reserve releases/(strengthening)	3	29	66
Natural perils	(426)	(662)	(870)
Natural peril allowance	641	642	718
Credit spreads	(8)	(18)	6
Underlying insurance profit	**747**	**795**	**804**
Reported insurance margin	**19.4%**	**15.6%**	**13.5%**
Reserve releases/(strengthening)	0.1%	0.6%	1.2%
Natural perils	(8.6%)	(13.1%)	(16.3%)
Natural peril allowance	13.0%	12.7%	13.4%
Credit spreads	(0.2%)	(0.4%)	0.1%
Underlying insurance margin	**15.1%**	**15.8%**	**15.1%**

The maintenance of the underlying margin at 15.1% in 1H26 (1H25: 15.1%) reflects a combination of influences. On the positive side, this included:

- a 70bps improvement in the immunised underlying claims ratio due to the recognition of approximately $75 million greater profit commission on reinsurance arrangements relative to 1H25; and
- a 100bps improvement in the expense ratio.

These positive factors were partially offset by:

- a 40bps impact from the increase in the natural perils allowance from $641 million to $718 million reflecting the inclusion of the RACQI portfolio; and
- a lower underlying investment return on technical reserves.

On an ex-RACQI basis, the underlying margin increased to 16.3% (1H25: 15.1%) driven by improved underlying claims (120bps) and expense (110bps) ratios, partially offset by the lower investment yield. The RACQI negative effect of 120bps was due to related impacts following the severe perils experience, including reduced commissions on the previous reinsurance arrangements, reinsurance reinstatement premiums and higher inflationary impacts on non-peril claims.

The 1H26 reported insurance profit of $724 million, equated to a 13.5% reported insurance margin (1H25: 19.4%). In addition to the underlying margin influences outlined above, this included:

- a net natural perils experience of $870 million, $152 million above the allowance reflecting the RACQI portfolio which was not part of IAG's comprehensive reinsurance arrangements until 1 January 2026. This compared to a favourable experience of $215 million in 1H25;
- a $66 million release from prior period reserves, compared to a release of $3 million in 1H25; and
- a $6 million favourable impact from the narrowing of credit spreads (1H25: $8 million unfavourable).

Divisional insurance margins

Divisional insurance margins	1H25 $m	2H25 $m	1H26 $m
Retail Insurance Australia			
Insurance profit	476	333	215
Underlying insurance profit	384	407	400
Reported insurance margin	19.0%	13.0%	7.4%
Underlying insurance margin	15.2%	15.8%	13.8%
Intermediated Insurance Australia			
Insurance profit	171	157	241
Underlying insurance profit	152	156	160
Reported insurance margin	12.8%	11.6%	17.5%
Underlying insurance margin	11.5%	11.5%	11.7%
New Zealand			
Insurance profit	311	295	268
Underlying insurance profit	212	231	244
Reported insurance margin	28.6%	26.1%	25.1%
Underlying insurance margin	19.5%	20.5%	22.9%

RIA delivered an insurance profit of $215 million in 1H26 (1H25: $476 million) and a reported insurance margin of 7.4% (1H25: 19.0%). The result reflected the timing of the RACQI acquisition, that experienced significant natural perils prior to its integration into the Group's reinsurance program. Excluding RACQI, the reported insurance profit was $389 million, representing a reported insurance margin of 14.7%, and was impacted by higher natural perils relative to the benign outcome in 1H25. The underlying insurance margin including RACQI was 13.8%, however on an ex-RACQI basis RIA delivered a 70bps improvement in underlying insurance margin to 15.9% (1H25: 15.2%), reflecting the quality of the underlying business.

IIA delivered an insurance profit of $241 million in 1H26 (1H25: $171 million) and a reported insurance margin of 17.5% (1H25: 12.8%). The result featured prior period reserve releases of $86 million largely related to the business interruption provision, long-tail classes and prior period perils events. A 20bps improvement in the underlying insurance margin to 11.7% reflected an improved expense ratio and a stable underlying loss ratio compared to 1H25.

New Zealand delivered an insurance profit of $268 million in 1H26 (1H25: $311 million) and a reported insurance margin of 25.1% (1H25: 28.6%). This was impacted by higher perils experience in 1H26, albeit still lower than the current period's allowance. The higher underlying insurance margin of 22.9% (1H25: 19.5%) was driven by a lower underlying loss ratio.

Reinsurance expense

The total reinsurance expense includes the cost of all covers purchased, including catastrophe, casualty, facultative and proportional protection. It does not reflect the economic benefit of fixed and profit commission arrangements on quota-shares and the stop-loss protection. The fixed commission is reflected in the administration expense and the profit commission is reflected in the net claims expense.

Reinsurance Expense	1H25 $m	2H25 $m	1H26 $m
Quota-share reinsurance expense	2,810	2,821	3,039
Non quota-share reinsurance expense	626	533	676
Total reinsurance expense	**3,436**	**3,354**	**3,715**

Quota-share related reinsurance expense of $3,039 million (1H25: $2,810 million) increased 8.1%, broadly in line with gross earned premium growth.

Non quota-share reinsurance expense increased 8.0% to $676 million (1H25: $626 million) largely reflecting approximately $60 million in costs associated with the inclusion of the RACQI portfolio prior to its integration into the Group's reinsurance program on 1 January 2026.

Claims

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 51.9% in 1H26, a 70bps improvement on the 52.6% in 1H25. Excluding the impact of RACQI, the immunised underlying loss ratio was 51.4%. This ratio excludes all prior year reserve releases or strengthening, natural perils costs and discount rate adjustments.

Immunised loss ratio – Group	1H25 $m	2H25 $m	1H26 $m
Reported net claims expense	**3,039**	**3,287**	**3,506**
Discount rate adjustment	(19)	(46)	67
Reserving and perils effects	(423)	(633)	(804)
Immunised underlying net claims expense	**2,597**	**2,608**	**2,769**
Reported loss ratio	**61.6%**	**65.0%**	**65.6%**
Discount rate adjustment	(0.4%)	(0.9%)	1.3%
Reserving and peril effects	(8.6%)	(12.5%)	(15.0%)
Immunised underlying loss ratio	**52.6%**	**51.6%**	**51.9%**

Divisional underlying claims trends

Immunised loss ratio – Retail Insurance Australia	1H25 $m	2H25 $m	1H26 $m
Reported net claims expense	**1,660**	**1,844**	**2,200**
Discount rate adjustment	(9)	(20)	31
Reserving and perils effects	(269)	(428)	(657)
Immunised underlying net claims expense	**1,382**	**1,396**	**1,574**
Reported loss ratio	**66.0%**	**71.7%**	**75.8%**
Discount rate adjustment	(0.4%)	(0.8%)	1.1%
Reserving and peril effects	(10.7%)	(16.6%)	(22.6%)
Immunised underlying loss ratio	**54.9%**	**54.3%**	**54.3%**

RIA's immunised underlying loss ratio improved to 54.3% in 1H26. On an ex-RACQI basis, the immunised underlying loss ratio in 1H26 improved by 120bps to 53.7% (1H25: 54.9%). The underlying performance reflected:

- Ongoing benefits from its claims modernisation program including fraud and supply chain improvements;
- Mid single-digit motor inflation was assisted by a reduction in total loss inflation, partly offset by increasing third-party claims volumes driven by credit hire activities; and
- Home inflation remains elevated at around 10%, due to the impact of large water and fire claims relative to the prior period. This has been partly offset by favourable frequency.

Immunised loss ratio – Intermediated Insurance Australia	1H25 $m	2H25 $m	1H26 $m
Reported net claims expense	**844**	**879**	**756**
Discount rate adjustment	(7)	(27)	38
Reserving and perils effects	(138)	(150)	(70)
Immunised underlying net claims expense	**699**	**702**	**724**
Reported loss ratio	**63.5%**	**64.9%**	**54.9%**
Discount rate adjustment	(0.5%)	(2.0%)	2.8%
Reserving and peril effects	(10.4%)	(11.1%)	(5.1%)
Immunised underlying loss ratio	**52.6%**	**51.8%**	**52.6%**

IIA's immunised underlying loss ratio was 52.6%, flat on 1H25. The underlying claims performance included the net effect of various factors:

- Ongoing delivery of claims initiative benefits including improved cycle times and reduced fraud;
- Improvement in long-tail experience; and
- Slightly adverse large loss experience in commercial property, predominantly in the first quarter.

Immunised loss ratio – New Zealand	1H25 $m	2H25 $m	1H26 $m
Reported net claims expense	**533**	**566**	**550**
Discount rate adjustment	(3)	1	(2)
Reserving and perils effects	(16)	(55)	(77)
Immunised underlying net claims expense	**514**	**512**	**471**
Reported loss ratio	**49.1%**	**50.1%**	**51.6%**
Discount rate adjustment	(0.3%)	0.1%	(0.2%)
Reserving and peril effects	(1.5%)	(4.9%)	(7.2%)
Immunised underlying loss ratio	**47.4%**	**45.3%**	**44.2%**

New Zealand experienced a lower immunised underlying loss ratio of 44.2% in 1H26 (1H25: 47.4%), comprising the net effect of:

- Reduced frequency levels compared to prior year in the home and commercial property portfolios;
- Mid-single digit increase in average claims costs, mitigated by benefits from claims handling and supply chain initiatives; and
- A proportionally greater allocation of profit commission on reinsurance arrangements.

Reserve releases/strengthening

A prior period reserve release of $66 million occurred in 1H26, compared to a modest release of $3 million in 1H25. The outcome in 1H26 included $40 million related to the business interruption provision as well as releases attributable to long-tail commercial and prior period perils costs. This was partially offset by a deterioration in home and motor reserves in Australia.

The outcome in 1H26 also included a $7 million reduction in the onerous contract liability as at 31 December 2025.

The 1H26 net prior period reserve release of $66 million comprised a strengthening of $29 million in RIA being offset by releases of $86 million in IIA and $9 million in New Zealand.

Natural perils

Net natural perils claims costs in 1H26 were $870 million (1H25: $426 million) which was $152 million above allowance. The outcome was attributable to the severe perils experience in the RACQI portfolio, with the net perils excluding RACQI in line with allowance. The net perils outcome also includes reinsurance recoveries accounted for under the perils stop-loss cover of $137 million.

1H26 net natural perils cost by event	Non RACQ Insurance $m	RACQ Insurance $m	Total $m
NSW Low Pressure System (July 2025)	18	-	18
South East Severe Weather Maryborough Hail (September 2025)	12	27	39
NT/QLD/NSW Thunderstorms (Urunga Hail) (October 2025)	16	-	16
South East QLD Front Complex Hail (October 2025)	11	9	20
VIC Deep Low Damaging Winds (October 2025)	44	-	44
VIC/South West QLD Complex Low and Storms (October 2025)	65	65	130
QLD Rockhampton Surface Low Hail (October 2025)	10	8	18
Eastern QLD/NSW Severe Storms Pratten Supercell (October 2025)	37	-	37
Eastern Australia Storms and Low (October 2025)	1	33	34
Port Pirie Hail and Brisbane Giant Hail and Supercells (November 2025)	133	42	175
NSW/QLD Southern Ocean Complex Destructive Wind Storms (November 2025)	132	9	141
NSW Mid North and Central Coast Bushfire (December 2025)	17	-	17
Other events (<$15m)	150	31	181
Total	**646**	**224**	**870**

Expenses

Administration expenses of $731 million increased 3.2% including the impact of RACQI and partially offset by a decrease in levies. The levies decrease of 12.0% reflects a lower expense related to the transitional excess profits and excess losses (TEPL) provision, related to the capped profitability of the new NSW CTP scheme. The administration ratio showed an improvement to 13.7% in 1H26 (1H25: 14.4%). On an ex-levies basis, the ratio decreased to 11.7% in 1H26 (1H25: 11.9%).

Commission expenses of $477 million increased 5.3% due to the top-line growth and business mix changes. There was also an improvement in the commission ratio to 8.9% in 1H26 (1H25: 9.2%).

Expenses	1H25 $m	2H25 $m	1H26 $m	1H26 vs 1H25 Mvt
Administration expense	708	762	731	3.2%
Commission expense	453	456	477	5.3%
Total net expenses	**1,161**	**1,218**	**1,208**	**4.0%**

Administration Expenses	1H25 $m	2H25 $m	1H26 $m	1H26 vs 1H25 Mvt
Administration expense	708	762	731	3.2%
Levies	133	143	117	(12.0%)
Administration expense ex- levies	**575**	**619**	**614**	**6.8%**
Administration expense ex -levies ratio	**11.9%**	**12.5%**	**11.7%**	**(20bps)**

The 6.8% increase in administration expense ex levies in 1H26 included the impact of the acquired RACQI business. In addition it reflected a function of the broader inflationary environment as well as increased technology spend across IAG's Enterprise Platform as part of an ongoing program to transform IAG's capacity to meet the needs of customers. Additional strategic investment was made in relation to generative artificial intelligence capabilities and spend associated with risk and regulatory activities.

Net investment income/loss on assets backing insurance liabilities

Net investment income on technical reserves contributed $90 million in 1H26 (1H25: $227 million). Key components of the investment return in 1H26 were:

- an underlying income of $182 million representing an annualised return of approximately 4.6%;
- a $98 million negative impact from the movement in the risk free rate; and
- $6 million positive impact from a narrowing in credit spreads.

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

Net corporate expense

Nil corporate expenses were recorded in 1H26 compared to the $200 million benefit in 1H25 which reflected a release from the business interruption provision.

Fee-based business

There was a modest loss of $3 million in fee-based businesses in 1H26, in-line with the $3 million loss in 1H25.

Net investment income on shareholders' funds

Net investment income on shareholders' funds was a profit of $186 million in 1H26, compared to a profit of $217 million in 1H25, including:

- a return of $59 million from fixed interest and cash (1H25: $130 million);
- a return of $121 million from equities (1H24: $67 million);
- a return of $15 million from alternatives (1H25: $24 million); offset by
- $9 million in management fees.

At 31 December 2025, the weighting to growth assets (equities and alternatives) in the shareholders' funds was 30%, compared to 25% at 30 June 2025.

Tax expense

IAG reported a tax expense of $252 million in 1H26, a decrease on the $381 million in 1H25 due to the lower pre-tax earnings. IAG's effective tax rate (pre-amortisation and impairment) was 30.8%, broadly in line with the Australian corporate tax rate of 30%.

Non-controlling interests

Profit after tax attributable to non-controlling interests in 1H26 was $58 million (1H25: $118 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 RIA. IMA posted a lower profit in 1H26 compared to the prior corresponding period which benefitted from benign perils experience. Non-controlling interests also includes RACQ's approximately 10% interest in RACQI, which reported a loss for the period from acquisition on 1 September 2025.

Acquired intangible amortisation and impairment

Amortisation and impairment expense of $2 million was recorded in 1H26 compared to $2 million in 1H25.

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

Net profit after tax of $505 million (1H25: $778 million) represents a basic EPS of 21.37 cents (1H25: 32.88 cents) and diluted EPS of 21.06 cents (1H25: 31.31 cents).

Cash EPS in 1H26 was 21.46 cents (1H25: 27.05 cents). Diluted cash EPS in 1H26 was 21.13 cents (1H25: 26.15 cents).

Diluted EPS calculations were based on 2,526 million shares, which includes the potential equity issuance from hybrid and debt conversion.

Cash earnings

Cash earnings of $507 million are down 20.8% (1H25: $640 million). Cash earnings reflect the net profit after tax (NPAT) adjusted for acquired intangible assets amortisation.

Dividends

The Board has determined to pay an interim dividend of 12.0 cents per share, franked to 25% (1H25: 12.0 cents per share, franked to 60%). The interim dividend equates to a payout ratio of 56 % of 1H26 NPAT (1H25: 45% of 1H25 NPAT excluding the after-tax impact of the business interruption provision release).

IAG's dividend policy on a full year basis is to pay out 60% to 80% of NPAT.

As at 31 December 2025, and prior to the payment of the interim dividend, IAG had a $382 million franking balance on a consolidated basis. The Company currently has approximately $37 million franking credits available for distribution.

FY26 Guidance and outlook

IAG expects 'high single-digit' GWP growth in FY26 (previously 'approximately 10%') with double-digit growth in the second half reflecting:

- retail growth in Australia and New Zealand above the 4% underlying 1H26 levels;
- the addition of the RACQI portfolio;
- continued discipline in soft commercial markets; and
- a weaker New Zealand currency.

IAG maintains its FY26 insurance profit guidance range of $1,550 million to $1,750 million which aligns to its targets to deliver a 15% reported insurance margin and a reported ROE of 15% on a 'through the cycle' basis.

Despite absorbing the one-off RACQI impact in 1H26, IAG expects its FY26 reported insurance profit to be around the bottom end of the reported profit range. This assumes FY26 net natural peril costs of $1,617 million and corresponds to a reported insurance margin range of 14% to 16%.

These targets 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. As they span a number of years, these assumptions and dependencies have a greater level of uncertainty than the FY26 guidance. Refer to the forward-looking statements and other representations disclaimer on page 41 of this report.

Review of financial condition

A. Financial position

Total assets of the Group as at 31 December 2025 were $27,646 million compared to $26,309 million as at 30 June 2025. The net increase of $1,337 million includes:

- $1,329 million increase in reinsurance contract held assets, primarily due to the inclusion of the RACQI business and increase in deferred reinsurance premium and reinsurance recoverable on perils, partially offset by a net decrease in reinsurance related receivables and payables; and
- $447 million increase in goodwill and intangible assets, primarily reflecting the recognition of $130 million in goodwill and $321 million relating to the distribution agreement arising from the acquisition of the RACQI business.

The total liabilities of the Group as at 31 December 2025 were $19,832 million compared with $18,523 million as at 30 June 2025. The net increase in liabilities of $1,309 million includes:

- $1,532 million increase in insurance contract liabilities mainly attributable to the inclusion of the RACQI business, partially offset by a reduction in unearned premium liability; and
- $326 million increase in interest-bearing liabilities, predominantly attributable to the issuance of $350 million of subordinated notes in September 2025.

IAG shareholders' equity (excluding non-controlling interests) decreased from $7,329 million as at 30 June 2025 to $7,302 million mainly reflecting the combined effect of:

- current year net profit attributable to shareholders of $505 million;
- $449 million payments in respect of the 2025 final dividend; and
- $114 million decrease in foreign currency translation reserve reflecting the impact of the depreciation of the New Zealand dollar against the Australian dollar.

B. Cash from operations

The net cash inflows from operating activities for the half year ended 31 December 2025 were $31 million (31 December 2024: $324 million). The movement is mainly attributable to the net effect of:

- $643 million increase in claims and other expenses paid largely reflecting the inclusion of RACQI business and increased peril claim payments;
- $214 million increase in income taxes paid driven by significantly higher profits in IAG NZ and utilisation of all prior year tax losses (in FY24), higher IMA profits, and the inclusion of RACQI business; partially offset by
- $425 million increase in premiums received largely reflecting the inclusion of the RACQI business; and
- $113 million increase in reinsurance held recoveries received driven mainly by the inclusion of the RACQI business.

C. Investments

The Group's investments as at 31 December 2025 totalled $13,532 million compared to $13,504 million at 30 June 2025.

IAG's overall investment allocation is defensively positioned, with 88% of total investments in fixed interest and cash as at 31 December 2025. 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 30% of shareholders' funds at 31 December 2025 (25% as at 30 June 2025).

D. Capital mix and position

Under Australian Prudential Regulation Authority's (APRA) Prudential Standards, IAG's Common Equity Tier 1 (CET1) capital was $3,417 million (FY25: $3,939 million) and total regulatory capital was $6,312 million (FY25: $6,510 million) at 31 December 2025. 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.

At 31 December 2025, IAG had a CET1 multiple of 1.18 (FY25: 1.47) and a PCA multiple of 2.18 (FY25: 2.43), both above the target benchmarks.

Given the strength of IAG's capital position, IAG has announced an on-market share buy-back of up to $200 million on 12 February 2026.

Significant changes in state of affairs

During the half year, the following announcements were made:

- On 1 September 2025, the Company completed its acquisition of 90% of the shares in RACQI for a consideration of $855 million, subject to completion adjustments to be determined. The consideration paid was for the initial 90% of shares in RACQI and comprises net tangible asset value and entry into an exclusive 25-year distribution agreement. The Company has the option to acquire the remaining 10% of shares in RACQI after two years on consistent terms. The transaction was funded from surplus capital. Refer to Note 3.8 for further details.
- On 24 September 2025, the Company issued $350 million of subordinated notes. The subordinated notes qualify as Tier 2 Capital under APRA's capital adequacy framework for general insurers.

Events subsequent to reporting date

Detail of matters subsequent to the end of the half year are set out below and in Note 3.11.

These include:

- On 12 February 2026, the Board determined to pay a 25% franked interim dividend of 12.0 cents per share. The dividend will be paid on 13 March 2026. The dividend reinvestment plan will operate by acquiring shares on-market for participants with no discount applied.
- On 12 February 2026, IAG announced 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 16 and forms part of the Directors' Report for the half year ended 31 December 2025.

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 12th day of February 2026 in accordance with a resolution of the Directors.

Nick Hawkins

Nick Hawkins
Director

Lead Auditor's Independence Declaration

KPMG

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 2025 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.

KPMG.

KPMG

Brendan Twining
Partner
Sydney
12 February 2026

Consolidated financial statements

Consolidated statement of comprehensive income

For the half year ended 31 December 2025

	Note	31 December 2025 $m	31 December 2024 $m
Insurance revenue	2.1.2	**9,351**	8,366
Insurance service expense	2.1.2	**(8,393)**	(6,111)
Reinsurance held expense	2.1.3	**(1,717)**	(1,260)
Reinsurance held income	2.1.3	**1,431**	54
Insurance service result		**672**	1,049
Insurance finance expense	2.1.2, 3.2	**(61)**	(238)
Reinsurance finance income	2.1.3, 3.2	**23**	119
Investment income on assets backing insurance liabilities, net of expenses	3.2	**90**	227
Insurance profit		**724**	1,157
Investment income on shareholders' funds, net of expenses	3.2	**186**	217
Fee and other income		**35**	34
Finance costs		**(90)**	(92)
Fee-based, corporate and other expenses		**(40)**	(39)
Profit before income tax		**815**	1,277
Income tax expense for the period		**(252)**	(381)
Profit for the period		**563**	896
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Net movement in foreign currency translation reserve, net of tax		**(114)**	(14)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans, net of tax		**6**	9
Other comprehensive loss, net of tax		**(108)**	(5)
Total comprehensive income for the period, net of tax		**455**	891
Profit for the period attributable to			
Shareholders of the Parent		**505**	778
Non-controlling interests		**58**	118
Profit for the period		**563**	896
Total comprehensive income for the period attributable to			
Shareholders of the Parent		**397**	773
Non-controlling interests		**58**	118
Total comprehensive income for the period, net of tax		**455**	891
Earnings per share			
Basic earnings per ordinary share (cents)	3.5	**21.37**	32.88
Diluted earnings per ordinary share (cents)	3.5	**21.06**	31.31

The above consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated balance sheet

As at 31 December 2025

	Note	31 December 2025 $m	30 June 2025 $m
Assets			
Cash held for operational purposes		**571**	703
Investments	3.1	**13,532**	13,504
Reinsurance contract held assets	2.1.3	**8,016**	6,687
Trade and other receivables		**287**	586
Current tax assets		**13**	52
Deferred tax assets		**209**	206
Right-of-use assets		**265**	282
Property and equipment		**242**	235
Other assets		**152**	142
Goodwill and intangible assets		**4,359**	3,912
Total assets		**27,646**	26,309
Liabilities			
Trade and other payables		**557**	844
Current tax liabilities		**45**	274
Deferred tax liabilities		**192**	55
Insurance contract liabilities	2.1.2	**15,378**	13,846
Lease liabilities		**377**	401
Provisions		**382**	528
Other liabilities		**19**	19
Interest-bearing liabilities	3.3	**2,882**	2,556
Total liabilities		**19,832**	**18,523**
Net assets		**7,814**	**7,786**
Equity			
Share capital	3.4	**6,799**	6,799
Treasury shares held in trust		**(7)**	(46)
Reserves		**(22)**	93
Retained earnings		**532**	483
Parent interest		**7,302**	**7,329**
Non-controlling interests		**512**	457
Total equity		**7,814**	**7,786**

The above consolidated balance sheet should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

For the half year ended 31 December 2025

	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 2025	6,799	(46)	7	86	483	457	7,786
Profit for the period	-	-	-	-	505	58	563
Other comprehensive income/(expense)	-	-	(114)	-	6	-	(108)
Total comprehensive income/(loss) for the period	-	-	(114)	-	511	58	455
Transactions with owners in their capacity as owners							
On-market share buy-back, including transaction costs	-	(12)	-	-	-	-	(12)
Shares vested and expensed	-	51	-	(1)	(22)	-	28
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	81	81
Dividends paid	-	-	-	-	(449)	(75)	(524)
Change in ownership without change in control	-	-	-	-	9	(9)	-
Balance at 31 December 2025	**6,799**	**(7)**	**(107)**	**85**	**532**	**512**	**7,814**
Balance at 1 July 2024	6,836	(21)	(11)	51	(195)	457	7,117
Profit for the period	-	-	-	-	778	118	896
Other comprehensive income/(expense)	-	-	(14)	-	9	-	(5)
Total comprehensive income/(loss) for the period	-	-	(14)	-	787	118	891
Transactions with owners in their capacity as owners							
On-market share buy-back, including transaction cost	(37)	(11)	-	-	-	-	(48)
Shares vested and expensed	-	21	-	16	(2)	-	35
Dividends paid	-	-	-	-	(403)	(132)	(535)
Change in ownership without change in control	-	-	-	-	(3)	(1)	(4)
Balance at 31 December 2024	**6,799**	**(11)**	**(25)**	**67**	**184**	**442**	**7,456**

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

Consolidated cash flow statement

For the half year ended 31 December 2025

	Note	31 December 2025 $m	31 December 2024 $m
Cash flows from operating activities			
Premium received	2.1.2	**8,814**	8,389
Reinsurance held recoveries received	2.1.3	**2,066**	1,953
Claims and other expenses paid	2.1.2	**(6,605)**	(5,962)
Insurance acquisition cash flows	2.1.2	**(899)**	(896)
Reinsurance held premium paid net of ceding commission	2.1.3	**(3,133)**	(3,137)
Dividends, interest and trust distributions received		**288**	301
Finance costs paid		**(84)**	(89)
Income taxes paid		**(384)**	(170)
Net other operating (payments)/receipts[1]		**(32)**	(65)
Net cash flows from operating activities		**31**	324
Cash flows from investing activities			
Net cash flows on (acquisition)/disposal of subsidiaries and associates		**(805)**	4
Net cash flows from sale/(purchase) of investments, plant and equipment, and intangible assets		**158**	149
Net cash flows from investing activities		**(647)**	153
Cash flows from financing activities			
On-market share buy-back, net of transaction costs		**(12)**	(41)
Proceeds from borrowings, net of transaction costs		**348**	-
Principal element of lease payments		**(43)**	(35)
Dividends paid to shareholders of the Parent		**(449)**	(403)
Dividends paid to non-controlling interests		**(75)**	(132)
Net cash flows from financing activities		**(231)**	(611)
Net movement in cash held		**(847)**	(134)
Effects of exchange rate changes on balances of cash held in foreign currencies		**(32)**	(3)
Cash and cash equivalents at the beginning of the financial period		**2,253**	1,841
Cash and cash equivalents at the end of the financial period[2]		**1,374**	1,704

1. Comparative figures have been re-presented for consistency with the current period presentation.
2. Includes $571 million of cash held for operational purposes and $803 million of cash and cash equivalents held in investments (31 December 2024: $860 million of cash held for operational purposes, $844 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.

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 9, 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 half year period ended 31 December 2025.

This report is also to be read in conjunction with the Annual Report for the year ended 30 June 2025 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.

B. Statement of compliance

This general purpose half year Financial Report was authorised by the Board of Directors for issue on 12 February 2026 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, the most significant being the measurement of all investments and derivatives at fair value and the measurement of reinsurance contract held assets and insurance contract liabilities based on present value of 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.

D. Material 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 material accounting policies of IAG.

I. Changes in accounting policies

The following new and amended Australian Accounting Standards and Interpretations are adopted by the Group for the current reporting period. These amendments do not have a material impact on the Group's financial statements.

Title	Description
AASB 2021-7c	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128
AASB 2023-5	Amendments to Australian Accounting Standards – Lack of Exchangeability

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

II. Critical accounting estimates and judgements

In preparing these financial statements, management has made judgements and estimates about the future that affect the application of material accounting policies and the reported amount of assets and liabilities, income and expense. 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.

The significant judgements made by the management in applying the material accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. This includes any profit commission for which, as it is contingent on future performance, the estimation inherently involves significant uncertainty.

Note 1.3 Segment reporting

IAG has identified its operating segments based on the internal reports which were prepared under AASB, and 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 2025 comprising the business divisions outlined below.

IAG's reinsurance operation 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.

On 1 September 2025 the Group completed its acquisition of 90% of the shares in RACQ Insurance Limited (RACQI), with the results of this business being consolidated by the Group from that date. The acquired business forms part of the Retail Insurance Australia segment.

I. Retail Insurance Australia

This segment predominantly comprises personal lines, and some commercial lines, general insurance products sold directly to customers primarily under the NRMA Insurance brand Australia wide (excluding VIC), the RACV brand in Victoria (via a distribution relationship and underwriting joint venture with RACV), the RACQI brand in Queensland (via a distribution relationship with the Royal Automobile Club of Queensland), and the ROLLiN' Insurance brand. General insurance products are also distributed under third party brands by IAG's corporate partners, including financial institutions.

II. Intermediated Insurance Australia

This segment predominantly comprises commercial lines, and some personal lines, general insurance products sold to customers through intermediaries including brokers, agents, authorised representatives, primarily under the CGU Insurance and WFI Insurance brands.

III. New Zealand

This segment comprises 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) under the NZI brand. General insurance products are also distributed under third party brands by IAG's corporate partners, including financial institutions.

IV. Corporate and other

This segment comprises other activities, including corporate services, capital management activity, shareholders' funds investment activities, legacy run-off reinsurance activity from previously held associates, investment in associates, and other businesses that offer products and services that are adjacent to IAG's insurance business.

B. Financial information

	Retail Insurance Australia $m	Intermediated Insurance Australia $m	New Zealand $m	Corporate and other $m	Total $m
31 December 2025					
Insurance revenue	5,200	2,297	1,854	-	9,351
Insurance service expense	(5,363)	(1,782)	(1,248)	-	(8,393)
Reinsurance held expense	(859)	(516)	(342)	-	(1,717)
Reinsurance held income	1,201	232	(2)	-	1,431
Insurance service result	**179**	**231**	**262**	**-**	**672**
Insurance finance expense	(28)	(15)	(18)	-	(61)
Reinsurance finance income	12	1	10	-	23
Investment income/(expense) on assets backing insurance liabilities, net of expenses	52	24	14	-	90
Insurance profit	**215**	**241**	**268**	**-**	**724**
Investment income/(expense) on shareholders' funds, net of expenses	-	-	-	186	186
Finance costs	-	-	-	(90)	(90)
Other net operating result	(3)	(1)	1	(2)	(5)
Profit/(loss) before income tax	**212**	**240**	**269**	**94**	**815**
Income tax expense					(252)
Profit/(loss) after income tax					**563**
Other segment information					
Capital expenditure[1]	-	-	-	565	565
Depreciation, amortisation and impairment expense	60	26	22	-	108

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

	Retail Insurance Australia $m	Intermediated Insurance Australia $m	New Zealand $m	Corporate and other $m	Total $m
31 December 2024					
Insurance revenue	4,242	2,225	1,898	1	8,366
Insurance service expense	(3,353)	(1,553)	(1,203)	(2)	(6,111)
Reinsurance held expense	(646)	(284)	(329)	(1)	(1,260)
Reinsurance held income	196	(73)	(70)	1	54
Insurance service result	439	315	296	(1)	1,049
Insurance finance expense	(100)	(109)	(29)	-	(238)
Reinsurance finance income	52	48	19	-	119
Investment income/(expense) on assets backing insurance liabilities, net of expenses	111	91	25	-	227
Insurance profit	502	345	311	(1)	1,157
Investment income/(expense) on shareholders' funds, net of expenses	-	-	-	217	217
Finance costs	-	-	-	(92)	(92)
Other net operating result	(2)	(1)	-	(2)	(5)
Profit/(loss) before income tax	500	344	311	122	1,277
Income tax expense					(381)
Profit/(loss) after income tax					896
Other segment information					
Capital expenditure[1]	-	-	-	159	159
Depreciation, amortisation and impairment expense	55	29	9	-	93

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.

Note 2.1 Insurance and reinsurance contracts

		31 December 2025			30 June 2025		
	Note	Premium allocation approach $m	General measurement model $m	Total $m	Premium allocation approach $m	General measurement model $m	Total $m
Insurance contract liabilities	2.1.2	**15,378**	-	**15,378**	13,846	-	13,846
Reinsurance contract assets	2.1.3	**(6,674)**	**(1,342)**	**(8,016)**	(5,661)	(1,026)	(6,687)
Net insurance contract liabilities/(assets)		**8,704**	**(1,342)**	**7,362**	8,185	(1,026)	7,159

2.1.1 Significant transactions

A. 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 and IAL is entitled to avoid the policies and has no liability under them due to misrepresentations and non-disclosures by Greensill entities.

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, allegations against Greensill parties alleging fraudulent non-disclosure and misrepresentations, and allegations against various parties regarding misleading or deceptive conduct. 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.

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 2025). 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 final 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 and IAL is entitled to avoid the policies and has no liability under them due to misrepresentations and non-disclosures by Greensill entities;
- 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.

The trade credit liability for incurred claims at 31 December 2025 is $432 million (30 June 2025: $442 million). The movement since 30 June 2025 is due to the continued payment of legal costs relating to the defence of the litigation, partially offset by discount unwind. 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 $432 million (30 June 2025: $442 million) of reinsurance contract held assets for incurred claims in respect of trade credit related claims.

B. Acquisition of insurance and reinsurance contracts in a business combination

The Group determined that, at the acquisition date, all insurance and reinsurance contracts involved uncertainty regarding the timing and amount of claims payments, indicating significant residual insurance risk. Accordingly, these contracts are accounted under *AASB 17*. These acquired contracts are measured using the premium allocation approach (PAA).

2.1.2 Insurance 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 comprehensive income.

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

The table below analyses the movement in the liability for remaining coverage and liability for incurred claims.

	Liability for remaining coverage			Liability for incurred claims			
As at 31 December 2025	Excluding loss component $m	Loss component $m	Total $m	Estimated present value of future cash flows (excludes risk adjustment) $m	Risk adjustment $m	Total $m	Insurance contract liability total $m
Opening insurance contract liabilities at 1 July 2025	1,885	33	1,918	10,780	1,148	11,928	13,846
Additions through business acquisition	1,195	-	1,195	-	-	-	1,195
Changes in the statement of comprehensive income:							
Insurance revenue	(9,351)	-	(9,351)	-	-	-	(9,351)
Insurance service expense:							
Incurred claims and other expenses	-	(26)	(26)	7,634	180	7,814	7,788
Amortisation of insurance acquisition cash flows	879	-	879	-	-	-	879
Changes that relate to past service	-	-	-	(103)	(187)	(290)	(290)
Losses and reversal of losses on onerous contracts	-	16	16	-	-	-	16
Total insurance service expense	879	(10)	869	7,531	(7)	7,524	8,393
Insurance service result	(8,472)	(10)	(8,482)	7,531	(7)	7,524	(958)
Insurance finance (income)/expense	5	(7)	(2)	72	(9)	63	61
Effect of movement in exchange rates	48	-	48	(121)	(3)	(124)	(76)
Amounts recognised in profit or loss and other comprehensive income	(8,419)	(17)	(8,436)	7,482	(19)	7,463	(973)
Cash flows:							
Premiums received (including premium refunds)	8,814	-	8,814	-	-	-	8,814
Insurance acquisition cash flows	(899)	-	(899)	-	-	-	(899)
Claims and other expenses paid	-	-	-	(6,605)	-	(6,605)	(6,605)
Total cash flows	7,915	-	7,915	(6,605)	-	(6,605)	1,310
Closing insurance contract liabilities at 31 December 2025	2,576	16	2,592	11,657	1,129	12,786	15,378

As at 30 June 2025	Liability for remaining coverage			Liability for incurred claims			
	Excluding loss component $m	Loss component $m	Total $m	Estimated present value of future cash flows (excludes risk adjustment) $m	Risk adjustment $m	Total $m	Insurance contract liability total $m
Opening insurance contract liabilities at 1 July 2024	1,998	20	2,018	10,534	1,367	11,901	13,919
Changes in the statement of comprehensive income:							
Insurance revenue	(16,776)	-	(16,776)	-	-	-	(16,776)
Insurance service expense:							
Incurred claims and other expenses	-	(21)	(21)	11,839	264	12,103	12,082
Amortisation of insurance acquisition cash flows	1,782	-	1,782	-	-	-	1,782
Changes that relate to past service	-	-	-	(350)	(556)	(906)	(906)
Losses and reversal of losses on onerous contracts	-	28	28	-	-	-	28
Total insurance service expense	1,782	7	1,789	11,489	(292)	11,197	12,986
Insurance service result	(14,994)	7	(14,987)	11,489	(292)	11,197	(3,790)
Insurance finance (income)/expense	-	6	6	524	72	596	602
Effect of movement in exchange rates	(54)	-	(54)	57	1	58	4
Amounts recognised in profit or loss and other comprehensive income	(15,048)	13	(15,035)	12,070	(219)	11,851	(3,184)
Cash flows:							
Premiums received (including premium refunds)	16,764	-	16,764	-	-	-	16,764
Insurance acquisition cash flows	(1,829)	-	(1,829)	-	-	-	(1,829)
Claims and other expenses paid	-	-	-	(11,824)	-	(11,824)	(11,824)
Total cash flows	14,935	-	14,935	(11,824)	-	(11,824)	3,111
Closing insurance contract liabilities at 30 June 2025	1,885	33	1,918	10,780	1,148	11,928	13,846

2.1.3 Reinsurance contract assets and liabilities

A. Composition – reconciliation of reinsurance contract held assets

The table below analyses the movement in the reinsurance contract held assets for remaining coverage and reinsurance contract held assets for incurred claims.

	Reinsurance contract held assets for remaining coverage			Reinsurance contract held assets for incurred claims				
					Contracts under the premium allocation approach			
As at 31 December 2025	Excluding loss recovery component $m	Loss recovery component $m	Total $m	Contracts not under the premium allocation approach $m	Estimated present value of future cash flows (excludes risk adjustment) $m	Risk adjustment $m	Total $m	Reinsurance contract held assets total $m
Opening reinsurance contract held assets at 1 July 2025	945	16	961	77	5,344	305	5,726	6,687
Additions through business acquisition	563	-	563	-	-	-	-	563
Changes in the statement of comprehensive income:								
Reinsurance held expense	(1,717)	-	(1,717)	-	-	-	-	(1,717)
Amounts recoverable from reinsurers								
Recoveries of incurred claims including other insurance expenses	-	(13)	(13)	177	1,288	70	1,535	1,522
Changes that relate to past service	-	-	-	-	(24)	(70)	(94)	(94)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	3	3	-	-	-	-	3
Reinsurance cash flows not contingent on claims	(1,522)	-	(1,522)	38	1,484	-	1,522	-
Total reinsurance held income	(1,522)	(10)	(1,532)	215	2,748	-	2,963	1,431
Net reinsurance held income/(expense)	(3,239)	(10)	(3,249)	215	2,748	-	2,963	(286)
Reinsurance finance income/(expense)	(10)	-	(10)	-	35	(2)	33	23
Effects of movements in exchange rates	10	-	10	-	(47)	(1)	(48)	(38)
Amounts recognised in profit or loss and other comprehensive income	(3,239)	(10)	(3,249)	215	2,736	(3)	2,948	(301)
Cash flows:								
Reinsurance premiums paid net of any ceding commissions and including any other directly attributable reinsurance expenses paid	3,133	-	3,133	-	-	-	-	3,133
Recoveries from reinsurers	-	-	-	(27)	(2,039)	-	(2,066)	(2,066)
Total cash flows	3,133	-	3,133	(27)	(2,039)	-	(2,066)	1,067
Closing reinsurance contract held assets at 31 December 2025	1,402	6	1,408	265	6,041	302	6,608	8,016

As at 30 June 2025	Reinsurance contract held assets for remaining coverage			Reinsurance contract held assets for incurred claims				
					Contracts under the premium allocation approach			
	Excluding loss recovery component	Loss recovery component	Total	Contracts not under the premium allocation approach	Estimated present value of future cash flows (excludes risk adjustment)	Risk adjustment	Total	Reinsurance contract held assets total
	$m	$m	$m	$m	$m	$m	$m	$m
Opening reinsurance contract held assets at 1 July 2024	719	8	727	-	5,272	374	5,646	6,373
Changes in the statement of comprehensive income:								
Reinsurance held expense	(2,342)	-	(2,342)	-	-	-	-	(2,342)
Amounts recoverable from reinsurers								
Recoveries of incurred claims including other insurance expenses	-	(8)	(8)	61	628	97	786	778
Changes that relate to past service	-	-	-	-	(161)	(187)	(348)	(348)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	15	15	-	-	-	-	15
Reinsurance cash flows not contingent on claims	(2,993)	-	(2,993)	77	2,916	-	2,993	-
Total reinsurance held income	(2,993)	7	(2,986)	138	3,383	(90)	3,431	445
Net reinsurance held income/(expense)	(5,335)	7	(5,328)	138	3,383	(90)	3,431	(1,897)
Reinsurance finance income/(expense)	69	1	70	-	227	21	248	318
Effects of movements in exchange rates	(12)	-	(12)	-	16	-	16	4
Amounts recognised in profit or loss and other comprehensive income	(5,278)	8	(5,270)	138	3,626	(69)	3,695	(1,575)
Cash flows:								
Reinsurance premiums paid net of any ceding commissions and including any other directly attributable reinsurance expenses paid	5,504	-	5,504	-	-	-	-	5,504
Recoveries from reinsurers	-	-	-	(61)	(3,554)	-	(3,615)	(3,615)
Total cash flows	5,504	-	5,504	(61)	(3,554)	-	(3,615)	1,889
Closing reinsurance contract held assets at 30 June 2025	945	16	961	77	5,344	305	5,726	6,687

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.

Note 3.1 Investments

The fair values were arrived at using consistent valuation processes, valuation techniques and the inputs which were used in the last audited annual financial statements.

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total[1] $m
31 December 2025				
Interest-bearing investments	2,459	8,688	746	11,893
Growth investments	1,164	-	434	1,598
Other investments	-	41	-	41
	3,623	8,729	1,180	13,532
30 June 2025				
Interest-bearing investments	3,805	7,562	750	12,117
Growth investments	1,110	-	233	1,343
Other investments	13	31	-	44
	4,928	7,593	983	13,504

The following table provides a movement analysis of investments valued with reference to level 3 inputs:

	2025 $m	2024 $m
At 1 July	983	843
Purchases	203	74
Sales	(17)	(16)
Fair value and other movement recognised in profit or loss	11	75
At 31 December	1,180	976

Level 3 financial instruments are valued using models that incorporate assumptions typically associated with discounted cash flow methods such as discount rates, credit spreads and cash flow timings. The Group employs a robust valuation process that accounts for the sensitivity of various input assumptions to ensure the accuracy of fair valuations at reporting dates. Management has determined that a fundamental change in these input assumptions is unlikely to produce a significant alteration in the fair value of these instruments within the next twelve months from the reporting date.

Note 3.2 Investment income and finance expense

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 2025 $m	31 December 2024 $m
A. Insurance finance income/(expense) recognised in profit or loss		
Discount unwind on claims liabilities	**(230)**	(209)
Market rate adjustments on claims liabilities	**169**	(29)
Total insurance finance expenses	**(61)**	(238)
B. Reinsurance finance income/(expense) recognised in profit or loss		
Discount unwind on claims recoveries	**126**	110
Market rate adjustments on claims recoveries	**(103)**	9
Total reinsurance finance income	**23**	119
C. Investment income		
Net income/(expense) from financial instruments measured at fair value through profit or loss	**8**	162
Interest revenue	**268**	282
Total net investment income	**276**	444
Represented by:		
Investment income/(loss) on assets backing insurance liabilities	**105**	236
Investment expenses on assets backing insurance liabilities	**(15)**	(9)
Net investment income on assets backing insurance liabilities	**90**	227
Investment income/(loss) on shareholders' funds	**195**	227
Investment expenses on shareholders' funds	**(9)**	(10)
Net investment income/(loss) on shareholders' funds	**186**	217
Total net investment income	**276**	444
Total net finance expense	**(38)**	(119)
Total net investment income and net finance expense	**238**	325

Note 3.3 Interest-bearing liabilities

			31 December 2025		30 June 2025	
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	26 Mar 2024	$350 million	**350**	**368**	350	361
No fixed date	22 Dec 2022	$500 million	**500**	**528**	500	518
			850	**896**	850	879
Tier 2 regulatory capital						
AUD subordinated term notes						
15 June 2038[1]	24 Sep 2025	$350 million	**350**	**353**	-	-
15 June 2037	5 Mar 2025	$500 million	**500**	**504**	500	491
15 December 2038	8 Nov 2023	$400 million	**400**	**413**	400	409
15 December 2036	24 Aug 2020	$450 million	**450**	**456**	450	455
			1,700	**1,726**	1,350	1,355
NZD subordinate term notes[2]						
15 June 2038	5 Apr 2022	NZ$400 million	**345**	**346**	371	366
II. Operational nature						
Other interest-bearing liabilities			**1**	**1**	1	1
Less: capitalised transaction costs			**(14)**		(16)	
Total interest-bearing liability			**2,882**	**2,969**	2,556	2,601

1. On 24 September 2025, the Company issued $350 million of subordinated term notes due 15 June 2038.
2. At the reporting date, the Company recognised accrued interest of $1 million (30 June 2025: $1 million) which is presented within trade and other payables.

B. Significant movements during the period

On 24 September 2025, the Company issued $350 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 September 2025 are as follows:

- floating interest rate equal to the three-month market rate (currently BBSW) plus a margin of 1.75% per annum is payable quarterly; and
- IAG has an option to redeem or resell the notes at face value on 15 June 2033 and on any interest payment date up to but excluding 15 June 2038 and for certain tax and regulatory events (in each case subject to APRA's prior written approval).

Note 3.4 Equity

	31 December 2025 Number of shares in millions	30 June 2025 Number of shares in millions	31 December 2025 $m	30 June 2025 $m
A. Share capital				
Ordinary shares				
Balance at the beginning of the financial period	**2,365**	2,370	**6,799**	6,836
On-market share buy-back, including transaction costs	**-**	(5)	**-**	(37)
Balance at the end of the financial period	**2,365**	2,365	**6,799**	6,799

Note 3.5 Earnings per share

	31 December 2025 cents	31 December 2024 cents
A. Reporting period values		
Basic earnings per ordinary share[1]	**21.37**	32.88
Diluted earnings per ordinary share[2]	**21.06**	31.31

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 the eligible 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 2025 $m	31 December 2024 $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	**505**	778
Finance costs of dilutive convertible securities, net of tax	**27**	57
Profit attributable to shareholders of the Parent which is used in calculating diluted earnings per share	**532**	835

	31 December 2025 Number of shares in millions	31 December 2024 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	**2,363**	2,366
Weighted average number of dilutive potential ordinary shares relating to:		
Eligible convertible securities	**161**	299
Unvested share-based remuneration rights supported by treasury shares held in trust	**2**	2
	2,526	2,667

Note 3.6 Dividends

	31 December 2025		31 December 2024	
	Cents per share	$m	Cents per share	$m
A. Ordinary shares				
2025 40% franked final dividend paid on 18 September 2025 (31 December 2024: 2024 50% franked final dividend)	**19.0**	**449**	17.0	403
B. Dividend not recognised at reporting date				
2026 25% franked interim dividend to be paid on 13 March 2026 (31 December 2024: 2025 60% franked interim dividend)	**12.0**	**284**	12.0	284

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 on our website (www.iag.com.au) in the shareholder centre section.

The DRP for the 2025 final dividend paid on 18 September 2025 was settled with the on-market purchase of approximately 8 million shares priced at $8.6743 per share (based on a daily VWAP for 10-day trading window from 27 August 2025 to 9 September 2025 inclusive, with no discount applied).

Note 3.7 Derivatives

Reporting date positions

	31 December 2025			30 June 2025		
	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						
Interest rate futures	**18,028**	**6**	**(10)**	15,983	13	-
Share price index futures	**7**	**-**	**-**	36	1	-
Forward foreign exchange contracts	**5,382**	**42**	**(11)**	5,746	31	-
Total	**23,417**	**48**	**(21)**	21,765	45	-

Note 3.8 Acquisition of business

On 28 November 2024, Insurance Australia Group Limited and The Royal Automobile Club of Queensland (RACQ) announced a proposed 25-year exclusive strategic alliance to provide RACQ general insurance products and services for RACQ members and Queenslanders. Completion of the acquisition occurred on 1 September 2025. Under the strategic alliance, IAG acquired 90% of RACQ's existing insurance underwriting business (by way of the acquisition of 90% of the shares in RACQ Insurance Limited), with an option to acquire the remaining 10% after two years on consistent terms.

The consideration for acquiring the initial 90% stake was $855 million which is subject to completion adjustments to be determined. This transaction was funded from the surplus capital of the Group. The insurance service result from this acquired business is included in the Retail Insurance Australia business segment.

A. Identifiable assets acquired and liabilities assumed

Assets acquired and liabilities assumed as at the acquisition date are disclosed on a provisional basis, pending completion of the final consideration payable and the purchase price allocation (PPA) exercise which remains in progress at the date of this report. The Group expects completion of the PPA exercise by the next reporting date, with disclosure of the final fair value of acquired net assets adjusted retrospectively from the acquisition date.

The provisional fair value of the identifiable assets and liabilities recognised as at the date of acquisition is disclosed in the table below.

	$m
Cash held for operational purposes	75
Investments	1,125
Reinsurance contract held assets	563
Deferred tax assets	19
Other assets	13
Intangible asset[1]	321
Total assets	**2,116**
Current tax liabilities	7
Deferred tax liabilities	96
Insurance contract liabilities	1,195
Provisions	9
Other liabilities	3
Total liabilities	**1,310**
Net assets acquired	**806**
Less: non-controlling interest	(81)
Net assets attributable to owner IAG	**725**
Purchase consideration paid in cash	855
Goodwill acquired on acquisition	130

1. Intangible asset represents the distribution arrangements arising from this exclusive strategic alliance and will be amortised over its life. No brands and customer related intangible assets were recognised in this acquisition.

At 31 December 2025 the fair values of the assets and liabilities recognised were based on the provisional assessment of their fair values. The valuation was not completed when these interim financial statements were approved for issue by the Board of Directors. On completion of the final valuations the balances for the acquisition may be revised in accordance with applicable Australian Accounting Standards. The measurement of identifiable intangible assets acquired in a business combination is highly subjective and there are a range of possible values that could be attributed for initial recognition. The Group uses the skills and experience of valuation specialists in establishing an initial range within which the fair value is to be recognised. Judgement is then applied in selecting the value to be recognised on the balance sheet. Judgement is also applied in determining the useful life of the intangible assets which impacts directly on the amortisation charges to be incurred following an acquisition.

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the acquisition date. Goodwill comprises components such as other intangible assets not separately identified such as the assembled workforce and is also attributable to the future operational synergies expected to be achieved from this acquisition. There are no indicators of impairment with respect to this goodwill in the current reporting period. The goodwill recognised on acquisition is not expected to be deductible for tax purposes. The deferred tax liability relates to the fair value adjustments.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The acquisition-related costs of this acquisition were included within the corporate and other expenses in the statement of comprehensive income of the previous financial year.

B. Contributions from acquired business

This acquisition has contributed insurance revenues of $774 million and loss before tax of $173 million to the Group's results from the acquisition date to this reporting date. If the acquisition had occurred on 1 July 2025, management estimates that the Group's consolidated insurance revenues would have increased by $1,018 million and the Group's consolidated profit before tax for the period would have decreased by $145 million for the half year ended 31 December 2025. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2025.

Note 3.9 Acquisition subject to regulatory approval

A. The Royal Automobile Club of Western Australia

On 15 May 2025, Insurance Australia Group Limited and The Royal Automobile Club of Western Australia (RAC) announced a proposed strategic alliance to provide general insurance products and services for RAC members and Western Australians. The transaction includes IAG's purchase of RAC's existing insurance underwriting business (by way of the acquisition of all shares in RAC Insurance Pty Limited (RACI)) and a 20-year exclusive distribution agreement for RAC branded home, motor and niche insurance products. The consideration of $1,350 million is subject to completion adjustments. The transaction will be funded from existing surplus capital, debt and strong, stable organic capital generation.

On 11 December 2025, the Australian Competition and Consumer Commission (ACCC) announced it would oppose the proposed transaction under the ACCC's informal merger clearance process. IAG now intends to file an application under the ACCC's new mandatory merger control regime, which replaced the informal merger clearance process and commenced on 1 January 2026. Completion of the transaction is also subject to approval under the Financial Sector (Shareholdings) Act 1988 (Cth) and other requirements.

Note 3.10 Contingencies

As at 31 December 2025, the Group had the following specific contingent liabilities to report. The matters listed below at this point in time are highly complex and uncertain and, it is not practicable to estimate the ultimate financial impact on IAG.

- 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. 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 were 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. A hearing to determine whether IAL and IMA have contravened those laws is currently scheduled to commence in April 2026.
- On 28 May 2024, IAG announced it had been served with a statement of claim for a policyholder class action in the Supreme Court of Victoria, against IAG's subsidiaries IAL and IMA. This class action relates to allegations which are the subject of the proceedings commenced by ASIC against IAL and IMA noted above.
- On 10 December 2024, IAG announced it had been served with a statement of claim for a policyholder class action in the Supreme Court of Victoria, against IAG's subsidiary IAL. This class action follows the class action proceedings noted above and relates to loyalty offers for NRMA Insurance home, contents and home and contents insurance policies.
- On 11 March 2025, the Supreme Court of Victoria made orders consolidating the policyholder class action commenced on 28 May 2024 against IAL and IMA with the policyholder class action commenced on 10 December 2024 against IAL into a single proceeding. IAL and IMA are continuing to defend the allegations.
- On 22 September 2025, ASIC commenced civil penalty proceedings in the Federal Court of Australia against RACQ Insurance Limited (RACQI) alleging contraventions of the *ASIC Act 2001* concerning the communication of the annual comparison price on renewal notices. On 12 December 2025, ASIC filed and served a statement of claim in the proceeding. RACQI is considering the statement of claim and is currently due to file and serve its defence to the statement of claim by 27 February 2026. As a result of certain contractual protections, it is expected that there will be minimal net exposure for the Group in relation to this matter.

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, which is the subject of ongoing inquiries and investigations.

The Directors are of the opinion that provisions are not required in respect of such matters.

Note 3.11 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 it in the financial statements for the current reporting period ended 31 December 2025.

- On 12 February 2026, the Board determined to pay a 25% franked interim dividend of 12.0 cents per share. The dividend will be paid on 13 March 2026. The dividend reinvestment plan will operate by acquiring shares on-market for participants with no discount applied.
- On 12 February 2026, IAG announced an on-market share buy-back of up to $200 million.

Directors’ declaration

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

- the consolidated financial statements and Notes 1 to 3.11 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 2025 and of its performance for the half year ended on that date; and
  - complying with Australian Accounting Standard 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 12th day of February 2026 in accordance with a resolution of the Directors.

Nick Hawkins

Nick Hawkins
Director

Forward-looking statements and other representations

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, but not limited to, 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, performance or carbon emissions are also forward-looking statements.

These forward-looking statements reflect our current views and expectations of future events and are based on assumptions, estimates and contingencies that are inherently uncertain and 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 in IAG's FY25 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 strategy and related 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 FY26. 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.

To the maximum extent permitted by law, IAG makes no representation, assurance or guarantee in connection with, and disclaims all responsibility for the accuracy, completeness or likelihood of fulfilment of any forward-looking statement or other representation, any outcome expressed or implied in any forward-looking statement or other representation, and any assumptions on which a forward-looking statement or other representation is based.

Members of the Group's management may also make forward-looking statements in connection with this report, whether spoken or written. These statements carry the same qualifications, limitations and assumptions as those included in the report.

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 (the Company).

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 2025 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 2025;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half year ended on that date;
- Notes 1 to 3.11 including selected explanatory notes; and
- The Directors’ Declaration.

The ***Group*** comprises the Company and the entities it controlled at the half year’s end or from time to time during the half year.

The ***Half year*** is the 6 months ended on 31 December 2025.

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 Half Year 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to audits of annual financial reports of public interest entities in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KPMG

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 2025 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

KPMG

Brendan Twining
Partner
Sydney
12 February 2026

Leann Yuen
Partner

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