Enabling a more resilient future

QBE

2023 Half Year Investor Report

QBE INSURANCE GROUP LIMITED

Important information

Basis of presentation (unless otherwise stated)

This Investor Report should be read in conjunction with QBE's 2023 Half Year Report. Unless otherwise stated, discussion of financial performance is on a management basis. A detailed reconciliation between the statutory income statement and the management basis result is provided on page 26.

Unless otherwise stated, references in this report to 'QBE', 'the Group', 'we', 'us' and 'our' refer to the QBE Insurance Group Limited. Any references in this report to a 'half', 'half year' or 'period' refer to the six months ended 30 June.

Management basis financial information in this report has not been audited or reviewed by QBE's external auditor.

QBE adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period (excluding premium growth rates and premium rate changes). The impacts of adoption are detailed in note 1.1 of the consolidated financial statements in the 2023 Half Year Report. Further information was also provided in the AASB 17 transition update released on 30 May 2023 with a subsequent update on 8 August 2023.

Definitions of key insurance terms and ratios are provided in the glossary on page 32.

All figures are expressed in US dollars unless otherwise stated.

Premium growth rates are quoted on a constant currency basis.

Premium rate changes exclude North America Crop and/or Australian compulsory third party motor (CTP).

Funds under management (Total cash and investments) comprise cash and cash equivalents, investments and investment properties.

Core fixed income excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit.

Adjusted net cash profit after tax adjusts statutory net profit for Additional Tier 1 capital coupon accruals, as well as any gain on disposal, amortisation or restructuring costs.

APRA PCA calculations at 30 June 2023 are indicative. Prior period calculation has been updated to be consistent with APRA returns finalised subsequent to year end.

Analysis of the Group by division excludes Corporate & Other segment.

Table of contents

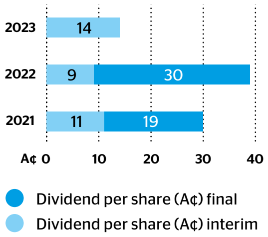
2023 half year highlights

Shareholder highlights

Dividend per share (A¢)

14

2022 **9**



Return on average shareholders' equity – adjusted cash basis

10.1%

2022 **1.7%**

Basic earnings per share – adjusted cash basis (US¢)

27.2

2022 **4.5**

Financial and operational highlights

Gross written premium growth

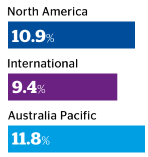
13%

2022 **18%**

Average renewal premium rate increase

10.2%

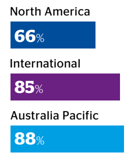
2022 **8.1%**



Premium retention

82%

2022 **85%**



Combined operating ratio

98.8%

2022 **94.9%**

Insurance operating result (US$M)

95

2022 **375**

Insurance margin

6.0%

2022 **4.0%**

Sustainability highlights

Sustainable insurance

4x winner of the Finder Green Insurer of the Year

Inclusion of diversity

Continued recognition of our focus on Gender Equality

1 Performance overview
2 Half year performance review
3 Other information

Financial snapshot

FOR THE HALF YEAR ENDED 30 JUNE	2023 US$M	RESTATED[1] 2022 US$M
Insurance revenue	**9,911**	8,942
Insurance service expenses	**(9,384)**	(9,168)
Reinsurance expenses	**(1,934)**	(1,614)
Reinsurance income	**1,604**	2,276
Insurance service result	**197**	436
Other expenses	**(126)**	(119)
Other income	**24**	58
Insurance operating result	**95**	375
Analysed as		
Gross written premium	**12,803**	11,576
Insurance revenue	**9,911**	8,942
Reinsurance expenses	**(1,934)**	(1,614)
Net insurance revenue	**7,977**	7,328
Net claims expense	**(5,505)**	(4,799)
Net commission	**(1,442)**	(1,296)
Expenses and other income	**(935)**	(858)
Insurance operating result	**95**	375
Net insurance finance income	**149**	784
Fixed income losses from changes in risk-free rates	**(201)**	(854)
Net investment income (loss) on policyholders' funds	**432**	(13)
Insurance profit	**475**	292
Net investment income (loss) on shareholders' funds	**230**	(7)
Financing and other costs	**(112)**	(120)
Gain on sale of entities and businesses	**–**	36
Share of net loss of associates	**(1)**	(3)
Restructuring and related expenses	**–**	(54)
Amortisation and impairment of intangibles	**(8)**	(8)
Remediation	**–**	(75)
Profit before income tax	**584**	61
Income tax expense	**(180)**	(10)
Profit after income tax	**404**	51
Non-controlling interests	**(4)**	(3)
Net profit after income tax	**400**	48

Management result

Combined operating ratio

98.8%

2022 94.9%

Net profit after income tax (US$M)

400

2022 48

Statutory result

Insurance operating result (US$M)

377

2022 386

Net profit after income tax (US$M)

400

2022 48

Unless otherwise stated, the Group and business commentary following are based on the management result.

1 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.
Detailed statutory to management result reconciliation is included on page 26 of this report.

Underwriting metrics

FOR THE HALF YEAR ENDED 30 JUNE	2023 %	RESTATED 2022 %
Gross written premium growth	**13**	18
– North America	**6**	24
– International	**18**	19
– Australia Pacific	**18**	6
Ex-rate growth	**7**	13
Average renewal premium rate increases	**10.2**	8.1
– North America	**10.9**	10.4
– International	**9.4**	7.0
– Australia Pacific	**11.8**	9.1
Retention	**82**	85
Net insurance revenue growth	**12**	–
Net claims ratio	**69.0**	65.5
– Ex-cat claims ratio	**60.6**	61.6
– Catastrophe claims ratio	**8.7**	6.2
– Prior accident year claims development	**(0.3)**	(2.3)
Net commission ratio	**18.1**	17.7
Expense ratio	**11.7**	11.7
Combined operating ratio	**98.8**	94.9
– North America	**106.9**	95.9
– International	**93.2**	95.4
– Australia Pacific	**98.9**	92.9
Insurance profit margin	**6.0**	4.0

Investment metrics

FOR THE HALF YEAR ENDED 30 JUNE	2023 %	RESTATED 2022 %
Net investment return	**2.4**	(0.1)
– Core fixed income return	**2.3**	0.0
– Risk asset return	**2.7**	(0.4)

AS AT		30 JUNE 2023	31 DECEMBER 2022
Closing – Funds under management	US$M	**27,426**	28,167
Average – Funds under management	US$M	**27,797**	28,567
Risk asset allocation	%	**13**	11
Core fixed income allocation	%	**87**	89
Core fixed income exit running yield	%	**4.9**	4.1
Core fixed income investment duration	Years	**1.8**	1.6

Profitability and balance sheet metrics

FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022
Basic earnings per share – Adjusted cash basis	US¢	**27.2**	4.5
Dividend per share	A¢	**14**	9
Dividend payout ratio (percentage of adjusted cash profit)	%	**35**	NA
Dividend franking	%	**10**	10
Tax rate	%	**30.8**	16.4
Adjusted cash return on equity	%	**10.1**	1.7

AS AT		30 JUNE 2023	RESTATED 31 DECEMBER 2022
Average shareholders' equity – Adjusted for AT1	US$M	**8,047**	8,007
Prescribed capital amount (PCA) multiple		**1.80x**	1.79x
Debt to total capital	%	**24.7**	23.7
Risk adjustment % of central estimate	%	**8**	8

Group Chief Executive Officer's report

Building resilience **striving for consistency**

Challenges from catastrophe events over the period serve to reinforce our focus and aspiration to build a more resilient and consistent business. We remain confident in the outlook, and while I'm pleased with the progress we've made across our strategic priorities, our performance this half highlights there is more work to be done.

Embedding our strategic priorities

Our vision is to be the most consistent and innovative risk partner

Foundational work across our strategic priorities is now driving improved outcomes and culture

Our sustainability focus will help us to deliver on our purpose of enabling a more resilient future

Across our key regions, economic conditions have remained relatively supportive. Economies have proven more resilient to higher interest rates than expected, and the outlook is generally favourable.

Inflation has remained elevated into 2023, although it does appear to be easing in some regions. Managing through a higher inflation environment has been a primary focus for QBE over the past two years, and I'm pleased with our preparedness and response.

Premium rate increases remain supportive, this was particularly evident in property and reinsurance classes where capacity has been more restrained, and inflation most pronounced.

The ongoing impact of natural catastrophe activity in the first half should serve to maintain discipline in the industry, and we expect premium rates to remain supportive.

I'm pleased with the progress we've made across our strategic priorities, though our financial performance this period highlights that there is more work to be done.

Our efforts over the near term will continue to concentrate around resilience and reducing volatility, which should drive more consistent outcomes for our people, customers and stakeholders.

We are acutely focused on delivering better performance in North America. Following an unsatisfactory result this period, we will learn from and respond, to improve performance going forward.

Business performance

QBE continues to deliver strong growth. Over the year we have made progress on a number of our multi-year growth strategies, which are underpinned by opportunities to grow in our core businesses.

Underwriting performance was impacted by catastrophe costs, which resulted in a 3.9% increase in the first half combined operating ratio to 98.8%, from 94.9% in the prior period.

Catastrophe costs included both Cyclone Gabrielle and the North Island flooding events in New Zealand, alongside a series of convective storms in North America. The result was also impacted by deterioration in a number of 2022 catastrophe events, such as winter storm Elliott and Australian floods.

North America's combined operating ratio of 106.9% was disappointing and unsatisfactory. Initiatives to reduce catastrophe exposure and improve balance will continue.

While there are some encouraging signals, the outlook for inflation is uncertain; and we remain attuned to the risks of a more persistent inflationary backdrop.

Higher interest rates have supported a strong investment result for the period, and continue to suggest a positive outlook for returns.

For detailed discussion of Group and divisional performance, please refer to pages 8 to 25 of this report.

Strategy in action

We've continued to make pleasing progress on each of our six strategic priorities, which are the key foundations to support our vision of being the most consistent and innovative risk partner.

Pages 6 and 7 of this report detail progress and achievements against these priorities, along with future focus areas.

Our strategy to improve balance and returns in North America remains the primary focus for the Board and management. The North America result highlights the need to maintain discipline and drive improvement.

We have established a number of underwriting actions to carefully manage the remaining run-off of non-core lines. These lines drove much of the underwriting loss for North America this period.

While our core business in North America is now in better balance, we remain focussed on portfolio quality, further reducing catastrophe exposure and better managing volatility in Crop.

I'm encouraged by the degree to which the enterprise is becoming more collaborative, aligned and engaged. This half we were delighted to launch QShare, QBE's new employee share purchase plan, which gives employees the opportunity to invest and participate more broadly in QBE's future.

We have continued to invest in our people, with a focus on career and development opportunities, plus building deeper succession pathways. As they continue to deepen and mature, these initiatives are having a positive impact on our culture.

Focus on sustainability

We believe integrating sustainability into our business and culture better helps us to deliver on our purpose of enabling a more resilient future.

We have been named Green Insurer of the Year by Finder, for the fourth year in a row. The award recognises our focus on reducing our environmental footprint, including our commitments to sourcing electricity from 100% renewable sources for our global operations and our emissions reduction targets.

We have also been recognised by Equileap as one of the top 100 companies globally for Gender Equality, and by Bloomberg's Gender Equality Index for the sixth year, reflecting our focus on Inclusion of Diversity.

In April we launched QGiving, an employee fundraising and volunteering platform that brings our people together with our community partners. QGiving empowers our employees to give back in their own way and supports our ambition to be an employer of choice.

In May, QBE made the decision to withdraw our membership of the UN-convened Net Zero Insurance Alliance (NZIA). The NZIA helped set a consistent industry-wide accounting approach to measure insured emissions across our commercial and private motor portfolios.

Our departure from the NZIA does not diminish our focus on sustainability and we remain driven by our desire to positively contribute to the economies and communities in which we operate, the customers we support and our people.

Our customer engagement target focuses on material commercial relationships operating in higher-emitting sectors across our Asia Pacific and European businesses. We will continue to review and update our focus on a regular basis taking into account regulations and improvements in data quality.

Outlook

Following a challenging first half, we are all highly motivated to deliver against our full year outlook.

Our focus will continue to centre around initiatives to build resilience, with emphasis on achieving an appropriate risk-adjusted return on capital in North America.

We have strong enterprise-wide alignment around sound plans and strategies. It's pleasing to see foundational work on our strategic priorities driving business improvement, and greater engagement across our people.

The operating backdrop is expected to remain favourable, where premium rates should remain supportive. 2023 catastrophe experience is indeed another reminder of the need for discipline across the industry to be sustained.

Our outlook for the remainder of the year remains positive and we expect better underwriting performance in the second half. We forecast constant currency gross written premium growth of around 10% for FY2023, consistent with our previous expectation. Our combined operating ratio outlook remains unchanged, at around 94.5%. Elevated interest rates should continue to support strong investment returns.

Andrew Horton
Group Chief Executive Officer

Our strategic priorities building momentum

Our purpose is to enable a more resilient future. As an organisation, we have been helping our customers grow, innovate, explore, prepare and recover from setbacks since 1886. Our strategy should ensure we build on this legacy.

Portfolio optimisation

Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility

Sustainable growth

Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill set across the enterprise

Bring the enterprise together

Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale

Modernise our business

Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people

Our people

Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets

Our culture

Be a purpose-led organisation, and ensure our purpose is visible every day, in all our interactions. Strengthen the alignment and collaboration across the enterprise

What we have achieved so far in 2023	Future focus
• Continued recalibration of property catastrophe exposure, with focus on building greater resilience for the changing nature of risk • Greater oversight and resourcing for North American non-core lines to ensure remaining run-off is successfully managed	• Continue to deepen volatility framework, with more recent focus on the evolving risk profile of catastrophe events • Incorporate evolving view of insured emissions and commitments into medium-term portfolio mix targets
• Progressed a number of growth opportunities, including Cyber • Continue to drive greater cohesion between multi-year growth focus areas and enterprise modernisation efforts	• Enhance enterprise distribution strategy, with near term focus on growth opportunities • Market conditions expected to remain supportive, with further opportunity for selective growth across our focus areas
• Embedding of QBE operating principles to align workflow and decision making around QBE's purpose • Greater cohesion and collaboration through recent business planning, which incorporates medium-term growth and mix targets	• Continue to identify and define enterprise opportunities, unlocked through better sharing of knowledge and relationships • Build out underwriting capabilities to create a globally consistent approach that leverages market opportunities and supports the resilience of our clients in an increasingly complex risk environment
• Mapping of market specific needs versus capabilities, to prosecute potential for standardisation, sharing or common sourcing • Ongoing exploration of use cases, and deeper application of AI across underwriting and operations	• Build and improve operational capability, effectiveness and resilience in a sustainable way as we grow • Emphasis on supporting sustainable growth agenda through improving process, underwriting tools and data capabilities
• Launch of QShare, QBE's new employee share purchase plan • Launch of Employee Promise via "Why QBE" campaign, to focus on performance, career development, mobility and broader equity ownership	• Drive accelerated preparedness of key successor pools for executive and senior leader roles • Increase the diversity of our workforce in line with targets including increasing representation of women in all leadership roles
• Launch of QGiving, QBE's employee fundraising and volunteering platform that brings our people together with our community partners • Recognised as one of the top companies globally for gender equality, reflecting our focus on inclusion of diversity	• Develop internal and external campaigns to help further embed, and bring our new purpose to life • Continue to build innovation capability, and further embed QBE's operating principles to drive purpose-aligned decisions

1 Performance overview
2 Half year performance review
3 Other information

Group Chief Financial Officer's **report**

Catastrophe costs resulted in a disappointing underwriting result in the period, and serve to reinforce our focus on reducing volatility, and building greater resilience. Our confidence in the outlook is underpinned by momentum across growth, efficiency and portfolio optimisation initiatives, alongside market conditions which should remain supportive.

Embedding our strategic priorities

Building a more resilient QBE

Embedding better metrics around volatility across the business

Medium-term planning and targets supported by modernisation initiatives

Financial performance

QBE reported net profit after tax of $400 million compared with $48 million in the prior period.

Adjusted cash profit after tax increased to $405 million from $66 million in the prior period, and equates to an annualised return on equity of 10.1%.

Unless otherwise stated, all discussion of performance within this Investor Report is on a management basis, and should be read in conjunction with the statutory income statement and management reconciliation on page 26 of this report. 2022 figures within this report are on an adjusted basis, restated for AASB 17.

Gross written premium increased 13% as a result of strong premium rate increases and targeted new business growth, partially offset by terminated programs in North America alongside reduced exposure in other property lines.

Underwriting profitability was challenged by both current and prior year catastrophe costs. The combined operating ratio deteriorated to 98.8% from 94.9% in the prior period, which includes a 1.2% impact from the upfront cost of the $1.9 billion reserve transaction announced in February 2023.

This transaction has been meaningful in the Group's efforts to reduce reserve volatility, where around $1.9 billion, or roughly 15% of Group long tail reserves have been successfully reinsured. The transaction has reduced both the net outstanding claims liability, and investment funds under management by around $1.9 billion in the period.

While the impact from catastrophe costs was disappointing, encouraging core business momentum alongside considered expense management should serve to mitigate pressure on the full year combined operating ratio.

Interest rates continued to increase over the period, as central banks have struggled to contain core inflation. Total investment income for the half was $662 million or a return of 2.4%, compared with a loss of $20 million or (0.1)% in the prior period.

Higher interest rates supported core fixed income returns where the exit running yield for the period increased to 4.9% from 4.1% at 31 December 2022. Risk asset returns were also sound, despite lower valuations in the unlisted property portfolio. Risk assets now account for 13% of total investments.

During the period there was an adverse impact from asset liability management activities of around $30 million, which represents the net impact from changes in risk-free rates on the balance sheet.

The effective tax rate in the period increased to 30.8%, from 16.4% in the prior period. This was due to the statutory loss in North America, offset by a small recognition of deferred tax assets.

QBE's balance sheet remains soundly positioned. The indicative APRA PCA multiple increased to 1.80x from 1.79x at 31 December 2022, and remains at the upper end of our 1.6–1.8x target range. Capital released from the $1.9 billion reserve transaction added around 6 basis points to the PCA multiple.

Debt to total capital was 24.7% at 30 June 2023, a minor increase from 23.7% at 31 December 2022, reflecting the recent issuance of Tier 2 capital notes; though remains comfortably within the Group's 15–30% target range.

Summary income statement and underwriting performance

FOR THE HALF YEAR ENDED 30 JUNE	2023 US$M	RESTATED 2022 US$M
Insurance revenue	**9,911**	8,942
Insurance service expenses	**(9,384)**	(9,168)
Reinsurance expenses	**(1,934)**	(1,614)
Reinsurance income	**1,604**	2,276
Insurance service result	**197**	436
Other expenses	**(126)**	(119)
Other income	**24**	58
Insurance operating result	**95**	375
Analysed as		
Gross written premium	**12,803**	11,576
Insurance revenue	**9,911**	8,942
Reinsurance expenses	**(1,934)**	(1,614)
Net insurance revenue	**7,977**	7,328
Net claims expense	**(5,505)**	(4,799)
Net commission	**(1,442)**	(1,296)
Expenses and other income	**(935)**	(858)
Insurance operating result	**95**	375
Net insurance finance income	**149**	784
Fixed income losses from changes in risk-free rates	**(201)**	(854)
Net investment income (loss) on policyholders' funds	**432**	(13)
Insurance profit	**475**	292
Net investment income (loss) on shareholders' funds	**230**	(7)
Financing and other costs	**(112)**	(120)
Gain on sale of entities and businesses	**–**	36
Share of net loss of associates	**(1)**	(3)
Restructuring and related expenses	**–**	(54)
Amortisation and impairment of intangibles	**(8)**	(8)
Remediation	**–**	(75)
Profit before income tax	**584**	61
Income tax expense	**(180)**	(10)
Profit after income tax	**404**	51
Non-controlling interests	**(4)**	(3)
Net profit after income tax	**400**	48

	%	%
Ex-cat claims ratio	**60.6**	61.6
Catastrophe claims ratio	**8.7**	6.2
Prior accident year claims development	**(0.3)**	(2.3)
Net claims ratio	**69.0**	65.5
Net commission ratio	**18.1**	17.7
Expense ratio	**11.7**	11.7
Combined operating ratio	**98.8**	94.9
Insurance profit margin	**6.0**	4.0

Premium income and pricing

Gross written premium
(US$M)

12,803

13% from 2022

Net insurance revenue
(US$M)

7,977

12% from 2022

Gross written premium increased 11% on a headline basis to $12,803 million from $11,576 million in the prior period.

On a constant currency basis, gross written premium increased 13% reflecting continued rate increases and organic growth. Excluding Crop, gross written premium growth was 14% on the same basis.

The Group achieved an average renewal premium rate increase of 10.2% compared with 8.1% in the prior period, driven by a re-acceleration in property classes.

Growth excluding premium rate increases was 7% for the first half of 2023, or 6% excluding Crop, which was consistent with the prior period.

Retention reduced to 82% from 85% in the prior period, reflecting the termination of a number of North America programs alongside broader measures to reduce standalone property exposure.

Reinsurance expense

Reinsurance expense increased 20% to $1,934 million from $1,614 million in the prior period.

Much of the increase relates to Crop, where the majority of growth in this portfolio was ceded to the Federal reinsurance scheme, in an effort to manage Crop net retention and earnings volatility.

The expense associated with the Group catastrophe and risk reinsurance was broadly consistent with the prior period, given significantly reduced spend on catastrophe aggregate and drop down programs.

Income associated with quota share reinsurance increased slightly over the prior period, largely due to an increased use of quota share arrangements to assist with volatility management within International.

Reinsurance expense also included a charge of $98 million, representing the upfront cost of the $1.9 billion reserve transaction announced in February.

Net insurance revenue

Group net insurance revenue increased 12% on a constant currency basis, broadly in line with growth in gross written premium on the same basis.

The upfront cost associated with the aforementioned reserve transaction was incurred in our North America and International business segments.

Gross written premium mix by product

	GROUP	NORTH AMERICA	INTERNATIONAL	AUSTRALIA PACIFIC
Commercial & domestic property	29.4	16.8	31.1	43.6
Agriculture	25.1	59.4	–	8.6
Public/product liability	11.9	2.7	25.3	7.7
Motor & motor casualty	10.4	0.5	14.7	22.0
Professional indemnity	4.0	5.5	3.7	1.7
Marine energy & aviation	7.4	0.9	15.9	3.0
Workers' compensation	5.2	4.6	3.7	8.8
Accident & health	5.2	9.5	3.5	1.5
Financial & credit	1.3	0.1	1.6	3.1
Other	0.1	–	0.5	–

Key premium metrics

FOR THE HALF YEAR ENDED 30 JUNE		GROUP 2023	GROUP RESTATED 2022	NORTH AMERICA 2023	NORTH AMERICA RESTATED 2022	INTERNATIONAL 2023	INTERNATIONAL RESTATED 2022	AUSTRALIA PACIFIC 2023	AUSTRALIA PACIFIC RESTATED 2022
Gross written premium	US$M	**12,803**	11,576	**4,967**	4,708	**5,072**	4,367	**2,771**	2,503
Gross written premium – Crop and LMI	US$M	**3,008**	2,786	**2,959**	2,679	**–**	–	**49**	107
Gross written premium growth	%	**13**	18	**6**	24	**18**	19	**18**	6
Ex-rate growth	%	**7**	13	**3**	22	**10**	12	**9**	–
Average renewal premium rate increases	%	**10.2**	8.1	**10.9**	10.4	**9.4**	7.0	**11.8**	9.1
Retention	%	**82**	85	**66**	73	**85**	88	**88**	86
Net insurance revenue	US$M	**7,977**	7,328	**2,285**	2,170	**3,278**	2,890	**2,393**	2,255
Net insurance revenue – Crop and LMI	US$M	**766**	783	**686**	683	**–**	–	**80**	100
Net insurance revenue growth	%	**12**	–	**5**	–	**16**	–	**13**	–

1 Performance overview
2 Half year performance review
3 Other information

North America

Gross written premium (US$M)

4,967

6% from 2022

Gross written premium increased by 6% to $4,967 million, reflecting strong premium rate increases and targeted growth, partially offset by the impact of terminated programs and other non-core lines. Excluding Crop, gross written premium declined by 1%.

Net insurance revenue increased by 5% to $2,285 million.

Average premium rate increases of 10.9% increased from 10.4% in the prior period, and were driven by a re-acceleration in property lines. This helped to offset lower rate increases across financial lines, where competition has increased, most notably in management liability classes.

Growth excluding premium rate increases of 3% was driven by further momentum across focus areas including Accident and Health, Middle Market and Crop. Excluding premium rate increases and Crop, premium declined by 7%, reflecting the run-off of non-core lines, which resulted in a reduction in North America's retention ratio to 66%.

Crop gross written premium growth of 10% was primarily driven by organic growth, with key corn and soybean commodity prices broadly stable compared to the prior year. Crop net insurance revenue growth is expected to be below gross written premium growth in 2023.

International

Gross written premium (US$M)

5,072

18% from 2022

Gross written premium increased by 18% in constant currency to $5,072 million, reflecting an acceleration in rate increases for property and reinsurance lines, and organic growth across a number of multi-year opportunities.

On a constant currency basis, net insurance revenue increased by 16% to $3,278 million.

Average premium rate increases of 9.4% improved notably from 7.0% in the prior period. This reflected particularly attractive markets for QBE Re and property lines, alongside broadly stable trends in other segments.

Growth excluding premium rate increases was 10%, marginally less than the prior period. New business increased across each segment.

Dislocation within segments of the reinsurance marketplace provided a compelling opportunity for QBE Re to improve the rating, quality and balance of its property footprint.

Further progress was also achieved to deepen QBE's core UK regional franchise, supported by efforts to broaden distribution and partner relationships.

Growth in the International Markets segment was supported by growth in QPS following the inception of a new portfolio services facility.

Australia Pacific

Gross written premium (US$M)

2,771

18% from 2022

Gross written premium increased 18% on a constant currency basis to $2,771 million, reflecting supportive premium rate increases and selective growth.

On a constant currency basis, net insurance revenue increased by 13% to $2,393 million.

Premium rate increases averaged 11.8%, a significant improvement from 9.1% in the prior period, and have steadily increased over the past year. Rate increases were broad based, though most pronounced in short-tail lines where the impacts of inflation and natural peril activity have been most acute.

Growth excluding premium rate increases was 9%, reflecting further growth across a number of focus commercial lines segments including commercial packages, engineering and farm.

Whilst there was a meaningful reacceleration of premium rate increases across most property segments, Australia Pacific exited a key householders portfolio as part of a broader re-positioning to reduce exposure to convective storms.

LMI gross written premium declined 51% to $49 million, driven by reduced housing market activity and new government initiatives for first home buyers.

Net insurance revenue by business segment

North America

	2023 %
Crop	33.4
Commercial	31.1
Specialty	35.5

International

	2023 %
International markets	30.3
QBE Re	27.1
UK	22.9
Continental Europe	13.4
Asia	6.3

Australia Pacific

	2023 %
Commercial	66.7
Consumer	25.5
NZ and Pacific	7.8

Claims

Net claims ratio

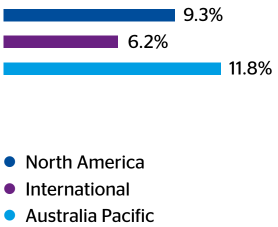
69.0%

Ex-cat claims ratio

60.6%

Catastrophe claims ratio

8.7%



The net claims ratio increased to 69.0% from 65.5% in the prior period. Elevated catastrophe costs had a material impact on both the current and prior year, where a higher frequency and severity of secondary perils was observed in a number of regions.

While premium rate increases have remained supportive, elevated short-tail inflation and the changing nature of property catastrophe risk continue to result in a challenging operating backdrop.

Ex-cat claims

The ex-cat claims ratio decreased to 60.6% from 61.6% in the prior period.

The result included strain from current year risk adjustment of $316 million, which reduced from $348 million in the prior period. Excluding risk adjustment, the ex-cat claims ratio reduced to 56.6% from 56.9% in the prior period.

This reflected inflation challenges in Australia Pacific, alongside better results in North America and International.

Inflation preparedness and management remained a primary focus over the period. Across most lines, rate increases remained at or above observed inflation. The industry continues to exhibit good discipline in response to inflationary challenges, alongside other economic, geopolitical and climate-related sources of uncertainty.

Inflation observations continue to be most clear and acute across short-tail property and motor classes. While evidence of higher claims inflation across many longer tail classes is limited, QBE remains attuned to the potential for lags and persistency of inflation in these lines, alongside the risks posed by social inflation.

Catastrophe claims

The net cost of catastrophe claims increased to $699 million or 8.7% of net insurance revenue, which compares to the first half allowance of $535 million, and catastrophe costs of 6.2% in the prior period.

Natural catastrophe costs in the period were underscored by Cyclone Gabrielle and the North Island flooding events in New Zealand, a particularly large number of North American convective storm events, a series of storm and flood events in Australia and reinsurance claims associated with the Turkey earthquake.

Prior accident year claims development

QBE strengthened the central estimate by $177 million due to adverse development on a number of 2022 catastrophe events, principally reflecting winter storm Elliott in North America and flood events in Australia.

Further, the North America result was impacted by adverse development of $40 million in Crop.

International reserves were strengthened in a marine class which is now in run-off, which was broadly offset by LMI and CTP releases in Australia Pacific.

Aforementioned reserve strengthening was more than offset by favourable development of $207 million related to the unwind of risk adjustment from prior accident years, a decrease from $221 million in the prior period.

This resulted in favourable prior accident year claims development of $30 million or 0.3% of net insurance revenue, decreasing from $169 million or 2.3% in the prior period.

Key claims metrics

		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022
Ex-cat claims ratio	%	**60.6**	61.6	**64.0**	66.2	**57.9**	59.5	**61.8**	60.0
Catastrophe claims ratio	%	**8.7**	6.2	**9.3**	2.8	**6.2**	6.0	**11.8**	9.6
Prior accident year claims development	%	**(0.3)**	(2.3)	**3.9**	(3.6)	**(0.9)**	0.8	**(3.8)**	(5.2)
Net claims ratio	%	**69.0**	65.5	**77.2**	65.4	**63.2**	66.3	**69.8**	64.4
Net insurance revenue	US$M	**7,977**	7,328	**2,285**	2,170	**3,278**	2,890	**2,393**	2,255

North America

Net claims ratio

77.2%

2022 65.4%

The net claims ratio increased to 77.2% from 65.4% in the prior period, as both current and prior year catastrophe events had a significant impact.

Catastrophe claims increased to $213 million or 9.3% of net insurance revenue compared to 2.8% in the prior period, due to a high frequency and severity of convective storm and flood events. North American industry insured losses for the first half of 2023 are expected to materially exceed long term averages.

The result included adverse prior year development of 3.9%, which compares with 3.6% favourable in the prior period, and included central estimate strengthening for winter storm Elliott and Crop, alongside non-core lines.

The ex-cat claims ratio decreased by 2.2% to 64.0%, and decreased by 2.0% when excluding the strain from current year risk adjustment. This reflected improvement in Crop, premium rate increases which have on aggregate remained ahead of inflation and a reduction in large property claims, partially offset by higher loss picks for non-core lines.

The current accident year Crop combined operating ratio was 94%, slightly higher than expectations primarily to reflect some risk posed by dryer conditions in certain states.

International

Net claims ratio

63.2%

2022 66.3%

The improvement in the net claims ratio to 63.2% from 66.3% was underscored by a reduction in the ex-cat claims ratio, and favourable prior year development.

International recorded net catastrophe claims of $204 million or 6.2%, broadly in line with allowance, and a minor increase on 6.0% in the prior period. Catastrophe costs in the period were underscored by QBE Re exposure to the Turkey earthquake, alongside impacts from Cyclone Gabriel and storm events in North America.

The ex-cat claims ratio improved by 1.6% to 57.9%, or 0.2% excluding the strain from current year risk adjustment. This reflects the benefit from compound rate increases relative to inflation over the period, alongside adverse portfolio mix impacts.

International strengthened the central estimate by $33 million or 1.0% of net insurance revenue, reducing from 2.6% adverse in the prior period. This reflected adverse development for a marine class now in run-off. Inclusive of favourable development of $62 million related to the unwind of risk adjustment from prior accident years, International recorded favourable prior year development of 0.9%, compared with adverse prior year development of 0.8% in the prior period.

Australia Pacific

Net claims ratio

69.8%

2022 64.4%

The impact from higher catastrophe costs, reinsurance and inflation resulted in an increase in the net claims ratio to 69.8% from 64.4% in the prior period.

Catastrophe claims increased to 11.8% of net insurance revenue, from 9.6% in the prior period, and were driven by Cyclone Gabrielle and the North Island flooding events in New Zealand. Beyond, the result included a high frequency of smaller events in Australia including Tropical Cyclone Ilsa in Western Australia and multiple storm and hail events on the east coast.

The ex-cat claims ratio increased by 1.8% to 61.8%, or 2.2% excluding the strain from current year risk adjustment.

Through the period earned premium rate increases did not keep pace with claims inflation across a number of short tail lines. The recent improvement in short tail premium rate increases should support a more favourable outlook for margins.

Australia Pacific reported positive prior accident year central estimate development of $19 million or 0.8%, compared with $52 million favourable in the prior period. Favourable experience in LMI and CTP more than offset catastrophe related prior accident year strengthening, and higher wage growth assumptions in liability lines.

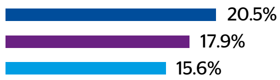
Comparison of ex-cat claims ratio by division

	North America	International	Australia Pacific
2023	64.0%	57.9%	61.8%
2022	66.2%	59.5%	60.0%

Commission, expenses and other income

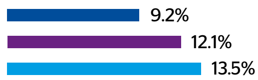
Net commission ratio

18.1%



Expense ratio

11.7%



- North America
- International
- Australia Pacific

Net commission

The net commission ratio increased to 18.1% from 17.7% in the prior period, primarily due to business mix changes, where the impact from quota share reinsurance ceding commissions is now recorded within reinsurance income under AASB 17.

North America's net commission ratio improved to 20.5% from 20.7% in the prior period. The improvement was supported by favourable mix associated with further growth in Crop, which has a commission ratio below the divisional average, alongside the benefit of recent non-core run off, where certain lines carried an elevated commission ratio.

The net commission ratio in International increased to 17.9% from 16.8% in the prior period, largely reflecting portfolio mix impacts. Growth in QBE Re over the period attracted a higher commission ratio than the divisional average, while more generally, commission ratios were broadly stable across most segments.

Australia Pacific's net commission ratio also improved to 15.6% from 15.7% in the prior period. This primarily reflected business mix changes, given growth in certain commercial lines segments, combined with ongoing reduction in LMI gross written premium and negative ex-rate growth across the broader consumer segment.

Expenses and other income

The Group's expense ratio was unchanged at 11.7%. This reflected constant currency expense growth of 13%, alongside the continued benefit from positive operating leverage.

Expense growth included the impact of two Group salary increases, where an out of cycle increase was provided in July 2022 to reflect rising cost of living pressure, in addition to a 2023 increase as part of QBE's usual annual cycle.

Through our modernisation agenda, QBE is focused on innovation, and developing differentiating capabilities that make things easier for our customers, partners and people.

During the period investment was concentrated around initiatives to support simplified organisational structures, QBE's sustainable growth agenda and ongoing simplification of our IT estate and processes.

Modernisation investment was partially offset by disciplined core expense management, and ongoing operating leverage as a result of strong premium growth.

North America and International reported an improvement in expense ratio, largely reflecting the benefit of positive operating leverage, plus recent revisions to organisational structure.

In Australia Pacific the expense ratio increased to 13.5% from 12.8% in the prior period, reflecting increased investment to support a number of modernisation projects along with an increase in the transitional excess profits and excess losses (TEPL) charge in CTP.

Key expense metrics

		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022	2023	RESTATED 2022
Net commission	US$M	**1,442**	1,296	**469**	450	**588**	487	**374**	355
Net commission ratio	%	**18.1**	17.7	**20.5**	20.7	**17.9**	16.8	**15.6**	15.7
Expenses and other income	US$M	**935**	858	**211**	212	**395**	355	**322**	288
Expense ratio	%	**11.7**	11.7	**9.2**	9.8	**12.1**	12.3	**13.5**	12.8
Net insurance revenue	US$M	**7,977**	7,328	**2,285**	2,170	**3,278**	2,890	**2,393**	2,255

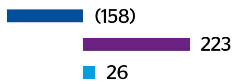
Underwriting performance

Combined operating ratio

98.8%

Insurance operating result
(US$M)

95



- North America
- International
- Australia Pacific

The Group reported a combined operating ratio of 98.8%, which deteriorated from 94.9% in the prior period, largely due to the significant impact of catastrophes on both the current and prior year.

The combined operating ratio also includes a 1.2% impact from the upfront cost of the $1.9 billion reserve transaction announced in February 2023.

North America

North America reported a combined operating ratio of 106.9%, which compares to 95.9% in the prior period.

Catastrophe costs were 9.3% of net insurance revenue, up from 2.8% in the prior period due to a high frequency and severity of convective storm and flood events over the half.

The result also included prior year reserve strengthening of 3.9% which reflected adverse development for winter storm Elliott and Crop.

The combined commission and expense ratio improved to 29.7% from 30.5% in the prior period where favourable business mix and operating leverage more than offset investment initiatives.

Continued premium growth in Crop reflected organic growth across target states. Crop recorded a combined operating ratio of 99.4%, an increase from 93.7% in the prior period, which primarily reflects aforementioned prior year development.

International

International reported a combined operating ratio of 93.2%, which compares with 95.4% in the prior period.

Higher total acquisition costs were more than offset by improved ex-cat claims and favourable prior year development.

The ex-cat claims ratio improved by 1.6% to 57.9%, though was broadly stable excluding the strain from current year risk adjustment.

Favourable prior year development of 0.9% was meaningfully improved compared to adverse of 0.8% in the prior period, which included an unfavourable COVID-19 business interruption court ruling.

The combined commission and expense ratio increased to 30.0% from 29.1% in the prior period. While operating leverage supported further improvement in the expense ratio, the commission expense ratio increased due to mix.

Australia Pacific

Australia Pacific reported a combined operating ratio of 98.9%, deteriorating from 92.9% in the prior period.

Catastrophe costs were 11.8% of net insurance revenue, up from 9.6% in the prior period due to Cyclone Gabrielle and the North Island flooding events in New Zealand, and a series of storm and flood events in Australia.

The ex-cat claims ratio increased by 1.8% to 61.8% reflecting earned rate increases which lagged the impact of heightened inflation across short tail lines. The improvement in short tail premium rate increases should support a more favourable outlook for margins.

The combined commission and expense ratio increased by 0.6% to 29.1% largely due to an increase in the expense ratio, reflecting investment to support a number of modernisation projects.

The LMI result was characterised by further reduction in gross written premium, albeit a strong underwriting result, which was supported by favourable prior year development.

FOR THE HALF YEAR ENDED 30 JUNE	GROSS WRITTEN PREMIUM		NET INSURANCE REVENUE		COMBINED OPERATING RATIO		INSURANCE OPERATING RESULT	
	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M	2023 %	RESTATED 2022 %	2023 US$M	RESTATED 2022 US$M
North America	**4,967**	4,708	**2,285**	2,170	**106.9**	95.9	**(158)**	88
International	**5,072**	4,367	**3,278**	2,890	**93.2**	95.4	**223**	132
Australia Pacific	**2,771**	2,503	**2,393**	2,255	**98.9**	92.9	**26**	159
Corporate & Other	**(7)**	(2)	**21**	13	**–**	–	**4**	(4)
Group	**12,803**	11,576	**7,977**	7,328	**98.8**	94.9	**95**	375

Investment performance and strategy

Total investment income (US$M)

662

682 from 2022

Total investment return

2.4%

2022 (0.1)%

Fixed income	Vs	Risk assets
2.3%		**2.7%**
2022 0.0%		2022 (0.4)%

Total investment income was $662 million for the period, which equated to a return of 2.4%. The result improved substantially from a loss of $20 million or (0.1)% in the prior period due to higher risk free rates since the beginning of 2023, and the mark to market benefit from slightly tighter credit spreads in the half.

As core inflation has proved more persistent than expected, aggressive action from global central banks has resulted in further improvement in fixed income returns, while risk asset returns were broadly in line with our long term target return.

During the period we continued to reposition towards our target strategic asset allocation. Risk assets now account for 13% of total investments, from 11% at 31 December 2022. High quality fixed income securities account for the remaining 87% of the portfolio.

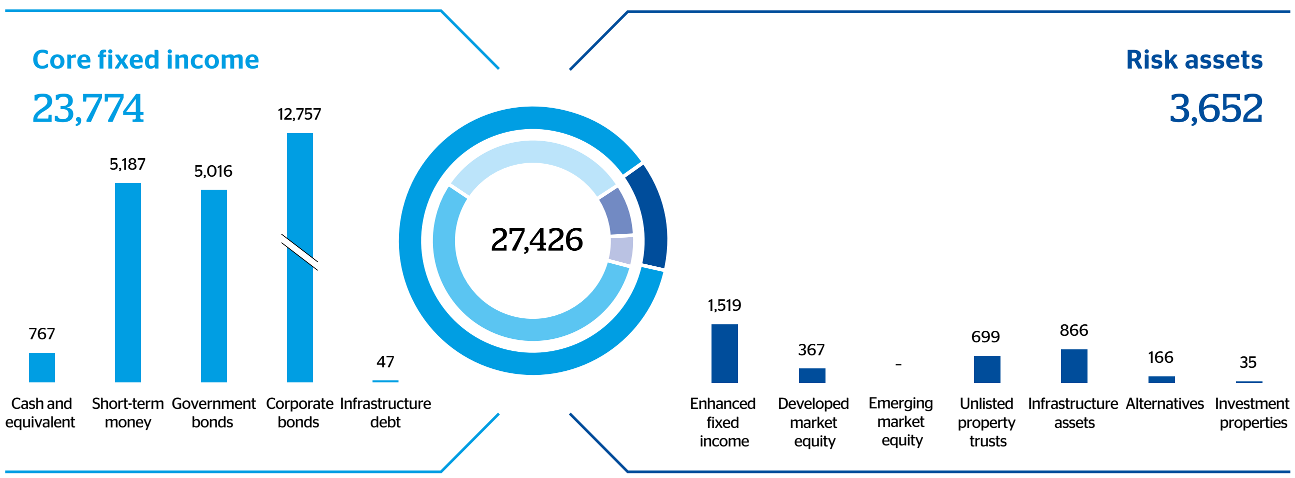
Core fixed income

The core fixed income portfolio delivered a return of 2.3% or $583 million, a significant increase on $6 million in the prior period. The result included a modest benefit from tighter credit spreads of $52 million, compared to an adverse impact of $208 million in the prior period.

The running yield for the core fixed income portfolio continued to trend higher through the period, with the 30 June 2023 exit running yield of 4.9% around 80 basis points higher than at 31 December 2022.

Credit quality remains sound, where the corporate credit portfolio performed consistently with broad market indices during the half. The portfolio remains conservatively positioned, and consists predominantly of high quality investment grade credit; with 89% rated A or higher, and an average AA rating.

Total cash and investments (US$M)



	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Cash and cash equivalents	490	277
Short-term money	3,311	1,876
Government bonds	3,202	1,814
Corporate bonds	8,144	4,613
Infrastructure debt	30	17

Fixed income
- Policyholders' funds
- Shareholders' funds

Risk assets
- Policyholders' funds
- Shareholders' funds

	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Enhanced fixed income	969	550
Developed market equity	234	133
Emerging market equity	–	–
Unlisted property trusts	446	253
Infrastructure assets	553	313
Alternatives	106	60
Investment properties	22	13

Risk assets

Risk asset performance improved meaningfully compared to the prior period. The portfolio delivered a return of 2.7% or $87 million compared to a loss of (0.4)% in the prior period, and was broadly in line with our long term target return for the portfolio.

During the period equities, enhanced fixed income and infrastructure assets delivered strong returns which helped to offset negative performance in the unlisted property portfolio due to lower property valuations.

QBE's unlisted property portfolio benefits from being globally diversified across regions, sectors and external managers. While this diversification has helped to mitigate pressure in the office and retail sectors, the trend of lower property valuations is expected to persist into the second half of 2023.

Funds under management

Funds under management of $27.4 billion declined by 3% compared to $28.2 billion at 31 December 2022, or 1% on a constant currency basis.

Strong investment returns, further premium growth and the issuance of additional Tier 2 notes in June were offset by the material reduction in investment assets associated with the $1.9 billion reserve transaction announced in February 2023.

Portfolio mix continued to evolve over the half. The allocation to risk assets increased during the period to 13%, from 11%, with the core fixed income portfolio now representing 87% of total investments. QBE expects risk asset allocation will continue to trend higher in the near term, in line with the target strategic asset allocation of 15%.

Asset allocation

Core fixed income

87%

Target 85%

Risk assets

13%

Target 15%

Exit running yield

4.9%

Investment result

FOR THE HALF YEAR ENDED 30 JUNE	POLICYHOLDERS' FUNDS 2023 US$M	POLICYHOLDERS' FUNDS RESTATED 2022 US$M	SHAREHOLDERS' FUNDS 2023 US$M	SHAREHOLDERS' FUNDS RESTATED 2022 US$M	TOTAL 2023 US$M	TOTAL RESTATED 2022 US$M
Core fixed income yield (ex risk-free rate)	**345**	141	**186**	73	**531**	214
Credit spreads – Mark to market	**34**	(137)	**18**	(71)	**52**	(208)
Risk assets	**57**	(6)	**30**	(3)	**87**	(9)
Expenses and other	**(4)**	(15)	**(4)**	(2)	**(8)**	(17)
Net return	**432**	(17)	**230**	(3)	**662**	(20)

Total cash and investments

AS AT	POLICYHOLDERS' FUNDS 30 JUNE 2023 US$M	POLICYHOLDERS' FUNDS 31 DECEMBER 2022 US$M	SHAREHOLDERS' FUNDS 30 JUNE 2023 US$M	SHAREHOLDERS' FUNDS 31 DECEMBER 2022 US$M	TOTAL FUNDS UNDER MANAGEMENT 30 JUNE 2023 US$M	TOTAL FUNDS UNDER MANAGEMENT 31 DECEMBER 2022 US$M
Core fixed income	**15,177**	16,514	**8,597**	8,505	**23,774**	25,019
Risk assets	**2,330**	2,078	**1,322**	1,070	**3,652**	3,148
Total cash and investments – closing	**17,507**	18,592	**9,919**	9,575	**27,426**	28,167
Average – Core fixed income	**15,846**	17,334	**8,551**	8,768	**24,397**	26,102
Average – Risk assets	**2,204**	1,634	**1,196**	831	**3,400**	2,465
Total cash and investments – average	**18,050**	18,968	**9,747**	9,599	**27,797**	28,567

Balance sheet and capital management

Summary balance sheet

AS AT	30 JUNE 2023 US$M	RESTATED 31 DECEMBER 2022 US$M
Assets		
Cash, investments and investment properties	**27,426**	28,167
Reinsurance contract assets	**8,964**	7,126
Intangible assets	**2,019**	2,018
Other receivables	**599**	423
Deferred tax assets	**614**	613
Current tax assets	**65**	45
Other assets	**859**	791
Total assets	**40,546**	39,183
Liabilities		
Insurance contract liabilities	**26,731**	26,130
Borrowings	**2,959**	2,744
Other payables	**459**	347
Deferred tax liabilities	**220**	149
Current tax liabilities	**58**	39
Other liabilities	**1,111**	917
Total liabilities	**31,538**	30,326
Net assets	**9,008**	8,857
Equity		
Shareholders' funds	**8,120**	7,969
Capital notes	**886**	886
Non-controlling interests	**2**	2
Total equity	**9,008**	8,857
Closing shareholders' equity	**9,008**	8,857
Average shareholders' equity	**8,933**	8,893
Average shareholders' equity – Adjusted for AT1	**8,047**	8,007

Key balance sheet and capitalisation metrics

AS AT		BENCHMARK	30 JUNE 2023	RESTATED 31 DECEMBER 2022
Net discounted central estimate	US$M		**15,885**	16,141
Risk adjustment	US$M		**1,271**	1,289
Net outstanding claims	US$M		**17,156**	17,430
Net assets	US$M		**9,008**	8,857
Less: intangible assets	US$M		**2,019**	2,018
Net tangible assets	US$M		**6,989**	6,839
Add: borrowings	US$M		**2,959**	2,744
Total tangible capitalisation	US$M		**9,948**	9,583
Risk adjustment to central estimate	%	6–8	**8.0**	8.0
Debt to total capital	%	15–30	**24.7**	23.7
Debt to equity	%		**32.8**	31.0
QBE's regulatory capital base	US$M		**10,945**	10,373
APRA's Prescribed Capital Amount (PCA)	US$M		**6,064**	5,797
PCA multiple		1.6–1.8x	**1.80x**	1.79x
Ordinary shares			**1,492**	1,485
Weighted average shares			**1,488**	1,480
Weighted average shares – diluted			**1,498**	1,489

1 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.

Net outstanding claims

At 30 June 2023, the net discounted central estimate was $15.9 billion, which decreased from $16.1 billion at 31 December 2022 due to the impact of the undiscounted $1.9 billion reserve transaction and higher interest rates, partially offset by further organic growth, catastrophe reserve strengthening and Crop seasonality.

Excluding foreign exchange and the reserve transaction, the net discounted central estimate increased by $1.3 billion. This underlying growth primarily reflected further new business growth, crop seasonality, where reserves are established in the first half and catastrophe reserve strengthening.

At 30 June 2023, the risk adjustment was $1.3 billion or 8.0% of the net discounted central estimate, remaining consistent with the 31 December 2022 risk adjustment, and at the top end of our 6–8% target range.

Borrowings

At 30 June 2023, total borrowings were $3.0 billion, an increase of $0.3 billion from $2.7 billion at 31 December 2022.

The increase primarily reflects the issuance of A$300 million of subordinated floating Tier 2 notes in June 2023. The notes are capital qualifying under APRA's capital adequacy framework.

Debt to total capital was 24.7% at 30 June 2023, slightly higher than 23.7% at 31 December 2022 reflecting the Tier 2 issuance.

Gross interest expense on borrowings for the half year was $83 million, a decrease from $87 million in the prior period.

The average annualised cash cost of borrowings at 30 June 2023 was 6.0%, an increase from 5.8% at 31 December 2022.

At 30 June 2023, all the Group's borrowings continue to count towards regulatory capital.

Tax

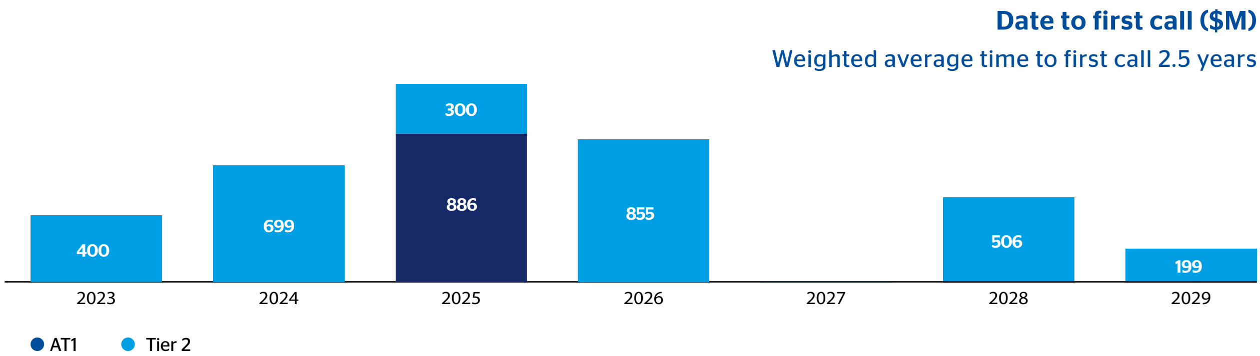
QBE's effective statutory tax rate was 30.8% compared with 16.4% in the prior period.

The effective tax rate reflects the mix of corporate tax rates across QBE's key regions, including the statutory loss in North America, alongside a small recognition of deferred tax assets.

During the period, QBE paid $74 million in corporate income tax globally, with no payments in the Australian tax group due to tax loss utilisation from prior periods.

The balance of the franking account stood at A$46 million as at 30 June 2023. Having regard to QBE's franked AT1 distribution commitments and carry over tax losses, the dividend franking percentage is expected to remain around 10%.

Capital markets issuance profile



		ISSUED INSTRUMENTS	ISSUE DATE	CURRENCY	NOMINAL VALUE LOCAL CURRENCY	FIRST CALL DATE	COUPON	MATURITY DATE	BALANCE SHEET VALUE US$M
Accounted for as equity	**Additional Tier 1 (AT1)**	Capital Notes	Nov-17	US$M	400	May-25	5.25%	Perp	393
		Capital Notes	May-20	US$M	500	May-25	5.88%	Perp	493
	AT1 subtotal								**886**
Accounted for as debt	**Tier 2**	16NC6	Aug-20	A$M	500	Aug-26	3M BBSW + 2.75%	Aug-36	332
		17NC7	Sep-21	£M	400	Mar–Sept-28	2.50%	Sep-38	506
		16NC6	Jun-23	A$M	300	Jun-29	3M BBSW + 3.10%	Jun-39	199
		27NC7	Nov-16	US$M	400	Nov-23	7.50%	Nov-43	400
		30NC10	Dec-14	US$M	700	Dec-24	6.75%	Dec-44	699
		30NC10	Nov-15	US$M	300	Nov-25	6.10%	Nov-45	300
		30NC10	Jun-16	US$M	524	Jun-26	5.88%	Jun-46	523
	Tier 2 subtotal								**2,959**
Total instruments									**3,845**

Capital and dividends

Dividend per share (A¢)

14

Dividend payout (A$M)

209

PCA multiple (US$M)

1.80x

Capital

QBE's indicative PCA multiple improved to 1.80x at 30 June 2023 from 1.79x at 31 December 2022.

Allowing for the payment of the 2023 interim dividend of 14 Australian cents, the pro-forma PCA multiple would decline to 1.78x at 30 June 2023.

The result was driven by a 6 basis point reduction in the insurance risk charge associated with the $1.9 billion reserve transaction, in addition to the generation of new qualifying capital following the issuance of capital qualifying Tier 2 subordinated notes in June 2023.

These items more than offset the capital absorbed through ongoing premium growth, further deployment toward our long term investment portfolio strategic asset allocation, and the payment of the 2022 final dividend.

QBE has $900 million of perpetual fixed rate resetting capital notes that are AT1 qualifying under APRA's capital adequacy framework. The notes are classified as equity, pay franked after-tax distributions and do not impact the weighted average number of shares for earnings per share calculations (since the notes are written off in whole or in part if APRA determines QBE is, or would become, non-viable).

The after-tax distribution on QBE's AT1 capital was $25 million, consistent with the prior period.

Dividends

The interim dividend for 2023 is 14 Australian cents per share or 35% of current period adjusted cash profit, an increase from 9 Australian cents per share for the 2022 interim dividend.

The interim dividend payout is A$209 million compared with A$133 million in the prior period.

The interim dividend will be 10% franked and is payable on 22 September 2023. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

The payout for the current period reflects the Board's confidence around the strength of the balance sheet and positive business momentum, while retaining flexibility to manage earnings volatility in the second half of the year, where catastrophe incidence and Crop variability can be impactful.

QBE's dividend policy is calibrated to a 40–60% payout of annual adjusted cash profit, which has been set at a level which can support the Group's growth ambitions and provide flexibility to manage the dynamics associated with the global insurance cycle.

Prescribed Capital Amount

AS AT	30 JUNE 2023 US$M	31 DECEMBER 2022 US$M
Ordinary share capital and reserves	**8,122**	8,105
Net surplus relating to insurance liabilities	**1,619**	1,287
Regulatory adj to Common Equity Tier 1 Capital	**(2,642)**	(2,643)
Common Equity Tier 1 Capital	**7,099**	**6,749**
Additional Tier 1 Capital – Capital securities	**886**	886
Total Tier 1 Capital	**7,985**	**7,635**
Tier 2 Capital – Subordinated debt and hybrid securities	**2,959**	2,738
Total capital base	**10,944**	**10,373**
Insurance risk charge	**3,475**	3,465
Insurance concentration risk charge	**788**	788
Asset risk charge	**2,606**	2,243
Operational risk charge	**636**	602
Less: Aggregation benefit	**(1,441)**	(1,301)
APRA Prescribed Capital Amount (PCA)	**6,064**	**5,797**
PCA multiple	**1.80x**	**1.79x**
CET1 ratio (APRA requirement >60%)	**117%**	**116%**

Reconciliation of cash profit

FOR THE HALF YEAR ENDED 30 JUNE	2023 US$M	RESTATED 2022 US$M
Net profit after income tax	**400**	48
Amortisation and impairment of intangibles after tax[1]	**30**	30
Write-off deferred tax assets	**–**	–
Write-off capitalised tax assets	**–**	–
Net cash profit after income tax	**430**	78
Restructuring and related expenses	**–**	49
Net gain on disposals after tax	**–**	(36)
Additional Tier 1 capital coupon	**(25)**	(25)
Adjusted net cash profit after income tax	**405**	66
Basic earnings per share – statutory (US cents)	**25.2**	1.6
Diluted earnings per share – statutory (US cents)	**25.0**	1.5
Basic earnings per share – adjusted cash basis (US cents)	**27.2**	4.5
Diluted earnings per share – adjusted cash basis (US cents)	**27.0**	4.4
Return on average shareholders' equity – adjusted cash basis (%)	**10.1**	1.7
Dividend payout ratio (percentage of adjusted cash profit)[2]	**35**	NA

1 $31 million of pre-tax amortisation expense is included in expenses and other income (2022 $29 million).
2 Dividend payout ratio is calculated as the total A$ dividend divided by adjusted cash profit converted to A$ at the period average rate of exchange.

Divisional review

North America

Gross written premium (US$M)

4,967

6% from 2022

Combined operating ratio

106.9%

2022 95.9%

While meaningful catastrophe activity challenged profitability, North America made progress to rebalance and simplify its portfolio. Growth was achieved in Crop, Accident and Health and Middle Market, while we remain disciplined in financial lines as competition has increased. Recently terminated and legacy non-core lines weighed heavily on underwriting performance, which also accounted for a significant level of catastrophe costs. We remain focused on managing a considered run-off of non-core lines, which will improve profitability over the near term.

International

Gross written premium (US$M)

5,072

18% from 2022

Combined operating ratio

93.2%

2022 95.4%

International continued to execute against a growth agenda which spans multiple opportunities, whilst delivering ongoing resilience and improvement in returns. Gross written premium growth was a function of further progress to deepen International's franchise and capability in core markets, alongside particularly favourable markets for QBE Re, which allowed the business to meaningfully reposition and expand its footprint. Inflation preparedness and management remain a primary focus, with impacts over the period broadly in line with expectations.

Australia Pacific

Gross written premium (US$M)

2,771

18% from 2022

Combined operating ratio

98.9%

2022 92.9%

Above allowance catastrophe claims, rising reinsurance costs and persistent inflation contributed to a challenging underwriting result. Market conditions however remain supportive, where rating has responded to building cost pressures, which we expect will support a more favourable outlook for margins. Strong levels of new business growth continue to be achieved across a number of core franchises, including Australian commercial lines and farm, while a material improvement in rate and terms is underway in New Zealand following recent events.

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022
Gross written premium	US$M	**4,967**	4,708
Insurance revenue	US$M	**3,508**	3,208
Net insurance revenue	US$M	**2,285**	2,170
Net claims expense	US$M	**(1,763)**	(1,420)
Net commission	US$M	**(469)**	(450)
Expenses and other income	US$M	**(211)**	(212)
Insurance operating result	US$M	**(158)**	88
Net claims ratio	%	**77.2**	65.4
Net commission ratio	%	**20.5**	20.7
Expense ratio	%	**9.2**	9.8
Combined operating ratio	%	**106.9**	95.9
Insurance loss margin	%	**(4.1)**	0.3

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022
Gross written premium	US$M	**5,072**	4,367
Insurance revenue	US$M	**3,793**	3,281
Net insurance revenue	US$M	**3,278**	2,890
Net claims expense	US$M	**(2,072)**	(1,916)
Net commission	US$M	**(588)**	(487)
Expenses and other income	US$M	**(395)**	(355)
Insurance operating result	US$M	**223**	132
Net claims ratio	%	**63.2**	66.3
Net commission ratio	%	**17.9**	16.8
Expense ratio	%	**12.1**	12.3
Combined operating ratio	%	**93.2**	95.4
Insurance profit margin	%	**13.5**	4.3

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		2023	RESTATED 2022
Gross written premium	US$M	**2,771**	2,503
Insurance revenue	US$M	**2,600**	2,448
Net insurance revenue	US$M	**2,393**	2,255
Net claims expense	US$M	**(1,671)**	(1,453)
Net commission	US$M	**(374)**	(355)
Expenses and other income	US$M	**(322)**	(288)
Insurance operating result	US$M	**26**	159
Net claims ratio	%	**69.8**	64.4
Net commission ratio	%	**15.6**	15.7
Expense ratio	%	**13.5**	12.8
Combined operating ratio	%	**98.9**	92.9
Insurance profit margin	%	**6.0**	8.3

North America

Operational review

North America reported a combined operating ratio of 106.9%, which was meaningfully impacted by catastrophe costs. Challenges associated with higher inflation and catastrophe activity have resulted in the need for further discipline, as reflected by the re-acceleration in rate increases led by property classes, resulting in an average 1H23 rate increase of 10.9%.

The net cost of catastrophe claims increased to 9.3%, compared with 2.8% in the prior period, reflecting a series of convective storm events which are expected to generate first half industry losses well above historic experience. Catastrophe costs also drove the majority of 1H23 adverse prior year development (3.9%), which largely related to the elevated severity and complexity associated with the breadth of winter storm Elliott in late 2022.

Crop organic growth continued with gross written premium up 10%. Net insurance revenue was more stable, as initiatives to manage net retention and portfolio mix continue. The combined operating ratio of 99.4% reflected the impact of adverse prior year development.

International

Operational review

Strong financial performance for the period was underscored by a combined operating ratio of 93.2% compared with 95.4% in the prior period. Growth in gross written premium of 18% was driven by ex-rate growth of 10% across targeted areas of expansion, alongside premium rate increases of 9.4% which continue to compound and reflect discipline across key markets.

The result included strong underwriting profitability across each of the core segments in International. The ex-cat claims ratio improved by 1.6%, where aggregate rate increases continue to be at or above inflation, while there is some early moderation in inflationary pressures across select lines and geographies. Further, adverse prior year development reduced materially relative to the prior period, following efforts to build resilience for the persistency of inflation in 2022, alongside some reduction in reserve risk following the reserve transaction announced in February 2023.

Premium growth remains a highlight, where first half gross written premium exceeded $5 billion for the first time on record. Despite recent investment to support growth strategies, meaningful premium growth continues to drive favourable operating leverage where International achieved further improvement in the underwriting expense ratio to 12.1%.

Australia Pacific

Operational review

Against an operating backdrop characterised by persistently elevated inflation and heightened natural catastrophe activity, Australia Pacific reported a combined operating ratio of 98.9% compared with 92.9% in the prior period. Recent revenue momentum was maintained, where gross written premium growth of 18% reflected a further rise in premium rate increases to 11.8%, as markets continue to respond to inflation, catastrophe and reinsurance cost pressures.

Whilst premium rate increases remain above inflation, earned rate increases in the period lagged elevated inflation across short tail property and motor lines. Higher raw material and labour costs, compounded by recent natural catastrophe activity across the region, have resulted in heightened severity being more persistent than expected. The recent improvement in short tail premium rate increases should support a more favourable outlook for margins.

Catastrophe costs were meaningfully above allowance following two of New Zealand’s largest natural catastrophe events on record, alongside a series of Australian flood and storm events. The New Zealand franchise is now focused on driving tighter terms for storm and flood events, alongside higher rate increases.

Strategy in action

North America's strategy remains anchored around reducing volatility, whilst improving portfolio balance and returns. Dedicated resourcing and infrastructure have been established to effectively manage the run-off of remaining non-core lines. These non-core lines collectively contributed an underwriting loss of ~$150 million in 1H23, which should reduce over the near term.

Portfolio balance will also continue to improve with the run-off of non-core lines, which are materially skewed to property catastrophe exposed classes, and accounted for a material amount of North America's total catastrophe costs in the first half of 2023.

Specialty lines continue to deliver strong results, with a 1H23 combined operating ratio of 94% for the segment. Accident and health continues to achieve consistent organic growth, with recent success in select product adjacencies. Growth plans in financial lines have been tempered given recent competition, though profitability remains strong across a well diversified portfolio.

Strategy in action

Dislocation within segments of the reinsurance market provided a compelling opportunity for QBE Re to execute on a strategy framed around complementary growth, deepening customer relationships, and improving the rating, quality and balance of its property footprint.

Further progress was achieved to deepen QBE's core UK regional franchise. The strategy is focused on expanding capability and presence beyond the primary commercial motor and financial lines focus for the franchise, supported by efforts to broaden distribution and partner relationships.

International's renewable energies business continues to build profile, positioning to be a key partner in insuring the transition, both for existing customers in our natural resources segment, and in supporting new and emerging technologies and solutions.

Strategy in action

Portfolio optimisation initiatives remain focused on volatility, with particular consideration of the changing nature of property catastrophe risk. Whilst there was a meaningful re-acceleration of premium rate increases across most property segments, Australia Pacific exited a key householders portfolio, and ex-rate growth declined across most standalone property segments given the ongoing focus on portfolio quality.

Targeted growth was achieved across core Australian commercial lines and farm, where strong levels of new business were achieved in key commercial packs and engineering franchises.

Modernisation efforts were recently recalibrated, and anchored around supporting further growth across core franchises. These projects are targeting an uplift in underwriting and claims management capability and process, which should improve customer and partner experience, ultimately making QBE an easier partner with which to trade.

Our strategic priorities

Portfolio optimisation

Active management of portfolio mix and volatility

Bring the enterprise together

Achieve consistent growth through leveraging diverse enterprise skill set and digital

Sustainable growth

Simplify what we do to achieve greater consistency across the enterprise

Modernise our business

Make things easier for our customers, partners and people

Our people

Become an employer of choice in our key markets

Our culture

Be a purpose-led organisation. Strengthen alignment, trust and collaboration

Statutory to management result reconciliation

FOR THE HALF YEAR ENDED 30 JUNE 2023	STATUTORY US$M	ADJUSTMENTS DISCOUNT UNWIND US$M	UNDERLYING PYD US$M	LPT US$M	INVESTMENT RFR US$M	APPR US$M	MANAGEMENT US$M
Insurance revenue	**9,921**	**–**	**(10)**	**–**	**–**	**–**	**9,911**
Insurance service expenses[1]	**(8,978)**	**(416)**	**10**	**–**	**–**	**–**	**(9,384)**
Reinsurance expenses	**(2,278)**	**–**	**–**	**344**	**–**	**–**	**(1,934)**
Reinsurance income[1]	**1,814**	**134**	**–**	**(344)**	**–**	**–**	**1,604**
Insurance service result	**479**	**(282)**	**–**	**–**	**–**	**–**	**197**
Other expenses[1]	**(126)**	**–**	**–**	**–**	**–**	**–**	**(126)**
Other income[1]	**24**	**–**	**–**	**–**	**–**	**–**	**24**
Insurance operating result	**377**	**(282)**	**–**	**–**	**–**	**–**	**95**
Net insurance finance (expense) income	**(133)**	**282**	**–**	**–**	**–**	**–**	**149**
Fixed income losses from changes in risk-free rates		**–**	**–**	**–**	**(201)**	**–**	**(201)**
Net investment income on policyholders' funds	**301**	**–**	**–**	**–**	**131**	**–**	**432**
Insurance profit	**545**	**–**	**–**	**–**	**(70)**	**–**	**475**
Net investment income on shareholders' funds	**160**	**–**	**–**	**–**	**70**	**–**	**230**
Financing and other costs	**(112)**	**–**	**–**	**–**	**–**	**–**	**(112)**
Share of net loss of associates	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**
Restructuring and related expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Amortisation and impairment of intangibles	**(8)**	**–**	**–**	**–**	**–**	**–**	**(8)**
Profit before income tax	**584**	**–**	**–**	**–**	**–**	**–**	**584**
Income tax expense	**(180)**						**(180)**
Profit after income tax	**404**						**404**
Non-controlling interests	**(4)**						**(4)**
Net profit after income tax	**400**						**400**

FOR THE HALF YEAR ENDED 30 JUNE 2022 (RESTATED)[2]	STATUTORY US$M	ADJUSTMENTS DISCOUNT UNWIND US$M	UNDERLYING PYD US$M	LPT US$M	INVESTMENT RFR US$M	APPR US$M	MANAGEMENT US$M
Insurance revenue	8,955	–	(13)	–	–	–	8,942
Insurance service expenses[1]	(8,942)	(220)	(6)	–	–	–	(9,168)
Reinsurance expenses	(1,691)	–	19	58	–	–	(1,614)
Reinsurance income[1]	2,185	149	–	(58)	–	–	2,276
Insurance service result	507	(71)	–	–	–	–	436
Other expenses[1]	(179)	–	–	–	–	60	(119)
Other income[1]	58	–	–	–	–	–	58
Insurance operating result	386	(71)	–	–	–	60	375
Net insurance finance income	713	71	–	–	–	–	784
Fixed income losses from changes in risk-free rates		–	–	–	(854)	–	(854)
Net investment loss on policyholders' funds	(581)	–	–	–	568	–	(13)
Insurance profit	518	–	–	–	(286)	60	292
Net investment loss on shareholders' funds	(293)	–	–	–	286	–	(7)
Financing and other costs	(135)	–	–	–	–	15	(120)
Gain on sale of entities and businesses	36	–	–	–	–	–	36
Share of net loss of associates	(3)	–	–	–	–	–	(3)
Remediation		–	–	–	–	(75)	(75)
Restructuring and related expenses	(54)	–	–	–	–	–	(54)
Amortisation and impairment of intangibles	(8)	–	–	–	–	–	(8)
Profit before income tax	61	–	–	–	–	–	61
Income tax expense	(10)						(10)
Profit after income tax	51						51
Non-controlling interests	(3)						(3)
Net profit after income tax	48						48

1 Further analysed as net claims expense, net commission and expenses and other income in the management discussion as shown in the table on the next page.

2 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.

Analysis of the insurance operating result

The insurance operating result is further analysed as net insurance revenue, net claims, net commission and expenses and other income for the purposes of explaining the key drivers of the Group's operating result and calculating key metrics. Analysis of the nature of income and expenses within the insurance operating result provides useful additional information about underlying trends in relation to the different components of underwriting profitability.

	NET INSURANCE REVENUE		NET CLAIMS EXPENSE		NET COMMISSION		EXPENSES AND OTHER INCOME		TOTAL	
FOR THE HALF YEAR ENDED 30 JUNE	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M	2023 US$M	RESTATED 2022 US$M
Statutory										
Insurance revenue	**9,921**	8,955	**–**	–	**–**	–	**–**	–	**9,921**	8,955
Insurance service expenses	**–**	–	**(6,744)**	(6,920)	**(1,401)**	(1,225)	**(833)**	(797)	**(8,978)**	(8,942)
Reinsurance expenses	**(2,278)**	(1,691)	**–**	–	**–**	–	**–**	–	**(2,278)**	(1,691)
Reinsurance income	**–**	–	**1,884**	2,300	**(70)**	(115)	**–**	–	**1,814**	2,185
Insurance service result	**7,643**	7,264	**(4,860)**	(4,620)	**(1,471)**	(1,340)	**(833)**	(797)	**479**	507
Other expenses	**–**	–	**–**	–	**–**	–	**(126)**	(179)	**(126)**	(179)
Other income	**–**	–	**–**	–	**–**	–	**24**	58	**24**	58
Insurance operating result	**7,643**	7,264	**(4,860)**	(4,620)	**(1,471)**	(1,340)	**(935)**	(918)	**377**	386
Adjustments										
Discount unwind	**–**	–	**(282)**	(71)	**–**	–	**–**	–	**(282)**	(71)
Underlying PYD	**(10)**	6	**13**	8	**(3)**	(14)	**–**	–	**–**	–
LPT	**344**	58	**(376)**	(116)	**32**	58	**–**	–	**–**	–
APPR	**–**	–	**–**	–	**–**	–	**–**	60	**–**	60
Management basis	**7,977**	7,328	**(5,505)**	(4,799)	**(1,442)**	(1,296)	**(935)**	(858)	**95**	375

Adjustments

The statutory result has been adjusted for the following items when discussing the result to provide greater transparency over the underlying drivers of performance.

Discount unwind

The subsequent unwind of claims discount within net insurance finance income is analysed as part of the net claims expense component of the insurance operating result as these are associated with claims and directly relate to the impact of initial discounting of claims reported within insurance service expenses.

Underlying prior year development (PYD)

Underlying prior accident year claims development within net claims expense amounting to $13 million (2022 $8 million) has been reclassified to net insurance revenue and net commission. In the current period, this principally related to Crop (North America) for additional premium cessions to the US government on prior year claims under the MPCI scheme, CTP within Australia Pacific for profit commission income arising from favourable development under the 2021 reinsurance loss portfolio transfer and periodic payment order (PPO) liabilities within International to reflect their annuity characteristics.

Reinsurance loss portfolio transfer transactions (LPT)

The subsequent impacts of in-force reinsurance loss portfolio transfer contracts within reinsurance expenses and reinsurance income are analysed on a net basis within net claims expense to provide a view of the underlying development on these contracts against the corresponding development of the subject gross reserves, consistent with the focus on net underwriting performance. The current period adjustments include amounts related to the reinsurance of North American E&S reserves entered into in 2022 ($80 million; 2022 $36 million), other reinsurance loss portfolio transfer contracts in North America entered into in prior periods ($31 million; 2022 $19 million) and the current period transaction to reinsure reserves in North America and International ($219 million).

Australian pricing promise review (APPR)

In 2022, the Group recognised a $75 million net cost (before tax) following a review of pricing promises across a range of retail products which identified instances where the policy pricing promise was not fully delivered. The net cost comprises amounts for customer remediation, interest payable and other costs associated with administering the program. There has been no material change to this estimate during the current period.

Investment risk-free rate (RFR) impacts

Net investment income (loss) is analysed separately between risk-free rate movement impacts on fixed income assets, and remaining income (loss). This enables analysis of these risk-free rate movement impacts alongside the corresponding offsetting impacts on net insurance liabilities within insurance finance income.

Key sensitivities

The following includes information on the mix of QBE's business across key currencies for both gross written premium and cash and investments, alongside sensitivities to key external benchmarks for both claims and investments as at the balance sheet date.

Foreign exchange

Foreign exchange rates

FOR THE HALF YEAR ENDED 30 JUNE		2023		2022	
		PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
Australian dollar	A$	**0.676**	**0.666**	0.719	0.690
Sterling	£	**1.233**	**1.271**	1.296	1.218
Euro	€	**1.081**	**1.091**	1.092	1.048

Premium and investments currency mix

Gross written premium by currency

FOR THE HALF YEAR ENDED 30 JUNE	2023		2022	
	US$M	%	US$M	%
US dollar	**7,261**	**57**	6,600	57
Australian dollar	**2,624**	**20**	2,352	20
Sterling	**1,112**	**9**	958	8
Euro	**1,092**	**8**	955	8
New Zealand dollar	**198**	**2**	185	2
Canadian dollar	**167**	**1**	177	2
Hong Kong dollar	**104**	**1**	100	1
Singapore dollar	**96**	**1**	98	1
Other	**149**	**1**	151	1
Total	**12,803**	**100**	11,576	100

Cash and investments by currency

AS AT	30 JUNE 2023		31 DECEMBER 2022	
	US$M	%	US$M	%
US dollar	**8,826**	**32**	9,599	34
Australian dollar	**7,852**	**28**	7,426	26
Sterling	**4,394**	**16**	4,755	17
Euro	**3,517**	**13**	3,584	13
Canadian dollar	**1,434**	**5**	1,310	5
New Zealand dollar	**479**	**2**	595	2
Hong Kong dollar	**414**	**2**	404	1
Singapore dollar	**174**	**1**	174	1
Other	**336**	**1**	320	1
Total	**27,426**	**100**	28,167	100

Claims

Weighted average risk-free rates

AS AT CURRENCY		30 JUNE 2023	31 DECEMBER 2022	30 JUNE 2022
Australian dollar	%	**4.09**	3.69	3.16
US dollar	%	**4.35**	4.21	3.09
Sterling	%	**4.70**	3.64	2.15
Euro	%	**2.59**	2.50	1.19
Group weighted	%	**3.95**	3.60	2.49
Estimated risk-free rate benefit	US$M	**170**	1,242	787

Impact of changes in key variables on the net outstanding claims liability

AS AT	%	PROFIT (LOSS)[1] 30 JUNE 2023 US$M	PROFIT (LOSS)[1] 31 DECEMBER 2022 US$M
Net discounted central estimate	+5	**(556)**	(565)
	-5	**556**	565
Inflation rate	+1	**(327)**	(333)
	-1	**299**	304
Discount rate	+1	**299**	304
	-1	**(327)**	(333)
Weighted average term to settlement	+10	**146**	149
	-10	**(148)**	(151)

Cash and investments

Fixed income – interest rate and credit spread risk

AS AT	%	PROFIT (LOSS)[1] 30 JUNE 2023 $M	PROFIT (LOSS)[1] 31 DECEMBER 2022 $M
Interest rate movement – interest-bearing financial assets	+1.0	**(331)**	(294)
	-1.0	**338**	309
Credit spread movement – interest-bearing financial assets	+0.5	**(121)**	(125)
	-0.5	**117**	120

Growth assets – price risk

AS AT	%	PROFIT (LOSS)[1] 30 JUNE 2023 $M	PROFIT (LOSS)[1] 31 DECEMBER 2022 $M
ASX 200	+20	**16**	8
	-20	**(16)**	(8)
S&P 500	+20	**17**	8
	-20	**(17)**	(8)
FTSE 100	+20	**11**	8
	-20	**(11)**	(8)
EURO STOXX	+20	**8**	11
	-20	**(8)**	(11)
Emerging Market Equities	+20	**–**	9
	-20	**–**	(9)
Unlisted property trusts	+20	**98**	105
	-20	**(98)**	(105)
Infrastructure assets	+20	**121**	117
	-20	**(121)**	(117)
Alternatives	+20	**23**	25
	-20	**(23)**	(25)

1 Net of tax at the Group's prima facie income tax rate of 30%.

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2023	**August**	**10**	Results and dividend announcement for the half year ended 30 June 2023
		17	Shares begin trading ex-dividend
		18	Record date for determining shareholders' entitlement to the 2023 interim dividend
		21	DRP/BSP election close date – last day to nominate participation in the DRP or BSP
	September	**22**	Payment date for the 2023 interim dividend
	November	**27**	3Q23 Performance update
	December	**31**	Full year end

Historical management result review

FOR THE HALF YEAR ENDED 30 JUNE 2023

		HALF YEAR ENDED 30 JUNE[1,2]					YEAR ENDED 31 DECEMBER[1,2]				
		2023	2022	2021	2020	2019	2022	2021	2020	2019[3]	2018[3]
Insurance contracts issued											
Gross written premium	US$M	**12,803**	**11,576**	10,203	8,011	7,637	19,993	18,453	14,643	13,442	13,657
Insurance revenue/Gross earned premium	US$M	**9,911**	**8,942**	7,980	6,509	6,458	18,834	17,031	14,008	13,257	13,601
Net insurance revenue/Net earned premium	US$M	**7,977**	**7,328**	6,571	5,506	5,671	15,088	13,779	11,708	11,609	11,830
Combined operating ratio	%	**98.8**	**94.9**	93.3	97.4	95.2	95.9	95.0	104.2	97.5	95.7
Investment income (loss)											
excluding net fair value gains/losses	US$M	**662**	**(20)**	241	225	279	570	531	432	555	690
after net fair value gains/losses	US$M	**461**	**(874)**	58	(90)	755	(773)	122	226	1,036	547
Insurance profit (loss)	US$M	**475**	**292**	674	(584)	495	883	1,073	(727)	708	861
Insurance profit (loss) to net insurance revenue/net earned premium	%	**6.0**	**4.0**	10.3	(10.6)	8.7	5.9	7.8	(6.2)	6.1	7.3
Financing and other costs	US$M	**(112)**	**(120)**	(126)	(125)	(129)	(230)	(247)	(252)	(257)	(305)
Operating profit (loss)											
before income tax	US$M	**584**	**61**	530	(778)	662	676	913	(817)	733	662
after income tax and non-controlling interests	US$M	**400**	**48**	441	(712)	573	587	750	(869)	616	573
Balance sheet and share information											
Number of shares on issue[4]	millions	**1,492**	**1,483**	1,475	1,468	1,313	1,485	1,477	1,471	1,305	1,327
Total equity	US$M	**9,008**	**8,458**	8,839	8,438	8,366	8,857	8,882	8,492	8,153	8,400
Total assets	US$M	**40,546**	**38,590**	49,390	43,167	41,193	39,183	49,303	46,624	40,162	39,582
Net tangible assets per share[4]	US$	**4.68**	**4.35**	4.30	3.88	4.27	4.61	4.36	4.05	4.11	4.22
Borrowings to total capital	%	**24.7**	**24.6**	23.7	23.2	23.4	23.7	26.9	25.8	24.0	24.5
Basic earnings (loss) per share[4]	US cents	**25.2**	**1.6**	28.2	(51.9)	34.9	36.3	47.5	(108.5)	41.8	29.0
Basic earnings (loss) per share – adjusted cash basis[5]	US cents	**27.2**	**4.5**	31.4	(48.6)	42.3	44.8	54.6	(60.7)	55.7	51.4
Diluted earnings (loss) per share	US cents	**25.0**	**1.5**	28.1	(51.9)	34.7	36.1	47.2	(108.5)	41.5	28.6
Return on average shareholders' equity – adjusted cash basis[5]	%	**10.1**	**1.7**	10.2	(17.2)	11.1	8.3	8.6	(18.2)	6.7	4.5
Dividend per share	Australian cents	**14**	**9**	11	4	25	39	30	4	52	50
Dividend payout	A$M	**209**	**133**	162	59	329	580	443	59	681	669
Total investments and cash[6]	US$M	**27,426**	**26,749**	27,864	24,432	23,094	28,167	28,967	27,735	24,374	22,887

1 2022 and 2023 prepared on a AASB 17 basis.
2 2018–2021 prepared on a AASB 1023 basis.
3 Profit or loss information for 2018 and 2019 excludes the results of discontinued operations.
4 Reflects shares on an accounting basis.
5 Calculated with reference to adjusted cash profit, being profit after tax adjusted for impairment of intangibles and other non-cash items net of tax as well as coupons on Additional Tier 1 instruments.
6 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties; excludes any balances held for sale.

Glossary

AASB 1023	AASB 1023 *General Insurance Contracts* was the accounting standard that previously applied to accounting for insurance and reinsurance contracts. This standard was replaced by AASB 17 *Insurance Contracts* which became effective from 1 January 2023.
Acquisition costs	Commission and other costs incurred in selling, underwriting and starting insurance contracts.
Attributable expenses	Administrative, general and other expenses that directly relate to fulfilling insurance contracts.
Catastrophe claims	Total of all net claims resulting from catastrophe events. Referred to as catastrophe claims ratio when expressed as a percentage of net insurance revenue.
Combined operating ratio (COR)	The sum of the net claims ratio, commission ratio and expense ratio. A combined ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss.
Confidence level	A statistical measure of the level of confidence that the insurance contract liabilities will be sufficient to pay claims as and when they fall due. This was previously referred to as probability of adequacy under AASB 1023.
Contractual service margin (CSM)	A component of the asset or liability for remaining coverage of contracts measured under the general model, which represents profit that has not yet been recognised in profit or loss as it relates to future services to be provided over the remaining coverage of the insurance contracts.
Ex-cat claims	Net claims excluding catastrophe claims and prior accident year claims development (including movements in risk adjustment related to prior accident years). Referred to as ex-cat claims ratio when expressed as a percentage of net insurance revenue.
Expenses and other income	The sum of attributable expenses (within insurance service expenses), other expenses and other income. Referred to as expense ratio when expressed as a percentage of net insurance revenue.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium. This metric is used to derive insurance revenue under the premium allocation method, which is an allocation of total expected premium, derived based on gross written premium, to each period of coverage on the basis of the passage of time as described in note 2.1 of the Financial Report.
Insurance profit or loss	The sum of the insurance operating result, net insurance finance income or expenses and net investment income or loss on assets backing policyholders' funds. Referred to as insurance profit margin when expressed as a percentage of net insurance revenue.
Insurance revenue	The proportion of gross written premium recognised as revenue in the current accounting period, reflecting insurance coverage provided during the period. This is the equivalent of gross earned premium under AASB 1023.
Liability for incurred claims (LIC)	The liability established for claims and attributable expenses that have occurred but have not been paid. This replaces the outstanding claims liability under AASB 1023.
Liability for remaining coverage (LfRC)	The liability that represents insurance coverage to be provided by QBE after the balance date. This is the equivalent of unearned premium net of premium receivable, unclosed premium, deferred commission and deferred acquisition costs under AASB 1023.
Loss component	A component of the LfRC within the insurance contract liabilities that relates to losses recognised on onerous contracts.
Loss-recovery component	A component of the asset for remaining coverage (AfRC) within the reinsurance contract assets that represents recoveries on reinsurance contracts held that correspond to losses recognised on onerous contracts.
Net claims expense	The portion of insurance service expenses related to gross claims expenses, net of reinsurance income associated with reinsurance recoveries on claims. Management analysis of net claims expense includes the impacts of unwind of discount on claims reserves.
Net claims ratio	Net claims expense as a percentage of net insurance revenue.
Net commission	The portion of insurance service expenses related to commission expenses, net of commission income from reinsurance contracts held that are recognised within reinsurance income.
Net commission ratio	Net commission as a percentage of net insurance revenue.
Net insurance revenue	Insurance revenue net of reinsurance expenses. This is the equivalent of net earned premium under AASB 1023.
Net outstanding claims	Claims reserves within the net LIC net of recoveries from reinsurance loss portfolio transfers.
Prior accident year claims development	The portion of net claims expense attributable to prior accident years. Referred to as prior accident year claims development ratio when expressed as a percentage of net insurance revenue.
Reinsurance	An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The entity accepting the risk is the reinsurer and is said to accept inward reinsurance (or referred to as a reinsurance contract issued). The entity ceding the risks is the cedant or ceding company and is said to place outward reinsurance (or referred to as a reinsurance contract held).
Risk adjustment	A component of insurance and reinsurance contract asset and liabilities that reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. This replaces the risk margin under AASB 1023.

Design Communication and Production by ARMSTRONG
Armstrong.Studio

QBE Insurance Group Limited

Level 18, 388 George Street, Sydney NSW 2000 Australia
Telephone: +61 2 9375 4444
www.qbe.com