

QBE Insurance Group Limited ABN 28 008 485 014
Level 18, 388 George Street, SYDNEY NSW 2000 Australia
GPO Box 82, Sydney NSW 2001
telephone + 612 9375 4444 • facsimile + 612 9231 6104

www.qbe.com



12 August 2021

The Manager
Market Announcements Office
ASX Limited
Level 4
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Report on results and financial statements for the half year ended 30 June 2021

The Directors of QBE Insurance Group Limited announce the financial results for the half year ended 30 June 2021.

The following documents are attached:

1. Appendix 4D – half year report; and
2. QBE's half year report including financial statements for the half year ended 30 June 2021.

This release has been authorised by the QBE Board of Directors.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Carolyn Scobie', followed by a period.

Carolyn Scobie
Company Secretary

Attachments



QBE Insurance Group Limited Appendix 4D – Half year report for the period to 30 June 2021

Results for announcement to the market

FOR THE HALF YEAR ENDED 30 JUNE	UP / DOWN	% CHANGE	2021 US\$M	2020 US\$M
Revenue from ordinary activities	Up	14%	9,126	7,985
Profit (loss) from ordinary activities after income tax attributable to equity holders of the company	Up	N/A	441	(712)
Net profit (loss) for the period attributable to ordinary equity holders of the company	Up	N/A	441	(712)

Net profit after income tax for the half year ended 30 June 2021 was \$441 million compared with a loss of \$712 million in the prior period. The current period result reflects a material turnaround from the prior period which was impacted by underwriting losses due to COVID-19 and a net investment loss as a result of extreme investment market volatility.

The Group reported an underwriting profit of \$642 million compared with a loss of \$524 million in the prior period, equating to a combined operating ratio of 90.2% compared with 109.5%. Excluding the impacts of changes in risk-free rates in both periods, the combined operating ratio was 93.3% compared with 103.4% in the prior period. The current period benefited from the strong rate environment, improved retention and new business growth, partly offset by increased reinsurance expense and large individual risk and catastrophe claims, particularly due to winter storm Uri in Texas.

The combined commission and expense ratio decreased to 29.0% from 31.3% in the prior period. The net commission ratio decreased to 15.3% from 16.4% primarily due to business mix changes in North America and Australia Pacific. The Group's expense ratio decreased to 13.7% from 14.9% mainly reflecting disciplined cost management and operating leverage driven by strong premium growth.

Net investment and other income was \$58 million compared with a net loss of \$90 million in the prior period. The current period result reflects narrower credit spreads and increased returns on growth assets partly offset by the adverse impact of higher risk-free rates, whilst the prior period was severely impacted by COVID-19 related market volatility.

The Group's effective tax rate was 16% compared with 9% in the prior period, reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates and the utilisation of previously unrecognised tax losses in the North American tax group.

DIVIDENDS	AMOUNT PER SECURITY (AUSTRALIAN CENTS)	FRANKED AMOUNT PER SECURITY (AUSTRALIAN CENTS)
Interim dividend	11	1.1

The Board is announcing an interim dividend of 11 Australian cents per share for the half year ended 30 June 2021, up from the 2020 interim dividend of 4 Australian cents per share. Whilst recognising QBE's improving profitability and earnings resilience, the Board has also had regard to typically higher catastrophe incidence and Crop result variability in the second half as well as QBE's stated intention to retain capital to support growth ambitions and facilitate the gradual normalisation of QBE's investment asset risk profile.

The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares with no discount applicable. The interim dividend will be 10% franked. The unfranked part of the dividend is declared to be conduit foreign income.

The share issue price for the Dividend Reinvestment Plan and the Bonus Share Plan will be based on a volume weighted average in the 10 trading days between 27 August 2021 and 9 September 2021 (both dates inclusive).

The record date for determining shareholder entitlements to the dividend is 20 August 2021. The last date for receipt of election notices applicable to the Dividend Reinvestment Plan and the Bonus Share Plan will be 23 August 2021. The interim dividend will be paid on 24 September 2021.

Additional disclosures

Additional Appendix 4D disclosure requirements can be found in the QBE Insurance Group Limited Half Year Report for the period to 30 June 2021 (Attachment A). The Half Year Report should be read in conjunction with any market or public announcements made by QBE Insurance Group Limited during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules. The independent auditor's review report is included at page 47 of the Half Year Report.

Other information

During the period, QBE Insurance Group Limited held an interest in Mitti Insurance Pty Ltd (50%), Chrysalis Management Ltd (25%) and Raheja QBE General Insurance Company (49%). The Group's aggregate share of profits of these entities is not material. On 6 July 2020, QBE announced the sale of its share of Raheja QBE Insurance Company. The transaction is awaiting regulatory approval in India.

QBE Insurance Group Limited
Attachment A: Half year report for the period ended 30 June 2021



2021

Half Year Report

QBE INSURANCE GROUP LIMITED



Table of contents

HALF YEAR REPORT TO 30 JUNE 2021

SECTION 1

Performance overview

2021 half year snapshot	2
Interim Group Chief Executive Officer's report	4

SECTION 2

Operating and financial review

Group Chief Financial Officer's report	8
North America business review	20
International business review	22
Australia Pacific business review	24

SECTION 3

Directors' Report

Directors' Report	26
Auditor's independence declaration	29

SECTION 4

Financial Report


Financial statements	30
Notes to the financial statements	34
Directors' declaration	46
Independent auditor's review report	47

SECTION 5

Other information

Historical review	48
-------------------	----



This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Acrobat Reader. Click on the links on the contents pages or use the  home button in the footer to navigate the report.



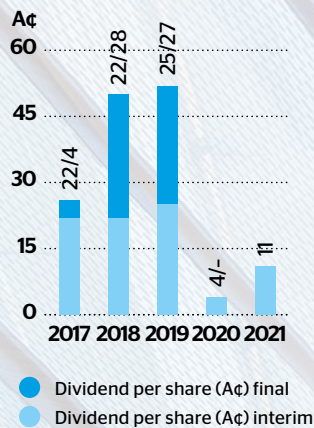
2021 half year snapshot¹

Shareholder highlights

Dividend payout (A\$M)

162

⬆️ 175% from 2020



Adjusted cash profit (loss) return on average shareholders' equity²

11.9%

2020 **(16.6)%**

Basic earnings (loss) per share (US¢)

28.2

2020 **(51.9)**

Dividend per share (A¢)

11

2020 **4**

Sustainability highlights

Recognised in the Top 100 of Equileap 2021

Gender Equality Global Report and Ranking, for progressing our gender equality agenda

Published Group Human Rights Policy

Outlining our commitment to the integration of human rights across the business

Launched QBE's first syndicated sustainability linked loan

Linked to renewable electricity, women in leadership and Premiums4Good impact investments

Certified as a Family Friendly Workplace



Green Insurer of the Year: FINDER Green Awards 2021 for the second year



Maintained inclusion in the FTSE4Good Index Series in 2021



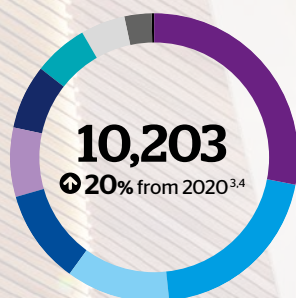
FTSE4Good

¹ Financial information in the tables above is extracted or derived from the Group's half year financial statements and notes thereto on pages 30 to 45 of this Half Year Report.

² Adjusted cash profit (loss) return on average shareholders' equity excludes non-cash and material non-recurring items such as restructuring costs and losses on disposals, and adjusts for Additional Tier 1 capital (AT1) coupons.

Financial highlights

Gross written premium by class of business (US\$M)



	2021 %	2020 %
Commercial & domestic property	28.1	28.9
Agriculture	20.4	17.7
Public/product liability	11.6	11.5
Motor & motor casualty	10.5	11.1
Professional indemnity	7.9	7.6
Marine energy & aviation	7.2	8.6
Workers' compensation	6.0	5.6
Accident & health	5.1	5.8
Financial & credit	3.0	2.7
Other	0.2	0.5

Net earned premium (US\$M)

6,571

⬆️ 10% from 2020^{3,4}

Net earned premium by type

90.4% direct and facultative insurance

9.6% inward reinsurance

Combined operating ratio⁵

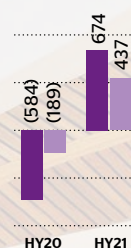
93.3%

2020 **103.4%**

Insurance profit (loss) (US\$M)

674

2020 **(584)**



Underwriting profit (loss)⁵ (US\$M)

437

2020 **(189)**

Net profit (loss) after tax (US\$M)

441

2020 **(712)**

Operational highlights

Gross written premium growth^{3,4}

⬆️ 20%

2020 **10%**

Average renewal premium rate increase⁶

Group

9.7%

2020 **8.7%**

Segment

North America	10.2%
International	10.5%
Australia Pacific	7.7%

Premium retention

83%

2020 **79%**

Attritional claims ratio⁷

Group

43.7%

2020 **45.5%**⁴

Segment

North America	44.2%
International	39.1%
Australia Pacific	49.6%

Large individual risk claims (US\$M)

535

⬆️ 29% from 2020⁴

Catastrophe claims (US\$M)

462

⬆️ 50% from 2020⁴

3 Constant currency basis.

4 Excludes impact of COVID-19 in 2020.

5 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

6 Excludes premium rate changes relating to North America Crop and/or Australian compulsory third party motor (CTP).

7 Excludes Crop and/or lenders' mortgage insurance (LMI).

INTERIM GROUP CHIEF EXECUTIVE OFFICER'S REPORT



Building momentum

The first half of 2021 has seen a rebound in global economic performance with the International Monetary Fund maintaining global growth projections at 6% for 2021. While uncertainty remains regarding the long-term health, societal and economic impacts of COVID-19, the vaccine rollout and ongoing government stimulus continue to play a key role in supporting economic recovery.

Performance

Build on our underwriting capability and continue portfolio optimisation

Capitalise on the favourable premium rate environment with targeted and selective growth

Nonetheless, this recovery is likely to be uneven with some economies and industries experiencing stronger growth than others. Given high levels of government stimulus, this has led to heightened concerns around the potential for a material increase in inflation.

Against this backdrop, insurance industry trading conditions remain favourable. Premium rate increases have continued in virtually all our products and geographies, and have contributed to the strong recovery in QBE's underwriting profitability during the first half of 2021.

Interim result

QBE continues to make encouraging progress, with momentum building across the business. We experienced a strong recovery in profitability during the first half of 2021, underpinned by a material improvement in both underwriting profitability and investment returns.

QBE reported an adjusted cash profit after tax for the half of \$463 million which equates to a return on equity of 11.9%.

On a constant currency basis, gross written premium increased 20%¹ relative to the prior period, underpinned by

¹ Excludes impact of COVID-19 in 2020.



ongoing premium rate increases coupled with improved Group-wide customer retention and targeted new business growth. Growth in our Crop portfolio was especially strong reflecting materially higher commodity prices coupled with targeted organic growth initiatives.

The combined operating ratio improved materially to 93.3%¹ from 103.4%¹ in the prior period. This was due to a number of factors including significantly reduced COVID-19 costs, the non-recurrence of adverse prior accident year claims development, a further improvement in the attritional claims ratio and a material reduction in the combined commission and expense ratio. We have commenced the next phase of our operating efficiency program, including the rationalisation and modernisation of our IT estate, which I discuss further overleaf. This will contribute to an expected expense ratio of 13% by 2023 compared with 13.7% in the current half.

The industry experienced another period of elevated catastrophe activity during the half, with catastrophe costs dominated by winter storm Uri in Texas, widespread flooding on the east coast of Australia and Cyclone Seroja in Western Australia. The net cost of catastrophe claims increased to \$462 million or 7.0% of net earned premium compared with 5.5%² in the first half of 2020. This exceeded the Group's recently increased catastrophe allowance by 1.6% of net earned premium.

This elevated level of catastrophe activity is concerning and we continue to view all catastrophe exposure with caution. As we still consider the pricing of catastrophe risk to be merely adequate rather than margin enhancing, we have not increased catastrophe exposure during the half.

Turning now to divisional performance.

North America reported a combined operating ratio of 100.9%¹, down from 103.8%^{1,2,3} in the prior period. While the result was impacted by materially elevated catastrophe costs, the early signs of reserving stability are encouraging as was the further improvement in the attritional claims and acquisition cost ratios.

International recorded a very strong result underpinned by significant compound rate increases, with a combined operating ratio of 89.1%¹, down from 92.8%^{1,2,3} in the first half of 2020.

Australia Pacific reported a combined operating ratio of 91.0%¹, down from 95.3%^{1,2} in the prior period, due to lower (albeit above allowance) catastrophe costs relative to especially severe experience in the prior period, coupled with improved commission and expense ratios.

Despite mark-to-market losses on fixed income securities as a result of the significant increase in risk-free rates during the period, investment income rebounded strongly to \$58 million from a loss of \$90 million in the prior period. Returns on growth assets were particularly strong.

The Group's financial position remains strong with most balance sheet metrics improving during the half. The debt to equity ratio improved to 31.1% from 34.8% at 31 December 2020, closer to the midpoint of the Group's 25–35% target range. Similarly and notwithstanding significant growth during the half, QBE's indicative APRA PCA multiple improved slightly to 1.73x from 1.72x at the end of 2020 and remains above the midpoint of our 1.6–1.8x target range.

The interim dividend for 2021 is 11 Australian cents per share, an increase from the 2020 interim dividend of 4 Australian cents per share.

Supporting our customers, people and communities

I am proud of how our people have focused on delivering quality outcomes for our customers and partners, adapting to changing ways of working and further embracing new opportunities.

This year QBE has further embraced a hybrid working model, providing greater flexibility for our people to work from home or the office depending on the nature of work required. The Group continues to explore ways to help our people thrive, so they can remain focused on delivering the best outcomes for our customers, partners and shareholders.

I am also proud of the way QBE responded to our customers and communities following catastrophic events, providing a number of support measures and paying claims promptly, helping them return to their homes and restore their business activities as quickly as possible.

Strategic focus

Our future success is anchored in a disciplined approach to delivery against our key strategic priorities: performance, customer focus, modernisation and talent and culture.

We are making significant progress on each of these priorities while continuously challenging ourselves to build a better business.

Performance

Our overarching priority for the half was to deliver on the performance elements of our strategic agenda, with a focus on building upon our underwriting capability and portfolio optimisation. Central to this has been the reinvigoration of our cell review process, evidenced by the fewer underperforming portfolios remaining and the more challenging conversations we have had around portfolio optimisation. The business is benefiting from this heightened focus, both in terms of margin improvement and targeted growth.

We are reviewing our more catastrophe-exposed portfolios and upgrading our models to reflect more recent and more volatile trends. We remain cautious of increasing catastrophe exposures and will continue to look for opportunities to enhance returns for the catastrophe aggregate that we deploy.

Recognising there is always more to do to improve performance, the focus for the second half will be on portfolio optimisation especially in catastrophe-exposed areas, the evolution of our Brilliant Basics program and the delivery of our commercial property pricing project. A more sophisticated and granular assessment of risk (including reserve, underwriting, catastrophe, credit and operational risk) is expected to improve capital allocation by cell and by region, thus facilitating a more accurate assessment of premium rate adequacy upon implementation.

In terms of broader performance measures, our ongoing commitment to integrating sustainability into the way we do business was evidenced by the release of our new Environmental and Social Risk Framework. QBE was also included in the Dow Jones Sustainability Index (DJSI)/ Corporate Sustainability Yearbook for the second year in a row.

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

2 Excludes impact of COVID-19 in 2020.

3 Restated for transfer of North America's inward reinsurance business to International.

Customer focus

Having launched Customer@QBE and the Global Customer@QBE Working Group in late 2020, activity over recent months has focused on better understanding how we apply our Customer@QBE principles, starting with 'delivering with a customer mindset'. We have undertaken quantitative and qualitative research into what is important to our customers – their business mindset, risk management approach, buying behaviours and what they are looking for in their insurer as part of our aspiration to build a truly differentiated value proposition for our customers.

Our focus is on further embedding the use of Salesforce metrics and sales enablement metrics for all parts of the business where practicable. Not only does this provide visibility of key pipeline data but also allows us to use predictive analytics to identify where to focus our efforts to secure renewals which are most vulnerable to our competitors and so maximise our retention rate in chosen areas.

Talent and culture

We continue to commit time and energy to our Culture Accelerator to enrich our culture while also building a set of key actions for the future success of our business. This work seeks to build on the foundations of our QBE DNA to empower and motivate our people to create a consistently high-performing company for all our stakeholders. We have engaged the entire organisation in this conversation, with input from our people across all geographies and roles.

As a result of this work, we have established clear areas of focus that will benefit QBE into the future. These include many ideas suggested by our people through a recent culture hack that more closely align behaviours to our QBE DNA to build an inclusive workplace where everyone feels respected and supported. Equally important is our desire to create an environment that acknowledges and embraces the value of consistent high performance, in turn increasing the value of QBE. The Group Executive Committee and Group Board have invested significant time in the program and will continue to focus on culture as we deliver the actions identified through this important work.

Modernisation

We continue to make positive strides in modernising many aspects of our business and, in so doing, have identified more opportunities to improve both performance and the customer experience. Fundamental to our strategic focus is a digital-first mindset to modernise the business and improve the customer experience.

We are starting to see the building blocks of a more modern QBE take shape, with the continual updating or decommissioning of technology and systems we no longer require, moving applications to the cloud and improving customer and partner experiences through automation. We have detailed roll-out plans for our technology modernisation program by function and division and have transitioned to a new IT partnership.

We are ready to embark upon selective areas of digital enhancement that will form the foundations of a truly modern business – but modernisation is much more than technology. We understand that the business needs to change, so over the last six months we have challenged ourselves around historic operating structures and work practices. Some of this activity is informed by a view that the post-COVID-19 working environment will be very different.

To this end, North America has taken some significant steps to sustainably improve operating leverage which is already becoming evident in the expense ratio. The North America team has reduced its real estate footprint in New York and Atlanta in favour of the Sun Prairie campus and has reset management layers and spans of control, which are expected to deliver a sustained improvement in efficiency and performance.

Modernising our practices and operating structures will remain a priority as we look to build a high performing company and culture.



Conclusion

I am proud of the collective efforts of our people and their achievements in the first half of 2021. There is no doubt it has been a time of challenge, change and evolution; however, our teams across the globe have come together effectively, continuously adapting to new ways of working and focusing on how to make this a better business to deliver for our customers, partners and shareholders.

We are pleased to be welcoming our new Group CEO, Andrew Horton, on 1 September. He will be based in Sydney and I look forward to supporting Andrew in his new role during a transition period before retiring from QBE at the end of this year. It has been a privilege and pleasure to serve as Interim Group CEO from late 2020, as the CEO of our International division from 2019 and CEO of our European Operations since 2013.

I wish QBE every success for the future. The company is well positioned to make meaningful progress that will benefit all our stakeholders.

Richard Pryce
Interim Group Chief
Executive Officer

2021

Strategic priorities



Performance

Evolve and reinvigorate cell reviews and Brilliant Basics+ to further enhance performance discipline and drive portfolio optimisation

Targeted, sustainable, profitable growth, maximising the favourable rate environment

Deliver against our sustainability and climate commitments

Continued focus on shareholder returns



Customer Focus

Deliver value and exceed customer expectations through Customer@QBE

Better understanding of our customers' industries and needs

Embed a culture of proactive, insightful customer engagement

Fully embed the use of Salesforce and related analytical tools across the business, central to all our customer activity



Modernisation

Deliver on our program of work to accelerate our technology infrastructure modernisation

Continued automation across underwriting, distribution and claims to support the evolving needs of our customers and partners

Accelerate adoption of machine learning models across pricing and claims



Talent & Culture

Enhance the QBE culture and reinforce a positive risk culture by building on the QBE DNA through the Culture Accelerator

Accelerate our talent and leadership strategy by developing our people and building a diverse talent pipeline

Focus on embedding performance through ME@QBE and retaining and motivating people through our Reward approach

Define our future ways of working

Operating and financial review



Group Chief Financial Officer's report

QBE experienced a strong recovery in profitability during the first half of 2021, underpinned by a material improvement in both underwriting profitability and investment returns. Pleasingly, result quality is strong with headline and underlying underwriting results more aligned.

Gross written premium (US\$M)

10,203

↑ 20% from 2020^{1,2}

Net earned premium (US\$M)

6,571

↑ 10% from 2020^{1,2}

Combined operating ratio³

93.3%

2020 103.4%

Net profit (loss) after tax (US\$M)

441

2020 (712)

Financial performance

QBE reported a statutory net profit after tax of \$441 million compared with a \$712 million loss in the first half of 2020.

Adjusted cash profit after tax improved to \$463 million from a loss of \$666 million in the prior period and equates to a return on equity of 11.9%.

The strong profit turnaround reflects an improved underwriting result coupled with a recovery in investment income, notwithstanding the adverse mark-to-market impact of higher risk-free rates on our fixed income portfolio.

Gross written premium increased 20%^{1,2} as a result of premium rate increases, improved Group-wide retention and new business growth. Growth in our Crop business was particularly strong due to commodity prices and targeted growth.

The combined operating ratio improved to 93.3%³ from 103.4%³ in the prior period, due to significantly reduced COVID-19 claims, the non-recurrence of adverse prior accident year claims

development and better current accident year underwriting performance.

The improved current accident year performance reflects a further 1.8%^{2,4} reduction in the attritional claims ratio coupled with improved operating efficiency, which more than offset a material increase in catastrophe claims and a previously flagged increase in reinsurance costs.

Crop was booked at a combined operating ratio of 95%, above the current year plan of 92% and 90% reported in the prior period. This reflects signs of drought risk and recognises the inherent difficulty in accurately forecasting the Crop result prior to completion of the harvest in November.

The expense ratio improved to 13.7% from 14.3%² in the prior period, reflecting further cost savings under the operational efficiency program coupled with operating leverage due to strong premium growth.

We recently commenced the next phase of our operating efficiency journey including rationalisation and modernisation of our IT estate which is expected to contribute to an expense ratio of 13% by 2023.

1 Constant currency basis.

2 Excludes impact of COVID-19 in 2020.

3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

4 Excludes Crop and/or LMI.

In addition to cost savings, digitisation and modernisation are expected to drive sustained improvement in operating capacity and business agility, enhancing our ability to capitalise on growth opportunities over the longer term.

Financial strength and capital management

QBE's regulatory and ratings agency capital position remains strong.

At 30 June 2021, the Group's indicative APRA PCA multiple was 1.73x, up slightly from 1.72x at the end of 2020, and above the midpoint of our 1.6–1.8x target range.

The slight improvement since year end largely reflects the profit for the half partly offset by an increase in the insurance risk charge due to significant growth.

Following the redemption of \$200 million of subordinated Tier 2 notes in March 2021, the Group's debt to equity ratio improved to 31.1% from 34.8% at 31 December 2020. Gearing is now closer to the midpoint of the Group's 25–35% target range.

The probability of adequacy (PoA) of net outstanding claims is largely unchanged at 92.3% and remains at the upper end of our 87.5–92.5% target range.

The slight reduction in risk margin as a percentage of the net central estimate of outstanding claims was driven by reduced COVID-19 related uncertainty.

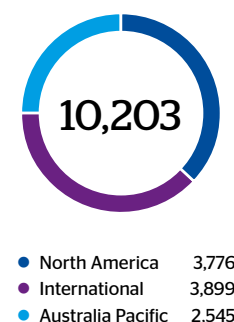
Investment performance and strategy

The portfolio remains conservatively positioned with 93% invested in high quality fixed income securities and the remaining 7% in growth assets, primarily unlisted property and infrastructure, which delivered annualised returns ahead of long-term expectations during the half.

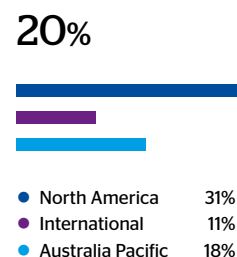
The net annualised investment return for the half was 0.4% and compares favourably with an annualised net negative return of 0.7% in the prior period.

Early in 2021 we reduced asset duration to be modestly short relative to outstanding claims liabilities, primarily through the sale of long-dated maturities. As a result, the sharp steepening in yield curves in the first quarter generated a more meaningful reduction in the value of our claims liabilities than our fixed income portfolio, enhancing pre-tax profit by \$73 million. We reduced the extent of this tactical stance later in the half.

Gross written premium¹ (US\$M)



Gross written premium growth^{2,3}



1 Divisional analysis excludes Corporate & Other.

2 Constant currency basis.

3 Excludes impact of COVID-19 in 2020.

Summary income statement and underwriting performance

FOR THE HALF YEAR ENDED 30 JUNE	STATUTORY		COVID-19 IMPACTS	EX-COVID
	2021 US\$M	2020 US\$M	2020 US\$M	2020 US\$M
Gross written premium	10,203	8,011	(30)	8,041
Gross earned premium	7,980	6,509	(30)	6,539
Net earned premium	6,571	5,506	(50)	5,556
Net claims expense	(4,023)	(4,307)	(266)	(4,041)
Net commission	(1,009)	(903)	8	(911)
Underwriting and other expenses	(897)	(820)	(27)	(793)
Underwriting result	642	(524)	(335)	(189)
Net investment income (loss) on policyholders' funds	32	(60)	–	(60)
Insurance profit (loss)	674	(584)	(335)	(249)
Net investment income (loss) on shareholders' funds	26	(30)		
Financing and other costs	(126)	(125)		
Loss on sale of entities and businesses	–	(6)		
Share of net loss of associates	(3)	(2)		
Restructuring and related expenses	(29)	(18)		
Amortisation and impairment of intangibles	(12)	(13)		
Profit (loss) before income tax	530	(778)		
Income tax (expense) credit	(86)	68		
Profit (loss) after income tax	444	(710)		
Non-controlling interests	(3)	(2)		
Net profit (loss) after income tax	441	(712)		
KEY RATIOS	%	%		%
Net claims ratio	61.2	78.2		72.7
Net commission ratio	15.3	16.4		16.4
Expense ratio	13.7	14.9		14.3
Combined operating ratio	90.2	109.5		103.4
Adjusted combined operating ratio ¹	93.3	103.4		97.4
Insurance profit (loss) margin	10.3	(10.6)		(4.5)

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Cash profit, dividends and foreign exchange rates

Reconciliation of cash profit

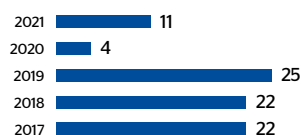
FOR THE HALF YEAR ENDED 30 JUNE		2021 US\$M	2020 US\$M
Net profit (loss) after tax		441	(712)
Amortisation and impairment of intangibles after tax ¹		26	30
Net cash profit (loss) after tax		467	(682)
Restructuring and related expenses after tax		21	15
Net loss on disposals after tax		–	6
Additional Tier 1 capital coupon accrual		(25)	(5)
Adjusted net cash profit (loss) after tax		463	(666)
Return on average shareholders' equity – adjusted cash basis (%)		11.9	(16.6)
Basic earnings (loss) per share – cash basis (US cents)		31.7	(49.7)
Dividend payout ratio (percentage of adjusted cash profit) ²		27%	N/A

1 \$24 million of pre-tax amortisation expense is included in underwriting expenses (2020 \$24 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.

Interim dividend per share (A¢)

11.0



Dividend payout (A\$M)

162

Dividends

QBE's dividend policy is designed to reward shareholders relative to adjusted cash profit while balancing the need to maintain sufficient capital for future investment in and growth of the business.

The interim dividend for 2021 is 11 Australian cents per share, an increase from the 2020 interim dividend of 4 Australian cents per share.

Catastrophe incidence and Crop result variability are typically higher in the second half of the year. In light of this seasonality, coupled with strong growth during the half

and ongoing supportive market conditions, the Board has declared a modest interim dividend with the expectation of paying a higher final dividend, subject to performance over the remainder of 2021.

The interim dividend will be 10% franked and is payable on 24 September 2021. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

The 2021 interim dividend payout is A\$162 million compared with A\$59 million in the prior corresponding period.

Foreign exchange rates

FOR THE HALF YEAR ENDED 30 JUNE		2021		2020	
		BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS
Australian dollar	A\$	0.750	0.771	0.690	0.657
Sterling	£	1.383	1.389	1.240	1.259
Euro	€	1.186	1.205	1.123	1.102

COVID-19 underwriting result impacts

Notwithstanding ongoing uncertainty, the Group's estimated ultimate net cost of COVID-19 may prove to be less than \$785 million pre-tax as previously advised.

While we remain confident that the \$655 million cost recognised in 2020 remains sufficient, the \$130 million of COVID-19 related claims expected to be incurred in 2021 may prove excessive.

Due to improved economic conditions and the global vaccine rollout, current accident year COVID-19 claims costs were modest in the current half at only \$20 million.

This primarily impacted attritional claims in accident & health (A&H) and workers' compensation in North America and business interruption in Australia.

Results in the current half have not been adjusted for this modest impact; however, to more directly compare this result with the prior period (where there was a very significant COVID-19 impact), the Group's prior period underwriting result is tabled on [page 9](#) including and excluding the estimated impact of COVID-19.

The underwriting results in each of the divisional result commentaries are disclosed on the same basis.

While QBE separately identified obvious COVID-19 underwriting revenue and expense impacts in the prior period, there could be other less significant impacts, both positive and negative, that were not readily identifiable or quantifiable.

Unless otherwise stated, the commentary following refers to the Group's prior period result on an ex-COVID-19 basis.

Segment underwriting performance¹

Combined operating ratio

93.3%²



Net claims ratio

64.3%²



Net commission ratio

15.3%



Expense ratio

13.7%



- North America
- International
- Australia Pacific

North America

North America reported a combined operating ratio of 100.9%², down from 103.8%^{2,3} in the first half of 2020, primarily reflecting the non-recurrence of significant adverse prior accident year claims development, partly offset by materially elevated catastrophe costs.

Adjusting for catastrophe claims relative to allowance, the current accident year combined operating ratio improved to 95.9% from 96.6%³ in the prior period.

This was due to an improvement in the attritional claims ratio and a material reduction in the total acquisition cost ratio reflecting cost savings, operating leverage and business mix changes.

Crop was recognised at a combined operating ratio of 95%, above the current year plan of 92% and 90% reported in the prior period. This reflects drought risk in parts of the Mid West and recognises the inherent difficulty in accurately forecasting the Crop result prior to completion of the harvest in November each year.

International

International recorded a strong result underpinned by a combined operating ratio of 89.1%², down from 92.8%^{2,3} in the prior period.

Adjusting for catastrophe claims relative to allowance, the current accident year combined operating ratio improved to 91.9% from 93.1%³ in the prior period, reflecting a further improvement in the attritional claims ratio partly offset by an increase in the net cost of large individual risk and catastrophe claims relative to a benign prior period.

European insurance, QBE Re and Asia all recorded improved results relative to the prior period.

Australia Pacific

Australia Pacific reported a combined operating ratio of 91.0%², down from 95.3%² in the first half of 2020, due to reduced catastrophe costs after especially severe experience in the first half of 2020.

Adjusting for catastrophe claims relative to allowance, the current accident year combined operating ratio increased slightly to 90.8% from 90.2% in the prior period. This was primarily due to an increase in reinsurance costs and the first half catastrophe allowance.

The attritional claims ratio was broadly unchanged relative to the prior period. Premium rate driven improvement across most of the portfolio was offset by attritional weather in householders, strata and the Pacific Islands portfolio.

1 Divisional analysis excludes Corporate & Other.

2 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

3 Restated for transfer of North America's inward reinsurance business to International.

FOR THE HALF YEAR ENDED 30 JUNE	GROSS WRITTEN PREMIUM		NET EARNED PREMIUM		COMBINED OPERATING RATIO		INSURANCE PROFIT (LOSS) BEFORE INCOME TAX	
	2021 US\$M	2020 US\$M	2021 US\$M	2020 US\$M	2021 %	2020 %	2021 US\$M	2020 US\$M
North America ¹	3,776	2,892	1,882	1,542	100.9 ²	103.8 ²	42	(175)
International ¹	3,899	3,339	2,612	2,321	89.1 ²	92.8 ²	422	(57)
Australia Pacific	2,545	1,829	2,075	1,696	91.0 ²	95.3 ²	230	25
Corporate & Other	(17)	(19)	2	(3)	–	–	(20)	(42)
Group adjusted	10,203	8,041	6,571	5,556	93.3²	97.4²	674	(249)
Risk-free rate impact	–	–	–	–	(3.1)	6.1	–	–
COVID-19 impact	–	(30)	–	(50)	–	6.0	–	(335)
Group statutory	10,203	8,011	6,571	5,506	90.2	109.5	674	(584)
Direct and facultative	9,036	7,017	5,938	4,942	91.3	109.3	544	(516)
Inward reinsurance	1,167	994	633	564	80.0	110.9	130	(68)
Group statutory	10,203	8,011	6,571	5,506	90.2	109.5	674	(584)

1 The 2020 half year results have been restated to reflect the transfer of North America's inward reinsurance business to QBE Re, part of International.

2 Excludes impact of changes in risk-free rates used to discount net outstanding claims.



Premium income and pricing

Gross written premium^{1,2} (US\$M)

10,203

↑ 20% from 2020



Net earned premium^{1,2} (US\$M)

6,571

↑ 10% from 2020



- North America
- International
- Australia Pacific

Average renewal premium rate increase³

Group

+9.7%

North America	+10.2%
International	+10.5%
Australia Pacific	+7.7%

Group

Gross written premium increased 27% to \$10,203 million from \$8,011 million in the prior period.

On an average basis and compared with the first half of 2020, the Australian dollar, sterling and euro appreciated against the US dollar by 17%, 10% and 9% respectively which favourably impacted gross written and net earned premium by \$583 million and \$452 million respectively.

On a constant currency basis, gross written premium increased 20% reflecting rate increases, growth and improved retention across the Group coupled with especially strong growth in Crop. Excluding Crop, gross written premium growth was 14% on the same basis.

The Group achieved an average renewal rate increase of 9.7%³ compared with 8.7%³ in the first half of 2020.

Premium growth (excluding Crop and premium rate increases) was 7% during the half.

North America

North America reported a 31% increase in gross written premium, underpinned by an average renewal premium rate increase of 10.2%³ compared with 9.5%^{3,4} in the first half of 2020.

Crop premium grew 48% as a result of significantly higher commodity prices coupled with strong organic growth.

Excluding Crop, growth was 17%, reflecting premium rate increases coupled with growth in financial lines, programs (property and specialty), retail (middle market) and A&H.

International

International reported an 11%¹ uplift in gross written premium, underpinned by an average renewal premium rate increase of 10.5% compared with 10.1%⁴ in the prior period.

European operations achieved growth of 12%¹ reflecting pricing momentum and new business growth, particularly in European insurance (property, financial lines and liability) and QBE Re Europe.

Growth in European operations was partly offset by an 8%¹ contraction in Asia, primarily due to the impact of COVID-19 on travel insurance.

Australia Pacific

Australia Pacific reported an 18%¹ increase in gross written premium reflecting an average renewal premium rate increase of 7.7%³ compared with 5.5%³ in the prior period.

Growth in commercial lines, householders and LMI was partly offset by moderation in CTP and the impact of the economic slowdown in the Pacific Islands.

Reinsurance expense

Reinsurance expense increased 43% to \$1,409 million from \$983 million in the first half of 2020.

Much of the increase reflects growth in more heavily reinsured portfolios including Crop, North America financial lines (where growth is being supported by a 50% quota share) and LMI (where the current accident year quota share has been increased to 40%) as well as new (largely government) reinsurance on trade credit & surety.

Renewal of the Group's core catastrophe and per risk treaties from 1 January 2021 resulted in additional earned reinsurance expense of around \$40 million.

Average renewal premium rate increases³

FOR THE HALF YEAR ENDED 30 JUNE	2021 %	2020 ⁴ %	2019 ⁴ %	2018 ⁴ %
North America	10.2	9.5	3.8	2.9
International	10.5	10.1	3.9	4.4
Australia Pacific	7.7	5.5	6.8	6.4
Group	9.7	8.7	4.7	4.6

1 Constant currency basis.

2 Divisional analysis excludes Corporate & Other.

3 Excludes premium rate changes relating to North America Crop and/or Australian CTP.

4 Restated for transfer of North America's inward reinsurance business to International.

Underwriting expenses, commission and tax

Expense ratio

13.7%

2020 14.3%

Net commission ratio

15.3%

2020 16.4%

Tax rate

16.2%

2020 8.7%

Underwriting and other expenses

The Group's expense ratio improved to 13.7% from 14.3% in the prior period, reflecting disciplined cost management coupled with operating leverage as a result of strong premium growth.

North America reported significant improvement due to cost savings and operating leverage driven by strong premium growth, especially in Crop.

International and Australia Pacific also enjoyed a modest improvement in their expense ratios as a result of cost control coupled with positive operating leverage.

Net commission

The net commission ratio reduced to 15.3% from 16.4% in the first half of 2020, primarily due to business mix.

Growth in Crop, where commissions are reimbursed by the US Government, and in classes protected by quota share such as financial lines and LMI, beneficially impacted net commission expense in North America and Australia Pacific.

International's commission ratio improved slightly due to reduced commission rates in International Markets and a reduced premium contribution from Asia.

Income tax expense

QBE's effective tax rate was 16.2% compared with a tax credit of 8.7% in the prior period and reflects the mix of corporate tax rates in the countries where we operate, with profits in the North American tax group offset by previously unrecognised tax losses.

During the half, QBE paid \$46 million in corporate income tax globally, including \$21 million in Australia which benefits our dividend franking account, the balance of which stood at A\$94 million as at 30 June 2021. Allowing for post balance date tax refunds, the franking account balance available for use is estimated at \$54 million enabling the Group to fully frank A\$126 million of dividends.

Having regard to QBE's franked AT1 distribution commitments, the dividend franking percentage is expected to remain around 10% for the foreseeable future.

Operational efficiency

Underwriting and other expenses (US\$M)

897

↑ 4% from 2020¹

Expense ratio

13.7%



¹ Constant currency basis.

Having completed the efficiency program announced in December 2018, we have commenced the next phase of our efficiency journey targeting an expense ratio of 13% by 2023.

This program includes significant IT rationalisation and modernisation coupled with consolidation of our real estate footprint and an ongoing focus on the Group's operating model.

Rationalisation and modernisation of our IT estate is expected to significantly reduce our exposure to legacy and end-of-life technologies while enabling further automation of our infrastructure and testing operations. Expanding the use of Agile and DevOps methodologies will fundamentally change the way we work and accelerate migration to the cloud, all of which will make it faster and easier to deploy new digital capabilities.

The Group recently transitioned to a new contract relationship with our main IT service provider that is expected to deliver significant benefits, including reduced

development and operational service costs as well as increased contract flexibility and protection.

Our digital capability continues to improve including in claims, for example, where we progressed our ability to automatically lodge and process claims in Australia, Asia and North America.

During the half we consolidated our real estate footprint in Australia and North America in line with new working practices. We also achieved a meaningful reduction in third party consulting costs and simplified divisional organisational structures, particularly in North America. These measures are helping to drive better business outcomes as well as improving the expense ratio.

The expected cost of the restructure is approximately \$150 million over three years, including a \$29 million charge recognised in the current half that was not reported as part of the Group's underwriting expenses.

Claims

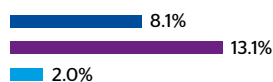
Attritional claims ratio¹

43.7%



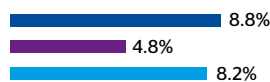
Large individual risk claims ratio

8.1%



Catastrophe claims ratio

7.0%



- North America
- International
- Australia Pacific

¹ Excludes Crop and/or LMI.

Incurred claims

The Group's net claims ratio improved to 61.2% from 72.7% in the first half of 2020, largely reflecting a modest increase in risk-free rates used to discount net outstanding claims liabilities relative to a very material reduction in risk-free rates in the prior period.

Risk-free rate movements aside, a further improvement in the attritional claims ratio and a modest level of favourable prior accident year claims development (relative to significant adverse development in the prior period) were partly offset by an increase in both the large individual risk and catastrophe claims ratios.

The major components of the Group's net claims ratio are summarised in the table below.

Attritional claims ratio

Excluding Crop and LMI, the attritional claims ratio improved a further 1.8% to 43.7% from 45.5% in the prior period, reflecting continued improvement in North America and International.

Excluding Crop, North America's attritional claims ratio improved 1.0% relative to the prior period. The benefit of earned rate increases was partly offset by the adoption of a stronger current accident year incurred but not reported (IBNR) claims allowance coupled with a modest COVID-19 related impact in the A&H portfolio.

International's attritional claims ratio improved 3.6% relative to the prior period, reflecting the strong pricing landscape.

Excluding LMI, Australia Pacific's attritional claims ratio increased 0.3% relative to the first half of 2020. Improvement in most classes was offset by heightened attritional claims due to adverse weather, including an especially wet summer, which impacted householders and strata in Australia and the Pacific Islands portfolio.

Net incurred claims

FOR THE HALF YEAR ENDED 30 JUNE

	2021		2020	
	STATUTORY %	STATUTORY %	STATUTORY %	EX-COVID %
Attritional claims	47.2	48.1	48.1	47.5
Large individual risk and catastrophe claims	15.1	15.7	15.7	13.0
Claims settlement costs	3.2	3.5	3.5	3.5
Claims discount	(0.5)	(0.5)	(0.5)	(0.5)
Net incurred central estimate claims ratio (current accident year)	65.0	66.8	66.8	63.5
Changes in undiscounted prior accident year central estimate	(1.1)	2.0	2.0	1.8
Impact of changes in risk-free rates	(3.1)	6.1	6.1	6.0
Movement in risk margin	0.3	2.5	2.5	0.4
Other (including unwind of prior year discount)	0.1	0.8	0.8	1.0
Net claims ratio	61.2	78.2	78.2	72.7

Attritional claims ratio

FOR THE HALF YEAR ENDED 30 JUNE

	2021		2020	
	NEP US\$M	ATTRITIONAL %	NEP US\$M	ATTRITIONAL %
Rest of portfolio	5,933	43.7	5,132	45.5
Crop insurance	549	85.6	352	79.5
LMI	89	39.1	72	34.1
QBE Group adjusted	6,571	47.2	5,556	47.5

Large individual risk and catastrophe claims

The net cost of large individual risk claims increased to \$535 million or 8.1% of net earned premium from 7.5% in the prior period, including the adoption of a stronger current accident year IBNR allowance.

The net cost of catastrophe claims increased to \$462 million or 7.0% of net earned premium compared with 5.5% in the first half of 2020. This exceeded the Group's recently increased catastrophe allowance by 1.6% of net earned premium.

Catastrophe costs included winter storm Uri in Texas, widespread flooding on the east coast of Australia, Cyclone Seroja and bush fires in Western Australia and storm and flood damage in Melbourne.

Weighted average risk-free rates

As tabled below, the currency weighted average risk-free rate used to discount net outstanding claims liabilities increased to 0.73% at 30 June 2021 from 0.30% at 31 December 2020.

Risk-free rates increased materially across all currencies resulting in a \$205 million underwriting benefit that decreased the net claims ratio by 3.1% compared with a \$335 million charge in the prior period that increased the net claims ratio by 6.0%.

The \$205 million beneficial risk-free rate impact on the underwriting result was largely offset by a \$132 million adverse impact on investment income.

Net large individual risk claims (US\$M)

535

8.1% of NEP
2020 416

Net catastrophe claims (US\$M)

462

7.0% of NEP
2020 308

Net large individual risk and catastrophe claims (US\$M)

997

15.1% of NEP
2020 724

Weighted average risk-free rates

CURRENCY		30 JUNE 2021	31 DECEMBER 2020	30 JUNE 2020
Australian dollar	%	0.68	0.41	0.50
US dollar	%	1.35	0.82	0.69
Sterling	%	0.72	0.07	0.16
Euro	%	(0.30)	(0.59)	(0.34)
Group weighted	%	0.73	0.30	0.31
Estimated risk-free rate benefit (charge)	US\$M	205	(381) ¹	(335)

¹ Estimated risk-free rate charge for the 12 months to 31 December 2020.

Prior accident year claims development

Favourable prior accident year claims development was \$71¹ million or 1.1% of net earned premium, compared with adverse development of \$120 million or 2.2%¹ in the first half of 2020.

International reported \$38 million of positive development, primarily due to favourable development in UK motor, liability, SME and QBE Re partly offset by adverse development in financial lines.

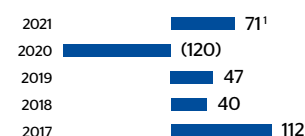
Australia Pacific reported \$24 million of positive prior accident year claims development. Strengthening in workers' compensation and commercial liability was more than offset by favourable development in short-tail lines and CTP.

North America reported \$13 million of favourable development during the half.

Corporate includes a \$4 million adverse adjustment.

Prior accident year claims development (US\$M)

71¹



¹ Excludes \$2 million (\$19 million in the prior period) of positive prior accident year claims development pertaining to North America Crop insurance that is matched by additional premium cessions under the MPCL scheme.



Balance sheet and capital management

PCA multiple

1.73x¹

2020 1.72x²

Target PCA multiple

1.6–1.8x

Debt to equity

31.1%

2020 34.8%²

Target debt to equity

25–35%

1 Indicative APRA PCA multiple at 30 June 2021.

2 As at 31 December 2020.

Capital management

The only capital market transaction undertaken during the half was the redemption of \$200 million of subordinated Tier 2 notes in March 2021.

The redemption was funded by part of the proceeds raised through the A\$500 million capital qualifying Tier 2 subordinated debt issuance in August 2020.

These notes were subject to APRA's transitional arrangements and, as of 31 December 2020, only \$37 million was regulatory capital qualifying. As such, the redemption had minimal impact on regulatory capital at 30 June 2021.

As a result of the redemption, gearing improved to 31.1% from 34.8% at 31 December 2020, and closer to the midpoint of the Group's internal benchmark range of 25–35%.

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 in the half, while the reclassification of the 2017 notes (in July 2020) contributed to an \$11 million reduction in financing and other costs during the half.

Prescribed capital amount

The indicative PCA multiple increased slightly to 1.73x at 30 June 2021 from 1.72x at 31 December 2020, reflecting:

- the \$463 million half year cash profit; and
- an increase in the premium liabilities surplus due to significant premium rate increases.

These impacts were largely offset by:

- the March 2021 redemption of subordinated Tier 2 notes which reduced Tier 2 capital by \$37 million;
- an increase in the insurance liabilities risk charge, primarily driven by the Crop business, including usual seasonality but also exposure growth; and
- a higher asset risk charge reflecting the seasonal increase in premium receivables, deferred reinsurance expense and reinsurance recoveries receivable.

Capitalisation and capital metrics

AS AT		BENCHMARK	30 JUNE 2021	31 DECEMBER 2020
Net assets	US\$M		8,840	8,492
Less: intangible assets	US\$M		(2,495)	(2,534)
Net tangible assets	US\$M		6,345	5,958
Add: borrowings	US\$M		2,751	2,955
Total tangible capitalisation	US\$M		9,096	8,913
Debt to equity	%	25–35	31.1	34.8
Debt to tangible equity	%		43.4	49.6
Premium solvency ¹	%		48.3	50.6
QBE's regulatory capital base	US\$M		9,804	9,348
APRA's PCA	US\$M		5,681	5,434 ³
PCA multiple		1.6–1.8x	1.73x²	1.72x

1 The ratio of net tangible assets to annualised net earned premium.

2 Indicative APRA PCA multiple at 30 June 2021.

3 Restated to be consistent with APRA returns finalised subsequent to year end.

Net outstanding claims

At 30 June 2021, the risk margin in net outstanding claims was \$1,541 million or 9.6% of the net discounted central estimate of outstanding claims compared with \$1,537 million and 9.7% at 31 December 2020.

Excluding foreign exchange movements, the risk margin increased \$18 million during the half compared with a \$138 million increase in the prior period.

The probability of adequacy (PoA) of net outstanding claims is largely unchanged at 92.3% from 92.5% at 31 December 2020 and remains at the upper end of the Group's 87.5%–92.5% target range.

The slight reduction in risk margin as a percentage of the net discounted central estimate of outstanding claims was driven by reduced COVID-19 related uncertainty.

AS AT		30 JUNE 2021	31 DECEMBER 2020
Net discounted central estimate	US\$M	16,062	15,797
Risk margin	US\$M	1,541	1,537
Net outstanding claims	US\$M	17,603	17,334
Probability of adequacy	%	92.3	92.5
Risk margin to central estimate	%	9.6	9.7

Identifiable intangibles and goodwill

The carrying value of identifiable intangibles and goodwill at 30 June 2021 was \$2,495 million, down from \$2,534 million at 31 December 2020.

During the half, the carrying value of intangibles reduced by \$39 million due

Borrowings

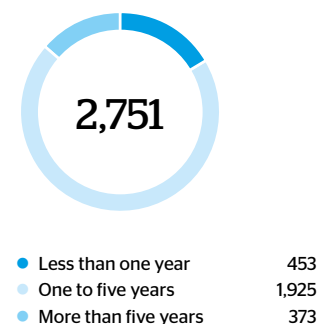
At 30 June 2021, total borrowings were \$2,751 million, down \$204 million from \$2,955 million at 31 December 2020.

In March 2021, the Group redeemed \$200 million of subordinated notes using proceeds from the A\$500 million subordinated note issued in August 2020.

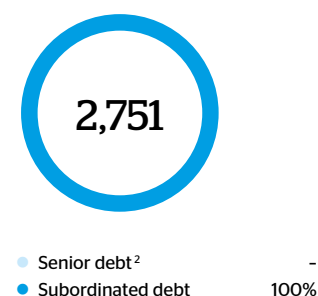
Gross interest expense on long-term borrowings for the half was \$87 million, down from \$96 million in the prior period. The average annualised cash cost of borrowings at 30 June 2021 was 6.0%, down slightly from 6.1% as at 31 December 2020.

At 30 June 2021, all but \$6 million of the Group's borrowings continued to count towards regulatory capital.

Total borrowings¹ (US\$M)



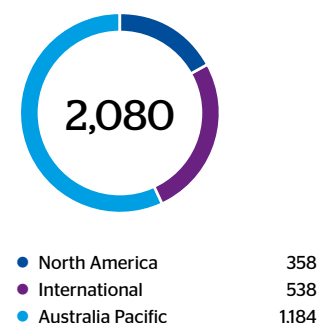
Borrowings profile



1 Based on first call date.

2 Senior debt at 30 June 2021 is \$6 million.

Goodwill (US\$M)



Investment performance and strategy

Net investment income (US\$M)

58

↑ \$148 from 2020

Net investment return

0.4%

2020 (0.7%)

Fixed income Vs Growth assets

(0.3)% 11.9%

2020 1.8% 2020 (25.7%)

The portfolio remains conservatively positioned with around 93% invested in high quality fixed income securities and the remaining 7% invested in growth assets, including unlisted property, infrastructure and private equity.

Our corporate credit portfolio performed well as credit spreads narrowed slightly during the half. Attention to quality and resilience resulted in less incidence of downgrade or negative outlook than the broader market and no securities were downgraded to sub-investment grade.

Unlisted property and infrastructure assets enjoyed a return to modest income growth and strong net asset value appreciation, and our small private equity portfolio kept pace with listed market strength.

The net annualised investment return for the half was 0.4% and compares favourably with an annualised net negative return of 0.7% in the prior period.

Given the highly reflationary and stimulatory environment created by governments and central banks, we entered 2021 with an expectation that yield curves would steepen and had positioned our fixed income portfolio modestly short of our liability duration.

The subsequent dramatic moves led by US treasuries meant that our asset book was reasonably well insulated against the mark-to-market moves that more significantly and favourably impacted our net outstanding claims liabilities.

This tactical duration positioning benefited pre-tax profit by \$73 million.

Closing total cash and investments was \$27,864 million, up from \$27,735 million at 31 December 2020. Operating cash flow during the half was largely offset by a \$246 million foreign exchange impact and redemption of the \$200 million subordinated Tier 2 note in March 2021.

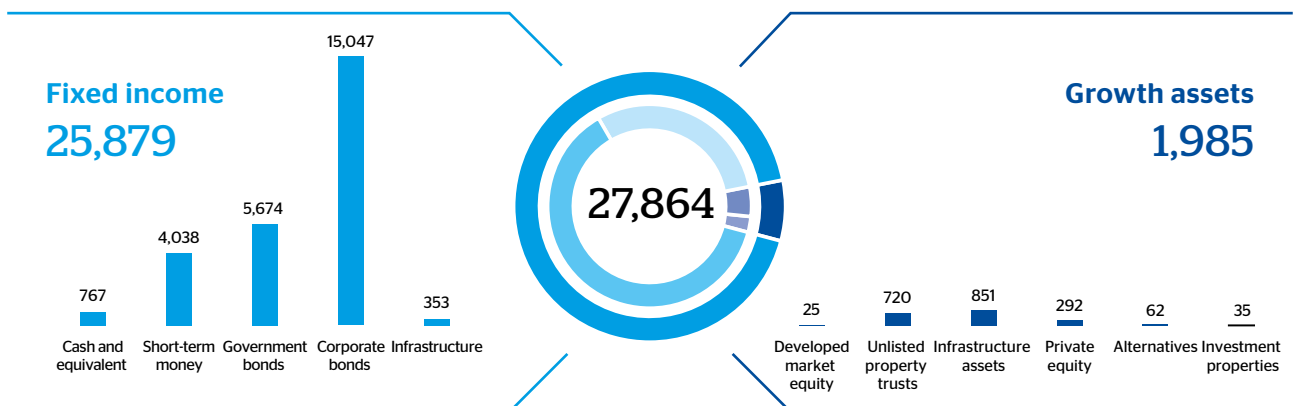
Interest bearing financial assets – S&P security grading

AS AT	30 JUNE 2021 %	31 DECEMBER 2020 %
Rating		
AAA	14	12
AA	36	38
A	38	36
<A	12	14

Currency mix of investments

AS AT	30 JUNE 2021 %	31 DECEMBER 2020 %
US dollar	32	33
Australian dollar	27	27
Sterling	17	17
Euro	14	14
Other	10	9

Total cash and investments (US\$M)



	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Cash and cash equivalents	517	250
Short-term money	2,724	1,314
Government bonds	3,827	1,847
Corporate bonds	10,150	4,897
Infrastructure debt	238	115

Fixed income

- Policyholders' funds
- Shareholders' funds

Growth assets

- Policyholders' funds
- Shareholders' funds

	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Developed market equity	17	8
Unlisted property trusts	486	234
Infrastructure assets	574	277
Private equity	197	95
Alternatives	42	20
Investment properties	24	11

Closing remarks

Continued favourable pricing conditions and strong business momentum underpin our confidence in the outlook for the business; however, we remain cautious around lingering (COVID-19 related) economic uncertainty and the potential trajectory of global inflation.

Outlook focus

Maximise market opportunity

Achieve targeted growth and margin expansion

Risk focus

For a more accurate assessment of premium rate adequacy

Building further capital strength

To support our growth ambitions

Sustainability

Making a positive contribution to the economies and communities in which we operate

After an encouraging start to the year, we remain acutely focused on delivering our 2021 business plan and capitalising on current market conditions to achieve targeted growth and improved underwriting performance.

Achieving an appropriate return on capital in North America remains our highest priority with success dependent upon ongoing portfolio optimisation, targeted growth (for scale and diversification), and a further material reduction in operating costs.

We are continuing to focus on risk at a more granular level (including reserve, underwriting, catastrophe, credit and operational risk) to improve capital allocation by cell and by region, thus facilitating a more accurate assessment of premium rate adequacy and better informing our decisions on where to grow. As the Group's return on equity continues to improve, we are increasingly focused on developing the systems and culture to sustain long term organic growth.

I am pleased with the stability in our prior accident year claims reserves during the half; however, claims inflation is topical and we remain focused on enhancing our approach to pricing and staying ahead of the reserving impacts of claims inflation.

While our regulatory capital remains above the midpoint of our target range, we will build further capital strength to support our growth ambitions, facilitate a gradual re-risking of the investment book and further reduce gearing to enable us to better withstand extreme events.

We will consider more strategic reinsurance to enhance returns and further optimise the portfolio, including reducing reserving risk to free up capital for reinvestment in higher margin new business, improving portfolio balance and managing areas experiencing very strong growth.

Over the next 18 months, we intend to gradually optimise investment returns by modestly increasing exposure to growth assets and re-introducing enhanced fixed income. Our target asset allocation is designed to be resilient, enabling stable cross-cycle exposures.

Sustainability remains core to the way we operate. During the second half of 2021, we will continue to deliver against our Sustainability Scorecard including implementing our new Environmental and Social Risk Framework, launching our new QBE Foundation strategy and growing impact investments.

With premium rate increases in excess of claims inflation, coupled with ongoing expense discipline and operating leverage, we remain confident of achieving a stronger, more consistent and sustainable level of financial performance over the medium term.

I look forward to updating you on our progress with the release of the 2021 full year result.

Inder Singh
Group Chief Financial Officer

North America business review^{1,2}

North America's first half performance reflects the continuation of a positive premium rate environment, good organic growth and margin improvement, albeit partly offset by the impact of Texas winter storm Uri.

Gross written premium (US\$M)

3,776

↑ 31% from 2020

Net earned premium (US\$M)

1,882

↑ 22% from 2020

Combined operating ratio³

100.9%

2020 103.8%

Underwriting result³ (US\$M)

(17)

↑ 42 from 2020

Insurance profit (loss) margin

2.3%

2020 (11.4)%

2021 overview

Market conditions remained favourable during the first half of 2021, with sustained positive premium rate momentum and a strong economic recovery as the US emerges from the pandemic.

Pricing remained strong resulting in an average renewal rate increase (excluding Crop) of 10.2% compared with 9.5% in the prior period. This included rate increases of 22% in financial lines, 17% in aviation, 16% in property programs and 11% in A&H. Overall rate adequacy continues to improve, with rate increases exceeding claims inflation across most portfolios.

Strong growth, most notably in Crop, financial lines and middle market commercial, reflected higher premium rates, increased new business volumes and improved retention. Materially higher commodity prices contributed to the substantial growth in Crop.

In addition to a further reduction in the attritional claims ratio, cost savings and operating leverage resulted in a materially improved expense ratio. This was partly offset by elevated catastrophe claims due to unusually severe winter weather in Texas as arctic temperatures and power outages resulted in record insurance claims.

Operating and financial performance

Underwriting performance

North America reported a combined operating ratio of 100.9%³, down from 103.8%³ in the prior period.

The result was heavily impacted by Texas winter storm Uri which added ~6% to the combined operating ratio. Catastrophe claims increased to \$166M or 8.8% of net earned premium compared with 2.9% in the prior period.

The underwriting result benefited from a 1.0% improvement in the attritional claims ratio and a 5.5% reduction in the total acquisition cost ratio, due to a combination of premium rate increases, cost savings and improved operating leverage.

Supply chain cost inflation had a modestly adverse impact on attritional claims costs in short-tail property classes during the half.

Crop was booked at a combined operating ratio of 95% during the half, above the current year plan of 92% and 90% reported in the prior period. This reflects drought risk in parts of the Mid West and also recognises the inherent difficulty in accurately forecasting the Crop result prior to completion of the harvest in November each year.

Underwriting result

		2021	EX-COVID 2020	2019	2018
FOR THE HALF YEAR ENDED 30 JUNE					
Gross written premium	US\$M	3,776	2,892	2,655	2,738
Gross earned premium	US\$M	2,578	2,051	2,067	2,028
Net earned premium	US\$M	1,882	1,542	1,729	1,631
Net incurred claims	US\$M	1,388	1,247	1,251	1,084
Net commission	US\$M	246	237	263	248
Expenses	US\$M	219	229	246	258
Underwriting result	US\$M	29	(171)	(31)	41
Net claims ratio	%	73.8	80.8	72.4	66.5
Net commission ratio	%	13.1	15.4	15.2	15.2
Expense ratio	%	11.6	14.8	14.2	15.8
Combined operating ratio	%	98.5	111.0	101.8	97.5
Adjusted combined operating ratio ³	%	100.9	103.8	99.3	99.2
Insurance profit (loss) margin	%	2.3	(11.4)	N/A	N/A

1 2020 and prior results have been restated to reflect the transfer of North America's inward reinsurance business to QBE Re, part of International.

2 Excludes impact of COVID-19 in 2020.

3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Premium income

Gross written premium increased 31% to \$3,776 million. This reflected especially strong growth in Crop and growth across broader P&C lines of around 17% as a result of continued strong premium rate increases, new business growth and improved retention.

Crop gross written premium increased 48% primarily due to higher commodity prices, notably for Corn (+18%) and Soybeans (+29%), coupled with organic growth of around 16%. The Crop business continues to grow market share through its especially strong technology-based service offering, deeply ingrained agent loyalty and, more recently, investment in new talent.

Specialty & Commercial premium grew 22% during the half. Premium rate increases remained strong in all lines while investment in market leading talent

as part of the build-out of financial lines translated into strong organic growth. Increased new business in middle market commercial lines, coupled with rate increases and improved retention in A&H, further contributed to growth.

Alternative Markets' gross written premium increased 13% due to strong premium rates in both commercial property and homeowners, as well as new business growth in casualty programs.

Net earned premium increased 22% to \$1,882 million. Net earned premium growth lagged top line growth largely due to strong growth in heavily reinsured portfolios such as Crop (including growth in dairy that is fully reinsured) while meaningful quota share reinsurance was purchased for 2021 to support the expansion of our financial lines business.

Claims expense

The attritional claims ratio (excluding Crop) improved to 44.2% from 45.2% in the prior period, reflecting rate increases in excess of claims inflation across most lines.

This was despite a strengthening of current accident year claims assumptions due to inflationary pressure in short-tail property lines, including higher replacement and repair costs due to rising lumber and labour costs due to demand surge.

The current accident year claims ratio was also impacted by an estimated 0.6% of COVID-19 related claims, primarily in A&H and workers' compensation.

The net cost of large individual risk claims improved to 8.1% of net earned premium from 8.5% in the first half of 2020. This reflects the non-recurrence of higher

claims severity in the prior period, most notably in aviation.

The continued build-out of financial lines will ultimately shift the business mix slightly towards large individual risk claims (away from attritional claims) due to the limit profile of the financial lines business.

Catastrophe claims increased materially to 8.8% of net earned premium from 2.9% in the prior period. This was primarily due to Texas winter storm Uri and resulted in catastrophe claims exceeding the first half allowance by 5.7% of net earned premium.

Prior accident year claims experience was \$13 million favourable compared with a cost of \$115 million or 7.4% of net earned premium in the first half of 2020.

Commission and expenses

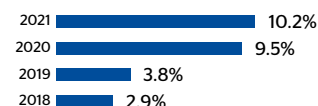
The total acquisition cost ratio improved to 24.7% from 30.2% in the prior period. This partly reflects the benefit of business mix and operating leverage associated with strong growth in Crop which operates on commission and expense ratios well below the North America average.

Excluding Crop, North America's combined commission and expense ratio improved by approximately 4%, reflecting underwriting expense savings coupled with improved operating leverage due to strong premium growth.

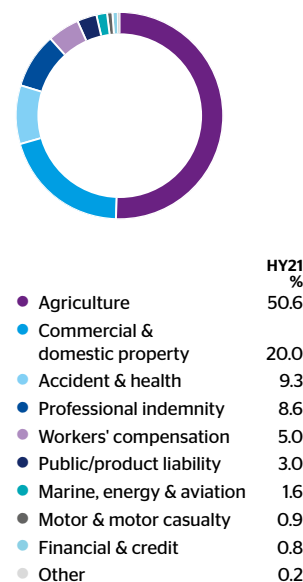
Average renewal premium rate increase¹

10.2%

↑ 0.7% from 2020



Gross written premium by class of business



Combined commission and expense ratio

24.7%

↓ 5.5% from 2020



¹ Excludes Crop.



International business review^{1,2}

Our focus on leveraging market conditions and pursuing selective growth while maintaining underwriting discipline has allowed us to strengthen our market position and produce a strong combined operating ratio of 89.1%³.

Gross written premium (US\$M)

3,899

↑ 11% from 2020⁴

Net earned premium (US\$M)

2,612

↑ 6% from 2020⁴

Combined operating ratio³

89.1%

2020 92.8%

Underwriting result³ (US\$M)

285

↑ 118 from 2020

Insurance profit (loss) margin

16.2%

2020 (2.5)%

2021 overview

The pricing environment remains supportive in all markets. Premium rate momentum increased in European insurance while double digit rate increases prevail across regional UK and London Market business. Pleasingly, premium rates have strengthened the most in portfolios where we felt further increases were necessary.

We are seeing increasing opportunities to grow in European insurance and targeted areas within casualty and speciality reinsurance. We remain focused on maintaining underwriting discipline and have curtailed growth in those portfolios where further rate increases are warranted, with short-tail reinsurance lines being a pertinent example. Overall new business written increased 16% relative to the prior period.

Catastrophe claims normalised during the half following especially benign experience in the prior period. Most notably, International Markets and QBE Re were impacted by Texas winter storm Uri. Notwithstanding this event, catastrophe costs remained within allowances for the period which is testament to the diversification of the portfolio.

Operating and financial performance

Underwriting performance

International reported a combined operating ratio of 89.1%³ compared with 92.8%³ in the prior period.

Despite more prudent assumptions, the attritional claims ratio improved materially due to compound premium rate increases. The result also benefited from favourable prior accident year claims development and a lower expense ratio due to cost control and operating leverage. This was partly offset by normalisation of large individual risk and catastrophe claims which, although up from the prior period, were within allowances.

The current accident year combined operating ratio improved to 90.6% from 91.4% in the first half of 2020.

Excluding Asia, our insurance business reported an improved combined operating ratio of 88.3%³ compared with 90.9%³ in the prior period, QBE Re improved to 89.8%³ from 96.8%³ and Asia to 94.8%³ from 99.4%³ in the first half of 2020.

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		2021	EX-COVID 2020	2019 ⁵	2018 ⁶
Gross written premium	US\$M	3,899	3,339	3,029	3,054
Gross earned premium	US\$M	3,108	2,645	2,446	2,569
Net earned premium	US\$M	2,612	2,321	2,139	2,220
Net incurred claims	US\$M	1,372	1,602	1,474	1,384
Net commission	US\$M	465	421	379	409
Expenses	US\$M	351	323	315	339
Underwriting result	US\$M	424	(25)	(29)	88
Net claims ratio	%	52.5	69.1	68.9	62.3
Net commission ratio	%	17.9	18.1	17.8	18.4
Expense ratio	%	13.4	13.9	14.7	15.3
Combined operating ratio	%	83.8	101.1	101.4	96
Adjusted combined operating ratio ³	%	89.1	92.8	95.1	96.8
Insurance profit (loss) margin	%	16.2	(2.5)	N/A	N/A

1 2020 and prior results have been restated to reflect the transfer of North America's inward reinsurance business to QBE Re, part of International.

2 Excludes impact of COVID-19 in 2020.

3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

4 Constant currency basis.

5 Excludes one-off adverse impact on the underwriting result due to the Ogden decision in the UK.

6 Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities.

Premium income

Gross written premium increased 17% to \$3,899 million, or 11% on a constant currency basis, reflecting the premium rate environment and targeted growth in European insurance and QBE Re.

International achieved an average renewal premium rate increase of 10.5% compared with 10.1% in the prior period. This included rate increases of 13.5% in International Markets and 13.0% in UK regional business. Although there are signs momentum is moderating, particularly in the London Market, rate increases remain well above inflation and it is encouraging that rate momentum continues to build on portfolios where correction was necessary such as financial lines and international liability.

Our Continental European business is benefiting from rate acceleration, particularly in liability and property classes, with an average renewal rate increase of 11.0% compared with 6.5% in the prior period.

QBE Re's growth focused on casualty and specialty lines across our London, New York, Bermuda and Dubai platforms, where premium rate adequacy has recovered to appropriate levels. QBE Re renewal rate increases averaged 7.3% compared with 6.0% in the prior period. Although property rates have improved, they are not yet at levels at which we would look to materially increase our market share.

Asia has been challenged by the economic effects of COVID-19. Government restrictions impacted our travel insurance business and we have significantly reduced our trade credit exposure across Asia.

Net earned premium increased 6% on a constant currency basis. The lesser growth relative to gross written premium reflects increased reinsurance costs, including the government reinsurance of trade credit insurance and the impact of some non-recurring prior year adjustments.

Claims expense

The net claims ratio improved to 57.8%¹ from 60.7%¹ in the first half of 2020.

An improved attritional claims ratio and the benefit of positive prior accident year claims development were partly offset by normalisation of large individual risk and catastrophe claims relative to benign experience in the prior period.

The attritional claims ratio improved by 3.6% to 39.1%, reflecting the strong premium rate environment and reduced claims frequency in motor and liability classes, partly as a result of ongoing government lockdowns.

Large individual risk claims increased to \$341 million or 13.1% of net earned premium from 10.4% in the prior period, largely due to more prudent assumptions in respect of long-tail classes.

Net catastrophe costs increased to \$126 million or 4.8% of net earned premium compared with 2.9% in the prior period, reflecting Texas winter storm Uri.

The result benefited from favourable prior accident year claims development of \$38 million or 1.5% of net earned premium compared with 1.4% of adverse development in the first half of 2020. This included strengthening of Irish COVID-19 business interruption provisions.

An increase in risk margin of \$22 million contributed 0.8% to the claims ratio compared with 0.2% in the prior period.

Commission and expenses

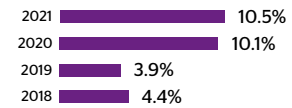
The net commission ratio reduced to 17.9% from 18.1% in the first half of 2020, reflecting reduced commissions in Continental Europe and increased profit commissions from reinsurers in International Markets.

The expense ratio improved to 13.4% from 13.9% in the prior period. This reflected operating leverage associated with strong premium growth coupled with disciplined expense management, which saw constant currency underwriting expenses down slightly relative to the prior period.

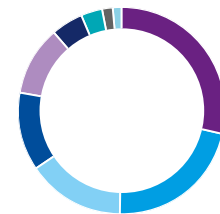
Average renewal premium rate increase

10.5%

⬆️ 0.4% from 2020



Gross written premium by class of business



Class of Business	H21 %
Commercial & domestic property	28.8
Public/product liability	22.0
Marine, energy & aviation	15.3
Motor & motor casualty	12.3
Professional indemnity	10.9
Workers' compensation	4.3
Accident & health	3.5
Financial & credit	1.6
Other	1.3

Combined commission and expense ratio

31.3%

⬇️ 0.7% from 2020



¹ Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Australia Pacific business review¹

Despite elevated catastrophe costs, Australia Pacific reported a solid first half result, underpinned by a combined operating ratio of 91.0%² and gross written premium growth of 18%³. Pricing discipline led to an average premium renewal rate increase of 7.7%⁴ during the half.

Gross written premium (US\$M)

2,545

↑ 18% from 2020³

Net earned premium (US\$M)

2,075

↑ 4% from 2020³

Combined operating ratio²

91.0%

2020 95.3%

Underwriting result² (US\$M)

186

↑ 104 from 2020

Insurance profit margin

11.1%

2020 1.5%

2021 overview

Market conditions improved during the half, with premium rate momentum recovering after the temporary COVID-19 related suspension of rate increases in key portfolios in the prior period.

The strength of the local economy is encouraging, particularly recent trends in residential housing and unemployment rates; however, international and domestic border closures resulted in disruption and higher claims costs while new COVID-19 strains and recent lock-downs create additional complexity and lingering uncertainty in the operating environment.

During the half we made further progress in modernising existing distribution partner propositions, on-boarding new distribution partners such as Australia Post, and improving customer retention. These initiatives all contributed to strong and profitable growth.

Catastrophe activity was elevated in the half, although not to the extent experienced in the prior period. Catastrophe claims were above allowance during the half primarily driven by the NSW floods, Cyclone Seroja, Victorian storms and bushfires in Western and South Australia.

Operating and financial performance

Underwriting performance

Australia Pacific reported a combined operating ratio of 91.0%² compared with 95.3%² in the prior period.

Gross written premium increased by 18%³ as a result of rate increases, strong new business growth and improved retention across much of the portfolio.

The underwriting result improved as a result of a reduction in the net cost of large individual risk and catastrophe claims coupled with a lower total acquisition cost ratio as a result of operating leverage and business mix changes.

The LMI combined operating ratio improved to 49.1%² from 55.1%² in the prior period. The result benefited from a modest amount of prior accident year reserve releases reflecting the improved economic outlook and rising property prices.

Underwriting result

FOR THE HALF YEAR ENDED 30 JUNE		EX-COVID			
		2021	2020	2019	2018
Gross written premium	US\$M	2,545	1,829	1,960	2,106
Gross earned premium	US\$M	2,303	1,858	1,951	2,095
Net earned premium	US\$M	2,075	1,696	1,797	1,926
Net incurred claims	US\$M	1,290	1,151	1,157	1,175
Net commission	US\$M	296	256	269	283
Expenses	US\$M	283	237	258	262
Underwriting result	US\$M	206	52	113	206
Net claims ratio	%	62.2	67.9	64.4	61.0
Net commission ratio	%	14.3	15.2	14.9	14.7
Expense ratio	%	13.6	14.0	14.4	13.6
Combined operating ratio	%	90.1	97.1	93.7	89.3
Adjusted combined operating ratio ²	%	91.0	95.3	90.5	89.0
Insurance profit margin	%	11.1	1.5	13.6	14.8

1 Excludes impact of COVID-19 in 2020.

2 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

3 Constant currency basis.

4 Excludes premium rate changes relating to CTP.

Premium income

Gross written premium increased 18%¹ to \$2,545 million, reflecting rate increases coupled with improved retention and higher new business growth across most portfolios.

Renewal premium rate increases averaged 7.7%², up from 5.5%² in the prior period. Rate increases in the prior period were impacted by our decision to offer premium renewals at expiring terms for commercial packages, A&H and commercial motor in response to the COVID-19 pandemic.

Premium retention improved to 86% from 85% in the prior period.

While premium growth was broadly based, we achieved especially strong growth in LMI, workers' compensation, commercial packages, engineering, commercial property, commercial motor and strata.

CTP premium was again impacted by increased competition and regulatory reform, albeit the price reductions in NSW have now largely moderated.

LMI premium increased \$64 million relative to the prior period due to the recently won NAB broker contract, and increased lending volumes driven by historically low interest rates and government incentives.

Despite the top line growth, LMI's net earned premium increased by only \$4 million due to the earning pattern and an increase in quota share reinsurance to 40% from 30% in the prior period.

Overall net earned premium growth was 4%¹ reflecting increased reinsurance costs, the LMI impact noted above and the natural delay in premium earning after an acceleration in written premium growth.

Claims expense

The net claims ratio improved to 63.1%³ from 66.1%³ in the first half of 2020, primarily reflecting a reduced level of large individual risk and catastrophe claims.

The attritional claims ratio increased to 49.6%⁴ from 49.3%⁴ in the prior period. The benefit of premium rate increases was more than offset by higher weather-related claims in householders, strata and the Pacific Islands portfolio.

Risk selection and claims management initiatives led to a further improvement in the large individual risk claims ratio to 2.0% of net earned premium from 2.6% in the prior period.

Catastrophe claims remained elevated at \$170 million or 8.2% of net earned premium, albeit down from \$196 million or 11.6% of net earned premium in the prior period which included the extreme bushfires on Australia's east coast.

Although down on the prior period, catastrophe claims exceeded Australia Pacific's increased catastrophe allowance by 1.4% of net earned premium primarily due to the NSW floods, Cyclone Seroja, Victorian storms and bushfire events in Western Australia and South Australia.

The result included \$24 million of positive prior accident year claims development which benefited the combined operating ratio by 1.2%. Adverse prior accident year development in commercial liability and workers' compensation was more than offset by favourable development in short-tail classes, CTP, trade credit and LMI.

Border closures and supply chain disruptions are impacting claims costs, with inflation observed in both materials and labour costs. Our claims teams have adapted to mitigate these impacts; however, we expect inflationary pressures to persist while movement restrictions remain in place.

Commission and expenses

The net commission ratio improved to 14.3% from 15.2% in the first half of 2020. This largely reflects additional profit commission income associated with the revised quota share reinsurance protecting our LMI business which increased to 40% from 30% in the prior period.

The expense ratio improved to 13.6% from 14.0% in the first half of 2020, primarily due to operating leverage as a result of the growth in net earned premium.

Expenses increased on a constant currency basis largely as a result of one-off costs.

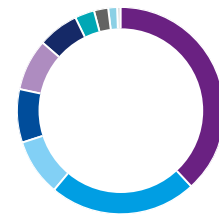
Average renewal premium rate increase²

7.7%

↑ 2.2% from 2020



Gross written premium by class of business



Class of Business	H21 %
Commercial & domestic property	38.3
Motor & motor casualty	22.9
Public/product liability	8.9
Financial & credit	8.3
Workers' compensation	8.0
Agriculture	6.5
Marine, energy & aviation	3.1
Professional indemnity	2.2
Accident & health	1.5
Other	0.3

Combined commission and expense ratio

27.9%

↓ 1.3% from 2020



1 Constant currency basis.

2 Excludes premium rate changes relating to CTP.

3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

4 Excludes LMI.

Directors' Report

FOR THE HALF YEAR ENDED 30 JUNE 2021

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2021.

Directors

The following directors held office during the half year and up to the date of this report:

Stephen Fitzgerald AO
 John M Green (Deputy Chair)
 Tan Le
 Kathryn Lisson
 Sir Brian Pomeroy
 Jann Skinner
 Eric Smith
 Rolf Tolle
 Michael Wilkins AO (Chair)

Consolidated results

FOR THE HALF YEAR ENDED	30 JUNE 2021 US\$M	30 JUNE 2020 US\$M
Gross written premium	10,203	8,011
Gross earned premium revenue	7,980	6,509
Net earned premium	6,571	5,506
Net claims expense	(4,023)	(4,307)
Net commission	(1,009)	(903)
Underwriting and other expenses	(897)	(820)
Underwriting result	642	(524)
Investment income (loss) on policyholders' funds	32	(60)
Insurance profit (loss)	674	(584)
Investment income (loss) on shareholders' funds	26	(30)
Financing and other costs	(126)	(125)
Loss on sale of entities and businesses	–	(6)
Share of net loss of associates	(3)	(2)
Restructuring and related expenses	(29)	(18)
Amortisation and impairment of intangibles	(12)	(13)
Profit (loss) before income tax	530	(778)
Income tax (expense) credit	(86)	68
Profit (loss) after income tax	444	(710)
Net profit attributable to non-controlling interests	(3)	(2)
Net profit (loss) after income tax	441	(712)

Result

The Group reported a net profit after tax attributable to ordinary equity holders of the Company of \$441 million for the half year ended 30 June 2021 compared with a net loss after tax of \$712 million for the prior period. The current period profit reflects a material turnaround from the prior period which included a material underwriting loss due to COVID-19 and a net investment loss as a result of extreme investment market volatility.

Gross written premium increased by \$2,192 million mainly due to the strong rate environment, improved retention, new business growth across all divisions, and the benefit of foreign exchange. Reinsurance expense increased by \$406 million compared with the prior period, mainly reflecting growth in more heavily reinsured portfolios, as well as new reinsurance on trade credit and the higher cost of the Group's main catastrophe and per risk treaties.

The Group reported an underwriting profit of \$642 million compared with a loss of \$524 million in the prior period, equating to a combined operating ratio of 90.2% compared with 109.5%. Excluding the impacts of changes in risk-free rates in both periods, the combined operating ratio was 93.3% compared with 103.4% in the prior period.

The net claims ratio was 61.2% compared with 78.2% in the prior period. Excluding the impacts of changes in risk-free rates in both periods and COVID-19 in the prior period, the net claims ratio was 64.3% compared with 66.7% in the prior period. The claims ratio was impacted by favourable prior accident year claims development (\$73 million compared with adverse development of \$108 million in the prior period) and an improvement in the attritional claims ratio. These were partly offset by an increase in large individual risk and catastrophe claims, particularly due to winter storm Uri in Texas.

The combined commission and expense ratio decreased to 29.0% from 31.3% in the prior period. The net commission ratio decreased to 15.3% from 16.4% primarily due to business mix changes in North America and Australia Pacific. The Group's expense ratio decreased to 13.7% from 14.9% mainly reflecting disciplined cost management and operating leverage driven by strong premium growth.

Net investment and other income was \$58 million compared with a net loss of \$90 million in the prior period. The current period result reflects narrower credit spreads and increased returns on growth assets partly offset by the adverse impact of higher risk-free rates, while the prior period was severely impacted by COVID-19 related market volatility.

The Group's effective tax rate was 16% compared with 9% in the prior period, reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates and the utilisation of previously unrecognised tax losses in the North American tax group.

Dividends

The Board is announcing an interim dividend of 11 Australian cents per share for the half year ended 30 June 2021, up from the 2020 interim dividend of 4 Australian cents per share. Whilst recognising QBE's improving profitability and earnings resilience, the Board has also had regard to typically higher catastrophe incidence and Crop result variability in the second half as well as QBE's stated intention to retain capital to support growth ambitions and facilitate the gradual normalisation of QBE's investment asset risk profile. The interim dividend will be 10% franked (2020 10%). The total interim dividend payout is A\$162 million (2020 A\$59 million).

Operating and financial review

Information on the Group's results, operations, business strategies, prospects and financial position is set out on pages 2 to 25 of this Half Year Report.

Outstanding claims liability

The net discounted central estimate of outstanding claims is determined by the Group Chief Actuary. This assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported and reinsurance recoveries.

As in previous years, the directors consider that substantial risk margins are required to mitigate inherent uncertainty in the net discounted central estimate. The probability of adequacy of the outstanding claims liability at 30 June 2021 was 92.3%, compared with 92.5% at 31 December 2020, mainly reflecting the continued, albeit reduced, uncertainty related to the potential impact of COVID-19 on claims outcomes.

Material business risks

As a global insurance and reinsurance business, QBE is subject to a variety of business risks. The Board believes that effective management of these risks is critical to delivering value for QBE's stakeholders. It is QBE's policy to adopt a rigorous approach to managing risk across the Group. Risk management is a continuous process and is integral to QBE's governance structure, broader business processes and, most importantly, culture.

Some of the material business risks that QBE faces include strategic, insurance, credit, market, liquidity, operational and compliance risks. Explanations of these risks and their mitigations are set out in more detail in note 4 to the Group's financial statements for the year ended 31 December 2020, which we recommend you read. Further details of how QBE manages risk are set out in the risk section, the climate disclosures and the risk management section of the Corporate Governance Statement, which are included in the 2020 Annual Report.

QBE's 2020 Annual Report and Corporate Governance Statement are available on the QBE website at www.qbe.com.

QBE publishes details of its approach, progress and performance in relation to managing climate-related risks and opportunities annually. A further update will be provided in the 2021 Annual Report.

Commentary on significant judgements and estimates impacting the half year result and balance sheet is included in note 1.2 to the financial statements for the half year ended 30 June 2021, including information on how QBE has continued to respond to uncertainties in the financial statements created by the COVID-19 pandemic.

Events after balance date

Other than the declaration of the interim dividend, no matter or circumstance has arisen since 30 June 2021 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

Directors' Report

FOR THE HALF YEAR ENDED 30 JUNE 2021

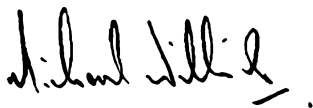
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on [page 29](#).

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts have been rounded off in the Directors' Report in accordance with that instrument.

Signed in SYDNEY on 12 August 2021 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



John M Green
Director

Auditor's independence declaration

FOR THE HALF YEAR ENDED 30 JUNE 2021



As lead auditor for the review of QBE Insurance Group Limited for the half year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of QBE Insurance Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'V. Papageorgiou', written in a cursive style.

Voula Papageorgiou
Partner, PricewaterhouseCoopers

Sydney
12 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124

T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Consolidated statement of comprehensive income

FOR THE HALF YEAR ENDED 30 JUNE 2021

	NOTE	30 JUNE 2021 US\$M	30 JUNE 2020 US\$M
Gross written premium		10,203	8,011
Unearned premium movement		(2,223)	(1,502)
Gross earned premium revenue	2.1	7,980	6,509
Outward reinsurance premium		(2,387)	(1,829)
Deferred reinsurance premium movement		978	826
Outward reinsurance premium expense		(1,409)	(1,003)
Net earned premium (a)		6,571	5,506
Gross claims expense	2.2	(4,924)	(5,605)
Reinsurance and other recoveries revenue	2.1	901	1,298
Net claims expense (b)	2.2	(4,023)	(4,307)
Gross commission expense		(1,254)	(1,081)
Reinsurance commission revenue	2.1	245	178
Net commission (c)		(1,009)	(903)
Underwriting and other expenses (d)		(897)	(820)
Underwriting result (a)+(b)+(c)+(d)		642	(524)
Investment income (loss) – policyholders' funds	3.1	40	(55)
Investment expenses – policyholders' funds	3.1	(8)	(5)
Insurance profit (loss)		674	(584)
Investment income (loss) – shareholders' funds	3.1	30	(27)
Investment expenses – shareholders' funds	3.1	(4)	(3)
Financing and other costs		(126)	(125)
Loss on sale of entities and businesses		–	(6)
Share of net loss of associates		(3)	(2)
Restructuring and related expenses		(29)	(18)
Amortisation and impairment of intangibles		(12)	(13)
Profit (loss) before income tax		530	(778)
Income tax (expense) credit		(86)	68
Profit (loss) after income tax		444	(710)
Other comprehensive income (loss)			
<i>Items that may be reclassified to profit or loss</i>			
Net movement in foreign currency translation reserve		(106)	(122)
Net movement in cash flow hedge and cost of hedging reserves		19	11
Income tax relating to these components of other comprehensive income		(5)	(4)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit plans		15	–
Income tax relating to this component of other comprehensive income		(6)	–
Other comprehensive loss after income tax		(83)	(115)
Total comprehensive income (loss) after income tax		361	(825)
Profit (loss) after income tax attributable to:			
Ordinary equity holders of the Company		441	(712)
Non-controlling interests		3	2
		444	(710)
Total comprehensive income (loss) after income tax attributable to:			
Ordinary equity holders of the Company		358	(827)
Non-controlling interests		3	2
		361	(825)
EARNINGS (LOSS) PER SHARE FOR PROFIT (LOSS) AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	NOTE	30 JUNE 2021 US CENTS	30 JUNE 2020 US CENTS
For profit (loss) after income tax			
Basic earnings (loss) per share	4.5	28.2	(51.9)
Diluted earnings (loss) per share	4.5	28.1	(51.9)

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

Consolidated balance sheet

AS AT 30 JUNE 2021

	NOTE	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Assets			
Cash and cash equivalents		767	766
Investments	3.2	27,062	26,935
Derivative financial instruments	4.2	193	520
Trade and other receivables		7,678	5,760
Current tax assets		35	60
Deferred insurance costs		3,368	2,282
Reinsurance and other recoveries on outstanding claims	2.3	6,577	6,527
Other assets		14	19
Defined benefit plan surpluses		79	64
Right-of-use lease assets		350	383
Property, plant and equipment		157	167
Deferred tax assets		553	546
Investment properties		35	34
Investment in associates		27	27
Intangible assets		2,495	2,534
Total assets		49,390	46,624
Liabilities			
Derivative financial instruments	4.2	584	845
Trade and other payables		2,771	2,338
Current tax liabilities		39	15
Unearned premium		9,593	7,466
Gross outstanding claims	2.3	24,180	23,861
Lease liabilities		387	431
Provisions		180	149
Defined benefit plan deficits		20	21
Deferred tax liabilities		45	51
Borrowings	4.1	2,751	2,955
Total liabilities		40,550	38,132
Net assets		8,840	8,492
Equity			
Contributed equity	4.3	10,046	10,273
Treasury shares held in trust		(2)	(1)
Reserves		(1,747)	(1,898)
Retained profits		542	117
Shareholders' equity		8,839	8,491
Non-controlling interests		1	1
Total equity		8,840	8,492

The consolidated balance sheet above should be read in conjunction with the accompanying notes.



Consolidated statement of changes in equity

FOR THE HALF YEAR ENDED 30 JUNE 2021

	SHAREHOLDERS' EQUITY					NON-CONTROLLING INTERESTS US\$M	TOTAL EQUITY US\$M
	CONTRIBUTED EQUITY US\$M	TREASURY SHARES HELD IN TRUST US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL US\$M		
As at 1 January 2021	10,273	(1)	(1,898)	117	8,491	1	8,492
Profit after income tax	-	-	-	441	441	3	444
Other comprehensive (loss) income	-	-	(92)	9	(83)	-	(83)
Total comprehensive (loss) income	-	-	(92)	450	358	3	361
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	31	(30)	-	-	1	-	1
Share-based payment expense	-	-	18	-	18	-	18
Shares vested and/or released	-	29	(29)	-	-	-	-
Dividends paid on ordinary shares	-	-	-	-	-	(3)	(3)
Distribution on capital notes	-	-	-	(25)	(25)	-	(25)
Foreign exchange movement	(258)	-	254	-	(4)	-	(4)
As at 30 June 2021	10,046	(2)	(1,747)	542	8,839	1	8,840

	SHAREHOLDERS' EQUITY					NON-CONTROLLING INTERESTS US\$M	TOTAL EQUITY US\$M
	CONTRIBUTED EQUITY US\$M	TREASURY SHARES HELD IN TRUST US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL US\$M		
As at 1 January 2020	7,594	(1)	(1,335)	1,895	8,153	-	8,153
(Loss) profit after income tax	-	-	-	(712)	(712)	2	(710)
Other comprehensive loss	-	-	(115)	-	(115)	-	(115)
Total comprehensive (loss) income	-	-	(115)	(712)	(827)	2	(825)
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	26	(26)	-	-	-	-	-
Share-based payment expense	-	-	11	-	11	-	11
Shares vested and/or released	-	26	(26)	-	-	-	-
Contributions of equity, net of transaction costs	1,308	-	-	-	1,308	-	1,308
Net changes in non-controlling interests	-	-	2	-	2	-	2
Dividends paid on ordinary shares	-	-	-	(224)	(224)	(2)	(226)
Shares issued under Dividend Reinvestment Plan	16	-	-	-	16	-	16
Dividend reinvestment under Bonus Share Plan	-	-	-	3	3	-	3
Foreign exchange movement	(55)	-	51	-	(4)	-	(4)
As at 30 June 2020	8,889	(1)	(1,412)	962	8,438	-	8,438

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

Consolidated statement of cash flows

FOR THE HALF YEAR ENDED 30 JUNE 2021

	NOTE	30 JUNE 2021 US\$M	30 JUNE 2020 US\$M
Operating activities			
Premium received		7,134	5,886
Reinsurance and other recoveries received		968	753
Outward reinsurance premium paid		(1,277)	(1,169)
Claims paid		(4,044)	(3,891)
Acquisition and other underwriting costs paid		(1,991)	(1,761)
Interest received		211	224
Dividends received		51	45
Other operating payments		(95)	(62)
Interest paid		(121)	(111)
Income taxes paid		(46)	(36)
Net cash flows from operating activities		790	(122)
Investing activities			
Net proceeds on sale of growth assets		147	177
Net payment for purchase of interest bearing financial assets		(649)	(870)
Net proceeds on foreign exchange transactions		47	133
Payments for purchase of intangible assets		(28)	(34)
Payments for purchase of property, plant and equipment		(9)	(15)
Proceeds on sale of investment property		4	-
Net cash flows from investing activities		(488)	(609)
Financing activities			
Net proceeds from issue of equity instruments		1	1,300
Payments relating to principal element of lease liabilities		(35)	(31)
Repayment of borrowings		(202)	-
Dividends paid		(3)	(207)
Net cash flows from financing activities		(239)	1,062
Net movement in cash and cash equivalents		63	331
Cash and cash equivalents at 1 January		766	547
Effect of exchange rate changes		(62)	60
Cash and cash equivalents at 30 June		767	938

The consolidated statement of cash flows above should be read in conjunction with the accompanying notes.

Notes to the financial statements

FOR THE HALF YEAR ENDED 30 JUNE 2021

1. OVERVIEW

1.1 Basis of preparation

This general purpose consolidated financial report for the half year ended 30 June 2021 (Half Year Financial Report) has been prepared in accordance with AASB 134 *Interim Financial Reporting* as issued by the Australian Accounting Standards Board and the *Corporations Act 2001*, and complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The Half Year Financial Report does not include all the notes normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with QBE's Annual Report for the financial year ended 31 December 2020 and any public announcements made by QBE Insurance Group Limited and its controlled entities (QBE or the Group).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

New and amended accounting standards adopted by the Group

The Group adopted the following revised accounting standard from 1 January 2021:

TITLE

AASB 2020-8	<i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2</i>
-------------	---

The adoption of this revised standard did not significantly impact the Group's Half Year Financial Report.

In March 2021, the IFRS Interpretations Committee (IFRIC) issued an agenda decision on *Configuration or Customisation Costs in a Cloud Computing Arrangement*. The IFRIC decision is consistent with the Group's accounting policies and did not materially impact the Group's Half Year Financial Report.

1.2 Critical accounting judgements and estimates

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities. Noted below are the key areas in which critical judgements and estimates are applied and should be considered when reviewing the financial statements for the half year ended 30 June 2021.

1.2.1 COVID-19

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. The virus itself, as well as measures to slow its spread, have had a profound effect on the global economy. QBE has considered a broad range of factors in assessing the impact of the resulting uncertainty on the consolidated financial statements.

While the areas of critical accounting judgements and estimates did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the continued uncertainty related to the potential impact of COVID-19, there may be changes in market conditions in the future and the impact of these changes will be accounted for in future reporting periods as they arise and/or can be reasonably predicted.

Areas which are most impacted by COVID-19 at the balance date are as follows:

- **Net discounted central estimate:** QBE's result and balance sheet were materially impacted by the estimated cost of COVID-19 claims in 2020. This projected ultimate cost was based on detailed reviews of the Group's exposures, scenario analysis under a variety of macroeconomic and legislative outcomes, consideration of the Group's reinsurance protections and emerging indicators from claim payments. There has been no material change to the projected cost of COVID-19 related claims in the current period and uncertainty continues to remain around ultimate outcomes, albeit at a reduced level. QBE will continue to monitor emerging claims experience, legislative outcomes and wider market developments to ensure that the net discounted central estimate is reflective of the Group's best estimate of expected future claims.
- **Risk margin:** The Group aims to maintain a probability of adequacy in the range of 87.5% to 92.5% reflecting the level of uncertainty in the net discounted central estimate. In response to the heightened level of uncertainty related to the potential impact of COVID-19 on claims outcomes, QBE increased the risk margin at 31 December 2020 to achieve a probability of adequacy of 92.5%, at the upper end of the Group's target range. The probability of adequacy at 30 June 2021 is largely unchanged at 92.3% and remains near the upper end of the target range, reflecting continuing, albeit reduced, uncertainty in respect of COVID-19.
- **Liability adequacy test:** This assessment is informed by the Group's expectation of future net claims including a risk margin and is therefore subject to uncertainties similar to those discussed above. Future claims assumptions used in the liability adequacy test have been prepared on a basis that remains consistent with the COVID-19 assumptions informing the assessment of the net discounted central estimate, albeit the future risk associated with COVID-19 is somewhat reduced compared with the prior reporting period.
- **North American cash-generating unit goodwill impairment testing:** A detailed impairment test has been completed in respect of the carrying value of QBE's North American cash-generating unit, which included consideration of the impact of COVID-19 consistent with the process undertaken at 31 December 2020 described in note 1.2.3 to the Group's consolidated financial statements. Reduced uncertainty in relation to COVID-19 has been reflected as a reduction in the temporary risk premium adjustment included in the cost of equity assumption, resulting in a post-tax discount rate of 7.6% compared with 7.8% at 31 December 2020.

1. OVERVIEW

- **North American tax group deferred tax asset (DTA) recoverability:** The recoverability assessment has been undertaken with consideration of the impact of COVID-19 on a basis consistent with the goodwill impairment testing for the North American cash-generating unit described above.

The Group's COVID-19 financial impact assessment was not limited to the areas identified above. All material components of the balance sheet were considered in detail, as was the effectiveness of QBE's risk management framework in responding to both financial and non-financial risks, with no material issues identified.

1.2.2 Outstanding claims liability

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and inward reinsurance contracts involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

- changes in patterns of claims incidence, reporting and payment;
- volatility in the estimation of future costs for long-tail insurance classes due to the longer period of time that can elapse before a claim is paid in full;
- the existence of complex underlying exposures;
- the incidence of catastrophic events close to the balance date;
- changes in the legal environment, including the interpretation of liability laws and the quantum of damages;
- changing social, political and economic trends, for example price and wage inflation; and
- the impact of COVID-19 as described in note 1.2.1.

The potential impact of changes in key assumptions used in the determination of the net discounted central estimate and the probability of adequacy of the outstanding claims liability on the Group's profit or loss is summarised in note 2.3.7 to the consolidated financial statements for the year ended 31 December 2020.

1.2.3 Intangible assets

QBE monitors goodwill and identifiable intangible assets for impairment in accordance with the Group's policy, which is set out in note 7.2 to the consolidated financial statements for the year ended 31 December 2020. At 30 June 2021, QBE has reviewed all intangible assets for indicators of impairment and has completed a detailed impairment test where indicators of impairment were identified.

Based on the detailed impairment test completed in respect of goodwill in QBE's North American cash-generating unit, the headroom at the balance date was \$174 million compared with nil at 31 December 2020. The valuation continues to be highly sensitive to a range of assumptions, in particular the terminal value combined operating ratio, investment return and discount rate assumptions. The sensitivity of changes in key assumptions is shown in the table below and each change has been calculated in isolation from other changes. In practice, this is considered unlikely to occur due to interrelationships between assumptions.

KEY ASSUMPTION	ASSUMPTION %	SENSITIVITY %	IMPACT OF SENSITIVITY ON CARRYING VALUE OF GOODWILL	ASSUMPTION AT WHICH HEADROOM IS NIL
Terminal value combined operating ratio	98.5	+1	Impairment of \$343 million	98.8%
	(2020 98.5)	-1	Increase headroom to \$692 million	
Long-term investment return	3.75	+1	Increase headroom to \$951 million	3.53%
	(2020 3.75)	-1	Impairment of \$358 million	
Post-tax discount rate	7.6	+1	Impairment of \$333 million	7.9%
	(2020 7.8)	-1	Increase headroom to \$920 million	

1.2.4 Recoverability of deferred tax assets

A DTA of \$295 million (2020 \$295 million) has been recognised in relation to the entities included in the North American tax group. Uncertainty continues to exist in relation to the utilisation of this DTA and QBE has made a judgement that entities in the North American tax group will be able to generate sufficient taxable profits to utilise the DTA balance over the foreseeable future, based on future business plans. Losses expire over the next 19 years, with the majority expiring between 2031 and 2040.

Recovery of the DTA remains sensitive to changes in the forecast combined operating ratio, premium growth and investment yield assumptions as these items are the key drivers of future taxable income.

1.2.5 Liability adequacy test

At each balance date, the adequacy of the unearned premium liability for each of the Group's insurance portfolios is assessed on a net of reinsurance basis against the present value of the expected future claims cash flows in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate.

The application of the liability adequacy test at 30 June 2021 did not identify a deficiency (2020 nil).



Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2021

1. OVERVIEW

1.3 Segment information

The Group's operating segments are consistent with the basis on which information is provided to the Group Executive Committee for measuring performance and determining the allocation of capital, being the basis upon which the Group's underwriting products and services are managed within the various markets in which QBE operates.

Consistent with the change disclosed in note 1.3 to the consolidated financial statements for the year ended 31 December 2020, certain inward reinsurance business written by North America but managed by International is now reflected in the results of the International segment to drive better end-to-end underwriting, pricing, reserving and performance management discipline. Comparative information in this note has been restated for consistency.

Corporate & Other includes non-operating holding companies that do not form part of the Group's insurance operations; gains or losses on disposals; and financing costs and amortisation of any intangibles which are not allocated to a specific operating segment. It also includes consolidation adjustments and internal reinsurance eliminations.

30 JUNE 2021	NORTH AMERICA US\$M	INTERNATIONAL US\$M	AUSTRALIA PACIFIC US\$M	TOTAL REPORTABLE SEGMENTS US\$M	CORPORATE & OTHER US\$M	TOTAL US\$M
Gross written premium	3,776	3,899	2,545	10,220	(17)	10,203
Gross earned premium revenue – external	2,578	3,097	2,303	7,978	2	7,980
Gross earned premium revenue – internal	–	11	–	11	(11)	–
Outward reinsurance premium expense	(696)	(496)	(228)	(1,420)	11	(1,409)
Net earned premium	1,882	2,612	2,075	6,569	2	6,571
Net claims expense	(1,388)	(1,372)	(1,290)	(4,050)	27	(4,023)
Net commission	(246)	(465)	(296)	(1,007)	(2)	(1,009)
Underwriting and other expenses	(219)	(351)	(283)	(853)	(44)	(897)
Underwriting result	29	424	206	659	(17)	642
Investment income (loss) on policyholders' funds	13	(2)	24	35	(3)	32
Insurance profit (loss)	42	422	230	694	(20)	674
Investment income (loss) on shareholders' funds	18	(1)	10	27	(1)	26
Financing and other costs	(1)	(1)	(4)	(6)	(120)	(126)
Share of net loss of associates	–	–	–	–	(3)	(3)
Restructuring and related expenses	(7)	(2)	(2)	(11)	(18)	(29)
Amortisation and impairment of intangibles	–	–	(4)	(4)	(8)	(12)
Profit (loss) before income tax	52	418	230	700	(170)	530
Income tax (expense) credit	(11)	(86)	(73)	(170)	84	(86)
Profit (loss) after income tax	41	332	157	530	(86)	444
Net profit attributable to non-controlling interests	–	–	–	–	(3)	(3)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	41	332	157	530	(89)	441

1. OVERVIEW

30 JUNE 2020	NORTH AMERICA US\$M	INTERNATIONAL US\$M	AUSTRALIA PACIFIC US\$M	TOTAL REPORTABLE SEGMENTS US\$M	CORPORATE & OTHER US\$M	TOTAL US\$M
Gross written premium	2,862	3,339	1,829	8,030	(19)	8,011
Gross earned premium revenue – external	2,021	2,637	1,858	6,516	(7)	6,509
Gross earned premium revenue – internal	–	8	–	8	(8)	–
Outward reinsurance premium expense	(509)	(344)	(162)	(1,015)	12	(1,003)
Net earned premium	1,512	2,301	1,696	5,509	(3)	5,506
Net claims expense	(1,274)	(1,723)	(1,154)	(4,151)	(156)	(4,307)
Net commission	(231)	(419)	(256)	(906)	3	(903)
Underwriting and other expenses	(238)	(322)	(255)	(815)	(5)	(820)
Underwriting result	(231)	(163)	31	(363)	(161)	(524)
Investment (loss) income on policyholders' funds	(4)	(32)	(27)	(63)	3	(60)
Insurance (loss) profit	(235)	(195)	4	(426)	(158)	(584)
Investment (loss) income on shareholders' funds	–	(15)	(21)	(36)	6	(30)
Financing and other costs	(1)	(1)	(2)	(4)	(121)	(125)
Loss on sale of entities and businesses	–	–	–	–	(6)	(6)
Restructuring and related expenses	(2)	(1)	(14)	(17)	(1)	(18)
Share of net loss of associates	–	–	–	–	(2)	(2)
Amortisation and impairment of intangibles	–	–	(1)	(1)	(12)	(13)
Loss before income tax	(238)	(212)	(34)	(484)	(294)	(778)
Income tax credit (expense)	50	45	4	99	(31)	68
Loss after income tax	(188)	(167)	(30)	(385)	(325)	(710)
Net profit attributable to non-controlling interest	–	–	–	–	(2)	(2)
Net loss after income tax attributable to ordinary equity holders of the Company	(188)	(167)	(30)	(385)	(327)	(712)

2. UNDERWRITING ACTIVITIES**2.1 Revenue**

	NOTE	30 JUNE 2021 US\$M	30 JUNE 2020 US\$M
Gross earned premium revenue			
Direct and facultative		7,253	5,872
Inward reinsurance		727	637
		7,980	6,509
Other revenue			
Reinsurance and other recoveries revenue	2.2	901	1,298
Reinsurance commission revenue		245	178
		9,126	7,985

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2021

2. UNDERWRITING ACTIVITIES

2.2 Net claims expense

	NOTE	30 JUNE 2021 US\$M	30 JUNE 2020 US\$M
Gross claims and related expenses		4,924	5,605
Reinsurance and other recoveries revenue	2.1	(901)	(1,298)
Net claims expense		4,023	4,307

2.2.1 Prior accident year claims development

Net favourable prior accident year claims development was \$73 million in the current period, compared with an adverse \$108 million in the comparative period. The current period movement reflects reserve releases in all segments.

2.3 Net outstanding claims liability

	NOTE	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Gross discounted central estimate	2.3.1	22,639	22,324
Risk margin	2.3.3	1,541	1,537
Gross outstanding claims		24,180	23,861
Reinsurance and other recoveries on outstanding claims	2.3.2	(6,577)	(6,527)
Net outstanding claims		17,603	17,334

2.3.1 Gross discounted central estimate

	NOTE	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Gross undiscounted central estimate excluding claims settlement costs		22,783	22,169
Claims settlement costs		462	447
Gross undiscounted central estimate		23,245	22,616
Discount to present value		(606)	(292)
Gross discounted central estimate	2.3	22,639	22,324

2.3.2 Reinsurance and other recoveries on outstanding claims

	NOTE	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Reinsurance and other recoveries on outstanding claims – undiscounted ¹		6,755	6,623
Discount to present value		(178)	(96)
Reinsurance and other recoveries on outstanding claims	2.3	6,577	6,527

¹ Net of a provision for impairment of \$21 million (2020 \$21 million).

2.3.3 Risk margin

The risk margin included in the net outstanding claims liability is 9.6% (2020 9.7%) of the net discounted central estimate. The probability of adequacy at 30 June 2021 is 92.3% (2020 92.5%) which is well above APRA's 75% benchmark and remains at the upper end of the Group's target range in response to uncertainty created by COVID-19. Refer to note 1.2.1.

The movement in risk margin includes a charge to profit or loss of \$18 million (2020 \$138 million charge) partly offset by foreign exchange of \$14 million (2020 \$16 million decrease).

Net profit after tax would have reduced by \$10 million net of tax, at the Group's prima facie income tax rate of 30%, if the probability of adequacy was maintained at 92.5%.

3. INVESTMENT ACTIVITIES

3.1 Investment income

	30 JUNE 2021 US\$M	30 JUNE 2020 US\$M
(Loss) income on fixed interest securities, short-term money and cash	(40)	198
Income (loss) on growth assets	119	(261)
Gross investment income (loss) ¹	79	(63)
Investment expenses	(12)	(8)
Net investment income (loss)	67	(71)
Foreign exchange	(4)	(15)
Other income	6	-
Other expenses	(11)	(4)
Total investment income (loss)	58	(90)
Investment income (loss) – policyholders' funds	40	(55)
Investment expenses – policyholders' funds	(8)	(5)
Investment income (loss) – shareholders' funds	30	(27)
Investment expenses – shareholders' funds	(4)	(3)
Total investment income (loss)	58	(90)

1 Includes net fair value losses of \$172 million (2020 losses of \$312 million), interest income of \$202 million (2020 \$203 million) and dividend and distribution income of \$49 million (2020 \$46 million).

3.2 Investment assets

	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Fixed income		
Short-term money	4,038	2,974
Government bonds	5,674	5,600
Corporate bonds	15,047	15,958
Infrastructure debt	353	372
	25,112	24,904
Growth assets		
Developed market equity	25	25
Unlisted property trusts	720	750
Infrastructure assets	851	894
Private equity	292	262
Alternatives	62	100
	1,950	2,031
Total investments	27,062	26,935

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2021

3. INVESTMENT ACTIVITIES

3.3 Fair value hierarchy

The Group's investment assets are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of their fair value.

	30 JUNE 2021				31 DECEMBER 2020			
	LEVEL 1 US\$M	LEVEL 2 US\$M	LEVEL 3 US\$M	TOTAL US\$M	LEVEL 1 US\$M	LEVEL 2 US\$M	LEVEL 3 US\$M	TOTAL US\$M
Fixed income								
Short-term money	220	3,818	–	4,038	24	2,950	–	2,974
Government bonds	3,322	2,352	–	5,674	2,978	2,622	–	5,600
Corporate bonds	–	15,041	6	15,047	–	15,953	5	15,958
Infrastructure debt	–	–	353	353	–	–	372	372
	3,542	21,211	359	25,112	3,002	21,525	377	24,904
Growth assets								
Developed market equity	23	–	2	25	23	–	2	25
Unlisted property trusts	–	–	720	720	–	–	750	750
Infrastructure assets	–	–	851	851	–	–	894	894
Private equity	–	–	292	292	–	–	262	262
Alternatives	62	–	–	62	100	–	–	100
	85	–	1,865	1,950	123	–	1,908	2,031
Total investments	3,627	21,211	2,224	27,062	3,125	21,525	2,285	26,935

The Group's approach to measuring the fair value of investments is described below:

Short-term money

Cash managed as part of the investment portfolio is categorised as a level 1 fair value measurement. Term deposits are valued at par; other short-term money (bank bills, certificates of deposit, treasury bills and other short term instruments) are priced using interest rates and yield curves observable at commonly quoted intervals.

Government bonds and corporate bonds

Bonds which are traded in active markets and have quoted prices are categorised as level 1 fair value measurements. Bonds which are not traded in active markets are valued by reference to quoted prices, comparable prices for similar instruments or valuation techniques for which all significant inputs are based on observable market data. Quoted prices are sourced from external data providers.

Infrastructure debt

Infrastructure debt is priced by external data providers where quoted prices are available or by the external fund manager who may use a combination of observable market prices or comparable prices where available and other valuation techniques. When valuation techniques require the use of significant unobservable inputs, these assets have been classified as level 3.

Developed market equity

Listed equities traded in active markets are valued by reference to quoted bid prices. Unlisted equities are priced using QBE's share of the net assets of the entity.

Unlisted property trusts and infrastructure assets

These assets are valued using quoted bid prices in active markets or current unit prices as advised by the responsible entity, trustee or equivalent of the investment management scheme.

Private equity

These assets comprise limited partnerships and fund of funds vehicles. Fair value is based on the net asset value of the vehicle, and responsibility for the valuation of the underlying securities lies with the external fund manager. In most cases, an independent administrator will be utilised by the external fund manager for pricing and valuation. When the most up to date information is not available at the balance date, management may consider a combination of other valuation techniques in the determination of fair value.

Alternatives

These assets comprise investments in exchange-traded commodity products. They are listed, traded in active markets and valued by reference to quoted bid prices.

3. INVESTMENT ACTIVITIES

Movements in level 3 investments

The following table provides an analysis of investment assets valued with reference to level 3 inputs.

LEVEL 3	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
At 1 January	2,285	1,379
Purchases	30	121
Disposals	(140)	(146)
Fair value movement recognised in profit or loss	79	17
Transfers from level 2 ¹	–	816
Foreign exchange	(30)	98
At balance date	2,224	2,285

1 During 2020, \$662 million of unlisted property trusts and \$154 million of infrastructure debt assets were transferred from level 2 to level 3 following reassessment of the observability of external price sources used in the valuation of those assets, as disclosed in note 3.2.1 to the consolidated financial statements for the year ended 31 December 2020.

4. CAPITAL STRUCTURE

4.1 Borrowings

The Group's borrowings are initially measured at fair value net of transaction costs directly attributable to the transaction and are subsequently remeasured at amortised cost.

FINAL MATURITY DATE	ISSUE DATE	PRINCIPAL AMOUNT	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Senior debt				
25 May 2023	25 September 2017	\$6 million	6	6
Subordinated debt				
25 August 2036	25 August 2020	A\$500 million (2019 nil) ¹	373	385
24 May 2041	24 May 2011	\$167 million ²	–	167
24 May 2041	24 May 2011	£24 million ²	–	33
24 May 2042	24 May 2016	£327 million	453	445
24 November 2043	21 November 2016	\$400 million/A\$689 million ¹	400	400
2 December 2044	2 December 2014	\$700 million/A\$1,169 million ¹	697	697
12 November 2045	12 November 2015	\$300 million	300	300
17 June 2046	17 June 2016	\$524 million	522	522
Total borrowings			2,745	2,949
			2,751	2,955

1 Details of related hedging activities are included in note 4.1.2.

2 On 8 March 2021, the Group redeemed these securities for cash.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2021

4. CAPITAL STRUCTURE

4.1.1 Fair value of borrowings

	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Senior debt	6	6
Subordinated debt	3,029	3,220
Total fair value of borrowings	3,035	3,226

The fair value of the Group's borrowings are categorised as level 2 fair value measurements. Fixed and floating rate securities are priced using broker quotes and comparable prices for similar instruments in active markets. Where no active market exists, floating rate resettable notes are priced using par plus accrued interest.

4.1.2 Cash flow hedges of borrowings

The Group has hedged foreign currency risk associated with highly probable forecast transactions in relation to \$400 million of subordinated notes maturing in November 2043 and \$700 million of subordinated notes maturing in December 2044. Foreign currency risk on both future coupons and principal amounts is hedged up to and including the first call dates of the notes, being 2023 and 2024, respectively. Similarly, an interest rate swaption was put in place to hedge interest rate risk in relation to coupons on A\$500 million of subordinated notes maturing in 2036. The swaption is exercisable in August 2023 and hedges coupon payments from that date to the first call date in August 2026. These hedges were put in place to more effectively manage currency exposures and costs of funding.

4.2 Derivatives

Forward foreign exchange contracts are used as a tool to manage the Group's foreign exchange exposures. Interest rate swaptions are used to hedge exposure to interest rate movements in relation to some of the Group's borrowings.

	30 JUNE 2021			31 DECEMBER 2020		
	EXPOSURE US\$M	FAIR VALUE ASSET US\$M	FAIR VALUE LIABILITY US\$M	EXPOSURE US\$M	FAIR VALUE ASSET US\$M	FAIR VALUE LIABILITY US\$M
Forward foreign exchange contracts	2,222	183	226	2,603	505	394
Forward foreign exchange contracts used in cash flow hedges	(1,698)	–	358	(1,796)	–	419
Forward foreign exchange contracts used in hedges of net investments in foreign operations	127	2	–	(345)	13	32
Interest rate swaptions	375	8	–	385	2	–
		193	584		520	845

The fair value of forward foreign exchange contracts and interest rate swaptions are categorised as level 2 in the fair value hierarchy. These instruments are fair valued using present value techniques utilising observable market data, broker quotes and/or comparable prices for similar instruments in active markets.

4.3 Contributed equity

	NOTE	30 JUNE 2021 US\$M	31 DECEMBER 2020 US\$M
Issued ordinary shares, fully paid	4.3.1	9,160	9,387
Capital notes		886	886
Contributed equity		10,046	10,273

4. CAPITAL STRUCTURE

4.3.1 Share capital

	30 JUNE 2021		30 JUNE 2020	
	NUMBER OF SHARES MILLIONS	US\$M	NUMBER OF SHARES MILLIONS	US\$M
Issued ordinary shares, fully paid at 1 January	1,471	9,387	1,305	7,594
Shares issued on-market net of transaction costs	-	-	157	813
Shares issued under the Employee Share and Option Plan	4	31	3	26
Shares issued under Dividend Reinvestment Plan	-	-	3	16
Foreign exchange	-	(258)	-	(55)
Issued ordinary shares, fully paid at 30 June	1,475	9,160	1,468	8,394
Shares notified to the Australian Securities Exchange	1,475	9,163	1,468	8,397
Less: Plan shares subject to non-recourse loans, derecognised under IFRS	-	(3)	-	(3)
Issued ordinary shares, fully paid at 30 June	1,475	9,160	1,468	8,394

4.4 Dividends

	2020		2019
	FINAL	INTERIM	FINAL
Dividend per share (Australian cents)	-	4	27
Franking percentage	-	10%	30%
Franked amount per share (Australian cents)	-	0.4	8.1
Dividend payout (A\$M)	-	59	352
Payment date	N/A 25 September 2020		9 April 2020

On 12 August 2021, the Board declared a 10% franked interim dividend of 11 Australian cents per share, payable on 24 September 2021. The record date is 20 August 2021.

The unfranked part of the dividend is declared to be conduit foreign income. For shareholders not resident in Australia, the dividend will not be subject to Australian withholding tax.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2021

4. CAPITAL STRUCTURE

4.5 Earnings per share

	30 JUNE 2021	30 JUNE 2020
For profit (loss) after income tax		
Profit (loss) used in calculating basic and diluted earnings per share (US\$M)	416	(712)
Basic earnings (loss) per share (US cents)	28.2	(51.9)
Diluted earnings (loss) per share (US cents)	28.1	(51.9)

4.5.1 Reconciliation of earnings used for earnings per share measures

Earnings per share is based on profit or loss after income tax attributable to ordinary equity holders of the Company, as follows:

	30 JUNE 2021 US\$M	30 JUNE 2020 US\$M
Profit (loss) after income tax attributable to ordinary equity holders of the Company	441	(712)
Less: distributions paid on capital notes classified as equity	(25)	–
Profit (loss) used in calculating basic and diluted earnings per share	416	(712)

4.5.2 Reconciliation of weighted average number of ordinary shares used for all earnings per share measures

	30 JUNE 2021 NUMBER OF SHARES MILLIONS	30 JUNE 2020 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share	1,473	1,371
Weighted average number of dilutive potential ordinary shares relating to shares issued under the Plan ¹	7	–
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,480	1,371

¹ At 30 June 2020, seven million potential ordinary shares issued under the Plan were excluded from the calculation because they were antidilutive.

5. OTHER

5.1 Contingent liabilities

The Group continues to be exposed to contingent liabilities in the ordinary course of business in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities, as well as in relation to the Group's support of the underwriting activities of controlled entities which are corporate members at Lloyd's of London, as described in note 8.2 to the consolidated financial statements for the year ended 31 December 2020. The Group also continues to be exposed to the possibility of contingent liabilities in relation to other litigation, including but not limited to regulatory test cases and class actions, taxation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts.

5.2 Offsetting financial assets and liabilities

The Group has a \$253 million receivable and payable (2020 \$261 million) with a single counterparty which are fully offset in the balance sheet in accordance with Australian Accounting Standards, on the basis that the Group intends to settle these on a net basis and has a legally enforceable right to do so.

5.3 Events after the balance date

Other than the declaration of the interim dividend, no matter or circumstance has arisen since 30 June 2021 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

Directors' declaration

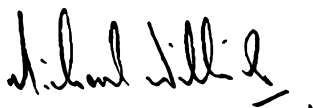
FOR THE HALF YEAR ENDED 30 JUNE 2021

In the directors' opinion:

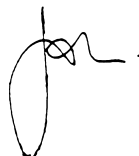
- (a) the financial statements and notes set out on pages 30 to 45 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Group Chief Executive Officer and Group Chief Financial Officer recommended under the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

Signed in SYDNEY on 12 August 2021 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



John M Green
Director

Independent auditor's review report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED



Report on the Half Year Financial Report

Conclusion

We have reviewed the Half Year Financial Report of QBE Insurance Group Limited (the Company) and the entities it controlled during the half year (together the Group), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying Half Year Financial Report of QBE Insurance Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibilities of the directors for the Half Year Financial Report

The directors of the Company are responsible for the preparation of the Half Year Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Half Year Financial Report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the Half Year Financial Report

Our responsibility is to express a conclusion on the Half Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half Year Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

Voula Papageorgiou
Partner

Sydney
12 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124

T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Historical review

FOR THE HALF YEAR ENDED 30 JUNE 2021

		HALF YEAR ENDED 30 JUNE					YEAR ENDED 31 DECEMBER				
		2021	2020	2019 ¹	2018 ¹	2017 ¹	2020	2019 ¹	2018 ¹	2017 ¹	2016
Profit or loss information											
Gross written premium	US\$M	10,203	8,011	7,637	7,887	7,590	14,643	13,442	13,657	13,328	14,395
Gross earned premium	US\$M	7,980	6,509	6,458	6,697	6,547	14,008	13,257	13,601	13,611	14,276
Net earned premium	US\$M	6,571	5,506	5,671	5,647	5,696	11,708	11,609	11,640	11,351	11,066
Claims ratio	%	61.2	78.2	69.5	63.1	65.4	76.3	69.8	63.6	71.5	58.2
Commission ratio	%	15.3	16.4	16.1	16.8	16.5	16.1	15.6	16.9	17.1	18.4
Expense ratio	%	13.7	14.9	14.8	15.5	14.9	15.0	14.6	15.4	15.9	17.4
Combined operating ratio	%	90.2	109.5	100.4	95.4	96.8	107.4	100.0	95.9	104.5	94.0
Investment income (loss)											
before fair value gains/losses	US\$M	241	225	279	323	269	432	555	690	576	641
after fair value gains/losses	US\$M	58	(90)	755	287	424	226	1,036	547	758	746
Insurance profit (loss)	US\$M	674	(584)	433	450	417	(727)	647	826	(60)	1,075
Insurance profit (loss) to net earned premium	%	10.3	(10.6)	7.6	8.0	7.3	(6.2)	5.6	7.1	(0.5)	9.7
Financing and other costs	US\$M	126	125	129	135	164	252	257	305	302	294
Operating profit (loss)											
before income tax	US\$M	530	(778)	570	394	428	(1,472)	672	627	(793)	1,072
after income tax and non-controlling interest	US\$M	441	(712)	479	370	355	(1,517)	571	567	(1,212)	844
Balance sheet and share information											
Number of shares on issue ²	millions	1,475	1,468	1,313	1,348	1,371	1,471	1,305	1,327	1,358	1,370
Shareholders' equity	US\$M	8,839	8,438	8,366	8,695	10,668	8,491	8,153	8,381	8,859	10,284
Total assets	US\$M	49,390	43,167	41,193	42,417	45,993	46,624	40,035	39,582	43,862	41,583
Net tangible assets per share ²	US\$	4.30	3.88	4.27	4.30	5.09	4.05	4.11	4.22	4.29	4.90
Borrowings to shareholders' equity	%	31.1	36.3	36.8	36.9	32.8	34.8	38.0	38.0	40.8	33.8
Basic earnings (loss) per share ²	US cents	28.2	(51.9)	34.9	26.4	25.1	(108.5)	41.8	29.0	(91.5)	61.6
Basic earnings (loss) per share – cash basis ³	US cents	31.7	(49.7)	39.2	28.5	27.2	(64.1)	48.4	53.1	(18.9)	65.5
Diluted earnings (loss) per share	US cents	28.1	(51.9)	34.7	26.3	25.0	(108.5)	41.5	28.6	(91.5)	60.8
Return on average shareholders' equity	%	10.2	(17.2)	11.1	8.2	6.6	(18.2)	6.7	4.5	(13.0)	8.1
Dividend per share	Australian cents	11	4	25	22	22	4	52	50	26	54
Dividend payout	A\$M	162	59	329	297	302	59	681	669	356	741
Total investments and cash ⁴	US\$M	27,864	24,432	23,094	23,280	25,665	27,735	24,374	22,887	26,141	25,235

1 Profit or loss information for 2017 to 2019 excludes the results of discontinued operations.

2 Reflects shares on an accounting basis.

3 Calculated with reference to cash profit, being profit after tax adjusted for amortisation and impairment of intangibles and other non-cash items net of tax.

4 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties; excludes any balances held for sale.

QBE Insurance Group Limited

Level 18, 388 George Street, Sydney NSW 2000 Australia

telephone +61 2 9375 4444

www.qbe.com

