QBE Insurance Group Limited ABN 28 008 485 014
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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,

QBE results presentation for the half year ended 30 June 2021

Further to the Company's release to the market of its results for the half year ended 30 June 2021, please find attached a copy of the presentation to be delivered to the market today.

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

Yours faithfully

Carolyn Scobie
Company Secretary

Attachment

QBE INSURANCE GROUP LIMITED

2021 half year results

Thursday 12 August 2021

All figures are in US$ unless otherwise stated. This presentation should be read together with the basis of presentation information detailed on page 19

QBE

Richard Pryce

Interim Group Chief Executive Officer

Performance update

Performance

Combined operating ratio 93.3%

GWP growth 20%

Attritional claims ratio down 1.8%

Cat claims 1.6% above allowance

Favourable prior accident year claims development of 1.1%

Adjusted cash profit ROE of 11.9%

Pricing

1H21 average rate increase 9.7%

Compound premium rate increases in all regions

Some signs momentum is moderating, particularly in International Markets

Australia Pacific pricing recovered after COVID-19 relief initiatives

Investments

Net investment return of 0.4% or 1.4% (ex RFR)

$132M mark-to-market losses on FI due to higher risk-free rates

FI running yield 0.4%

Maintaining conservative asset allocation

Closing FUM $27.9B

Balance sheet

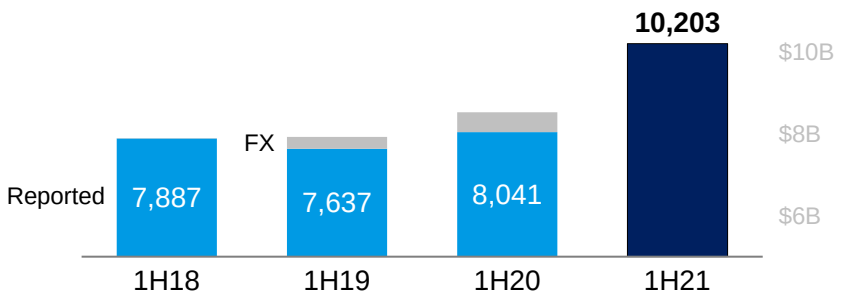
Regulatory capital at 1.73x

Capital at S&P ‘AA’ level

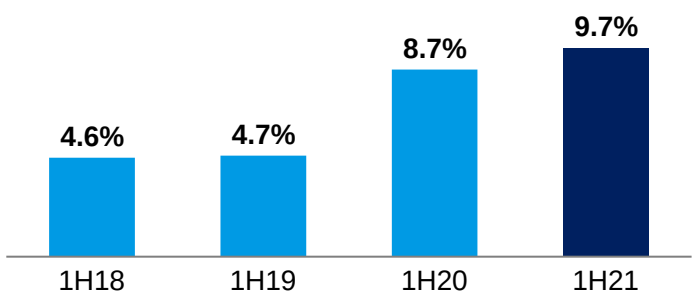
Debt to equity 31.1%

Results snapshot

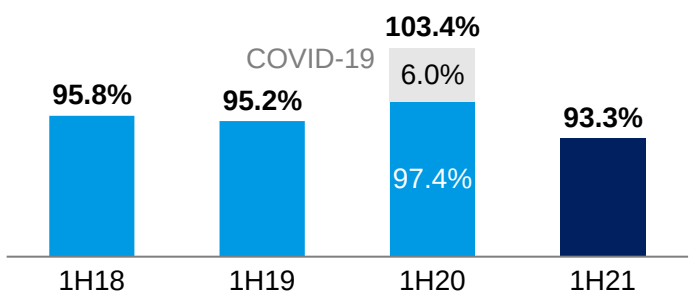
Gross written premium ($M)



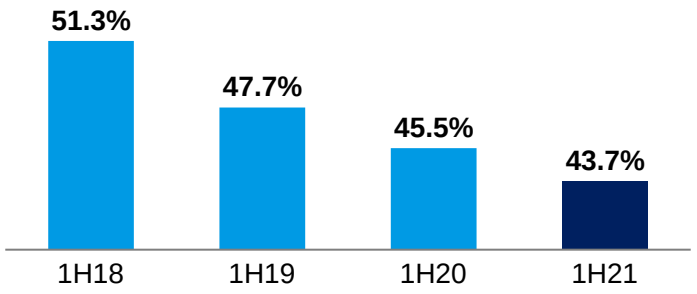
Premium rate increases



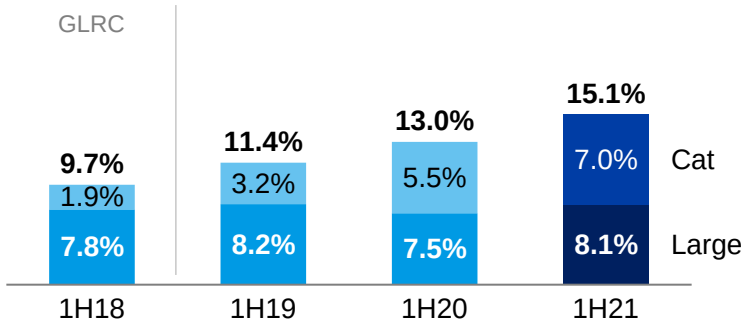
Combined operating ratio



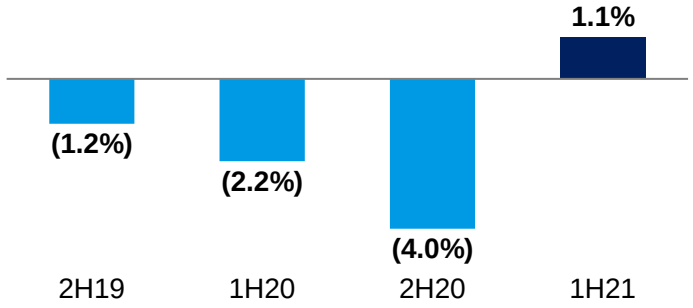
Attritional claims ratio



Large risk & catastrophe claims ratio

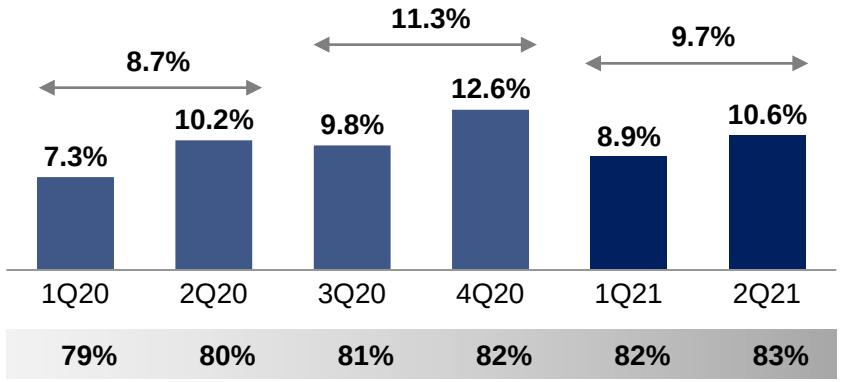


Prior accident year development



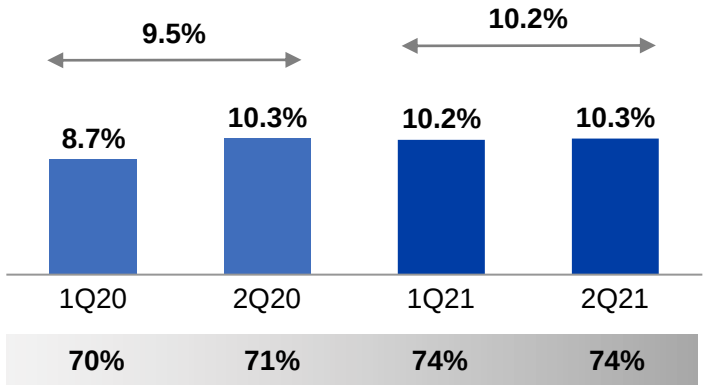
Pricing momentum

Continued group-wide premium rate increases

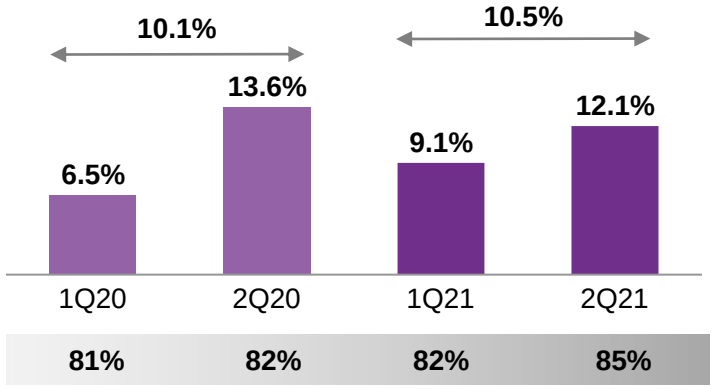


- Ongoing compound premium rate increases globally
- Australia Pacific pricing recovered post COVID-19 relief
- Some signs of moderation, particularly in International Markets
- Improved customer retention

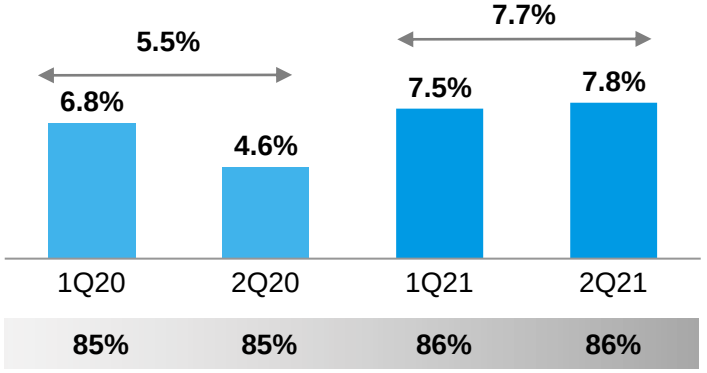
North America



International



Australia Pacific

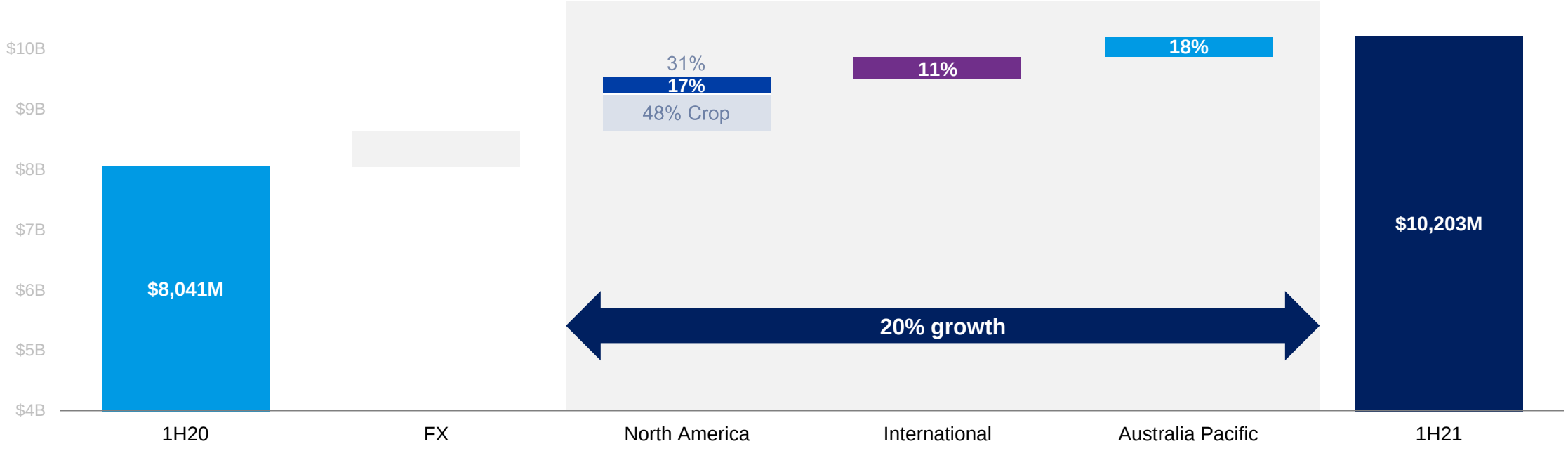


YTD premium retention

Gross written premium

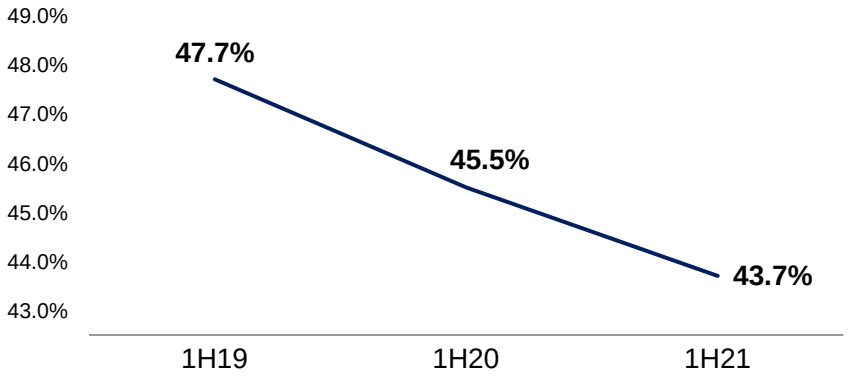
Constant currency growth of 20%

Growth ex rate 7%



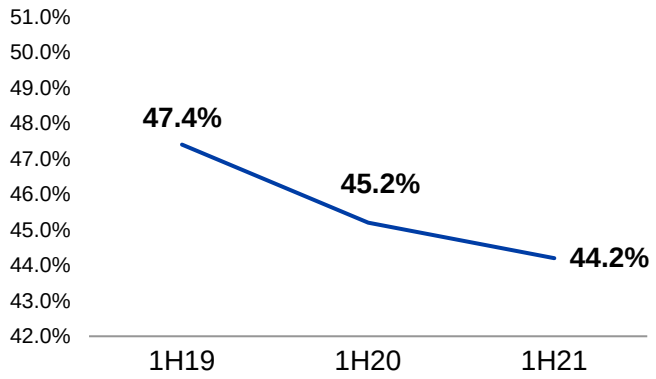
Attritional claims ratio

Group

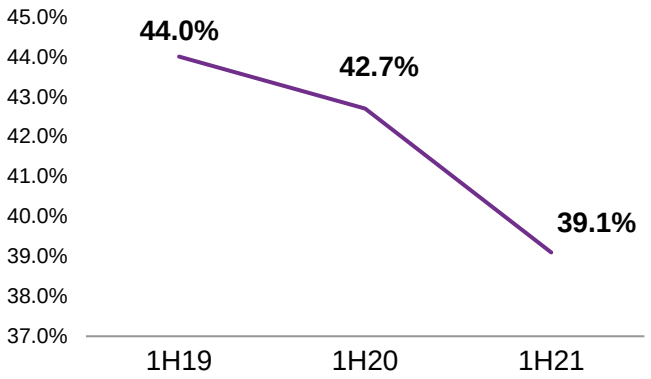


- Attritional claims ratio continues to benefit from compound premium rate increases and sustained underwriting discipline

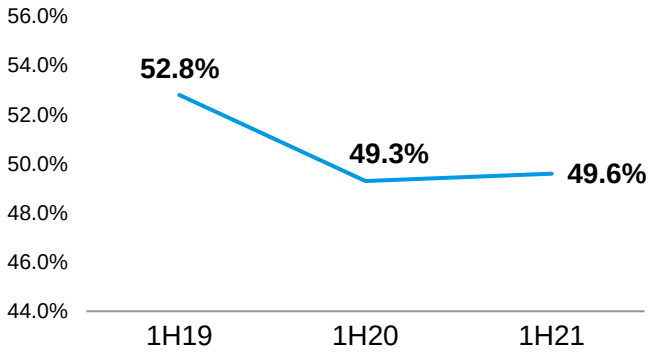
North America



International



Australia Pacific



Inder Singh

Group Chief Financial Officer

Financial results summary

Operating results

		1H20	1H21
Gross written premium	$M	8,041	10,203
Net earned premium	$M	5,556	6,571
Net claims ratio (ex RFR)	%	66.7	64.3
Net commission ratio	%	16.4	15.3
Expense ratio	%	14.3	13.7
COR (ex RFR)	**%**	**97.4**	**93.3**
Net investment return	%	(0.7)	0.4
Underwriting result	$M	(189)	642
Net investment income	$M	(60)	58
Profit before tax	$M	(249)	530
Net profit (loss) after income tax	**$M**	**(712)**	**441**
Adjusted cash profit (loss) after income tax	**$M**	**(666)**	**463**

Group combined operating ratio

GWP

$10,203M

20% from 1H20

COR

93.3%

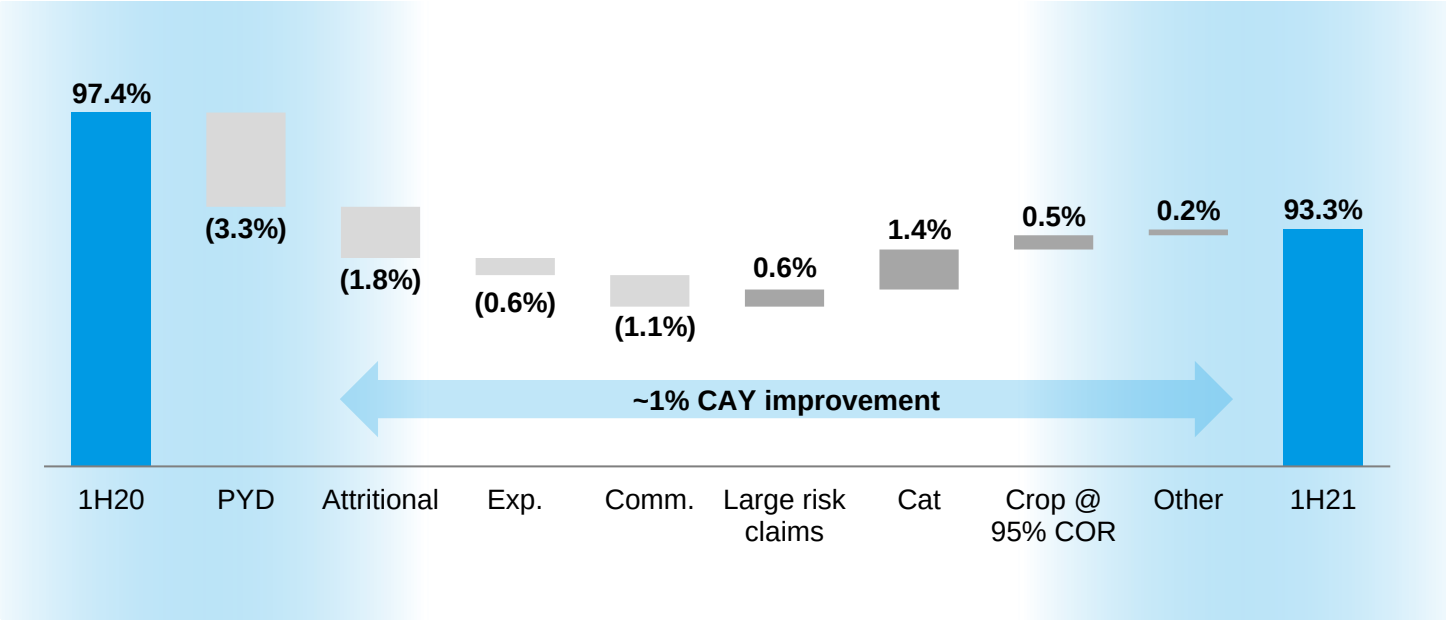
1H20 97.4%

Attritional

43.7%

1H20 45.5%

Combined operating ratio improvement



- Improvement underpinned by lower attritional claims and operating expense ratios
- Large individual risk claims include higher IBNR assumptions
- Higher catastrophe costs due to winter storm Uri in Texas, east coast floods and storms in Australia and Cyclone Seroja
- Crop result at 95% reflects elevated drought risk and inherent pre-harvest uncertainty

North America

GWP

$3,776M

31% from 1H20

COR

100.9%

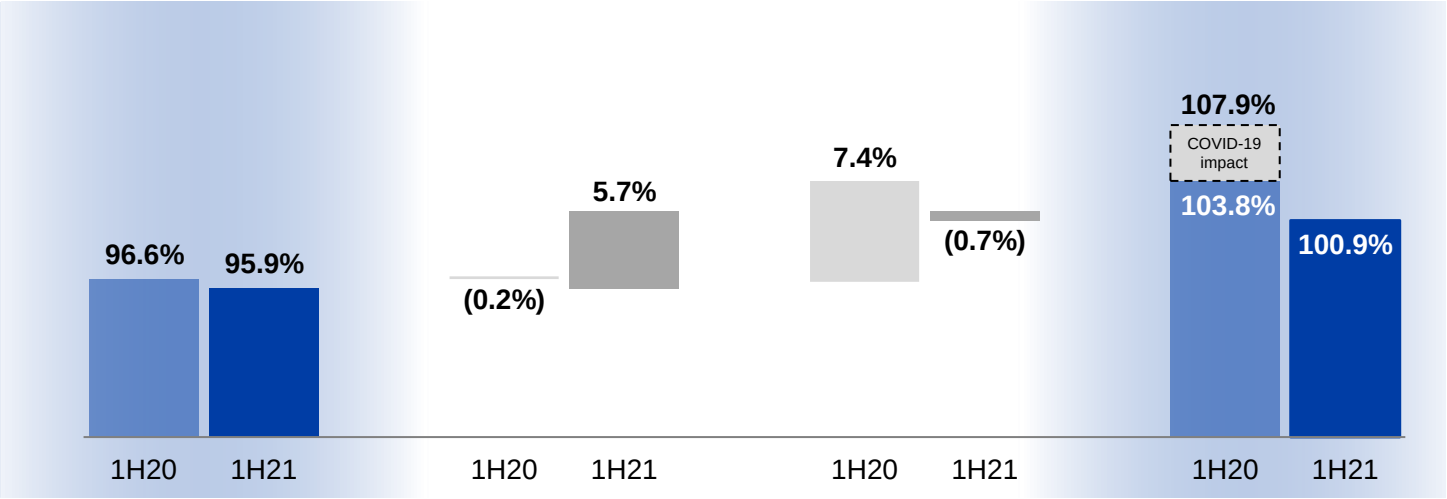
1H20 103.8%

Attritional

44.2%

1H20 45.2%

CAY COR (at catastrophe claims allowance)	+	Cats vs allowance	+	PYD	=	Reported COR



- Premium growth of 17% excluding Crop
- COR improvement driven by lower attritional claims and operating expense ratios
- Catastrophe claims above allowance due to winter storm Uri in Texas
- Claims experience on prior accident years broadly in-line with expectations

International

GWP

$3,899M

11% from 1H20

COR

89.1%

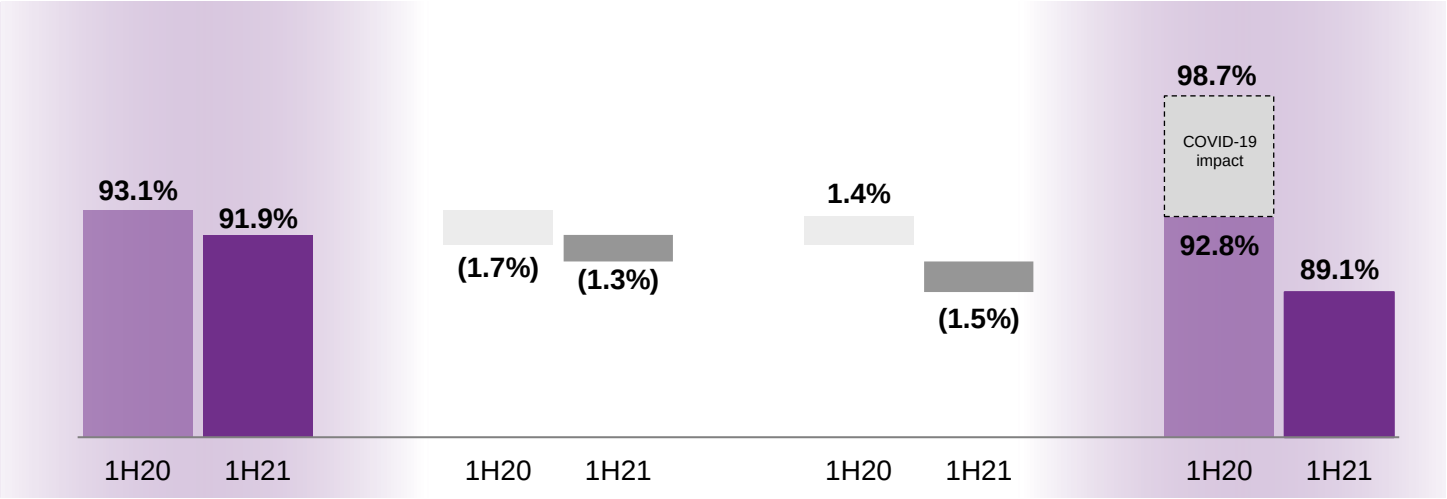
1H20 92.8%

Attritional

39.1%

1H20 42.7%

CAY COR (at catastrophe claims allowance)	+	Cats vs allowance	+	PYD	=	Reported COR



- Premium growth of 11%
- Attritional claims ratio improved 3.6%
- Large individual risk claims increased 2.7% primarily due to higher IBNR assumptions
- Catastrophe claims below allowance but up relative to benign prior period

Australia Pacific

GWP

$2,545M

18% from 1H20

COR

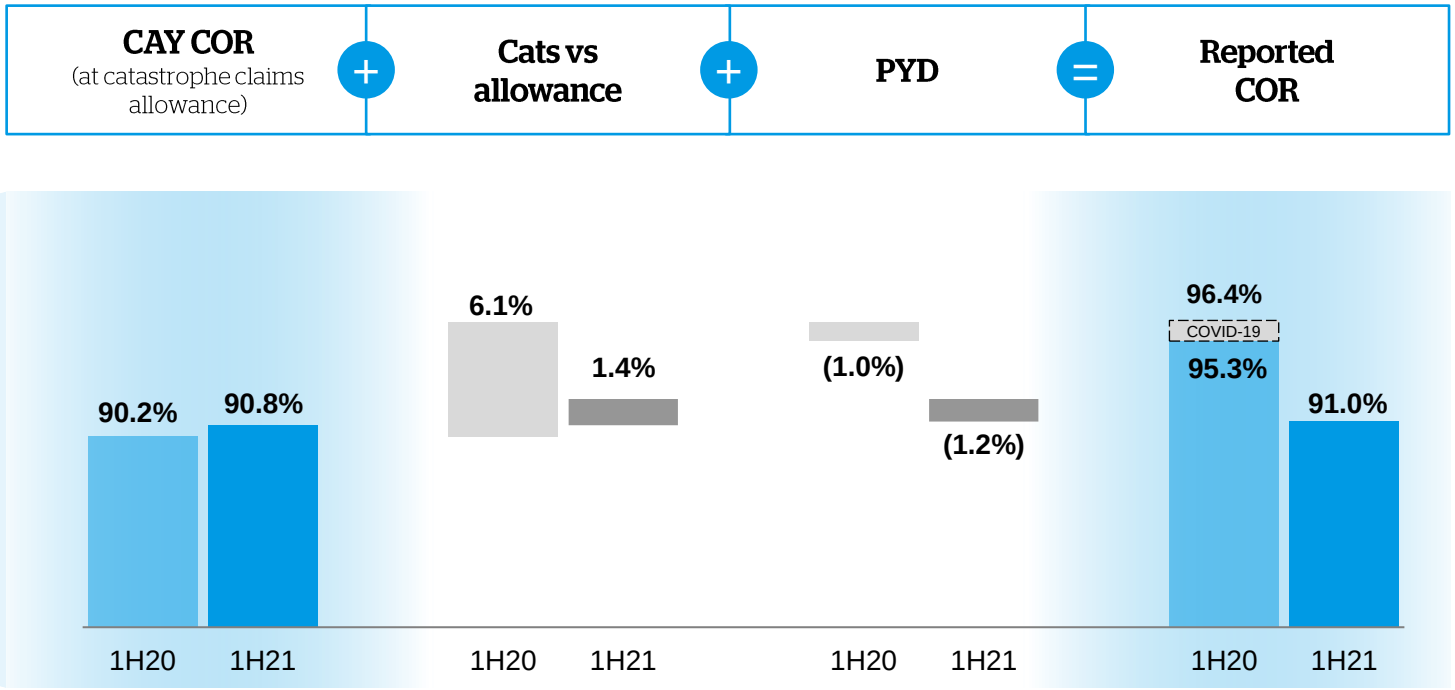
91.0%

1H20 95.3%

Attritional

49.6%

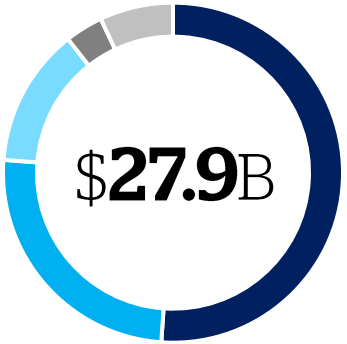
1H20 49.3%



- Premium growth of 18%
- Attritional claims ratio impacted by higher weather related claims
- Catastrophe claims above allowance due to east coast floods & storms and Cyclone Seroja
- LMI COR of 49% vs 55% at 1H20

Investment portfolio and performance outlook

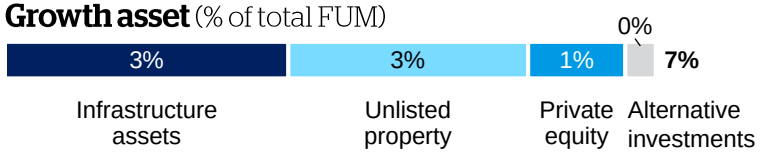
Investment portfolio



Corporate bonds
Government bonds
Short-term money
Other fixed income
Growth assets

Credit profile (% of Fixed income)

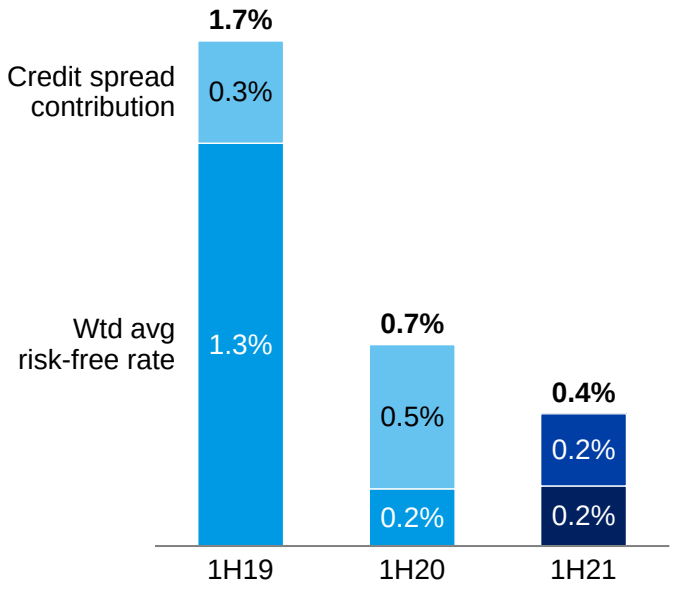
Growth asset (% of total FUM)



1H21 investment return	$M	Annualised return %
FI yield (ex RFR)	66	0.5
Credit spreads MTM	26	0.2
Growth assets	119	11.8
Expenses & other	(21)	(0.2)
Net return (ex RFR)	**190**	**1.4**
Asset RFR impact	(132)	(1.0)
Net return	**58**	**0.4**

- Benefit from modestly short tactical positioning resulted in unrealised gains from net RFR movement of $73M

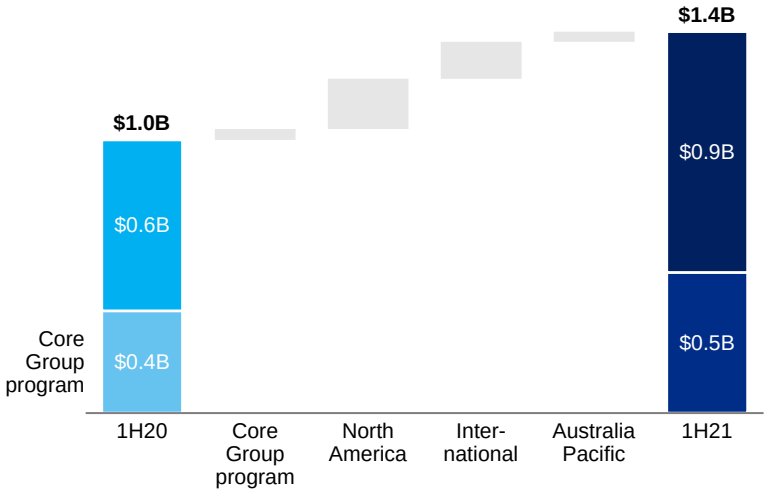
FI running yield



- Maintaining conservative asset allocation

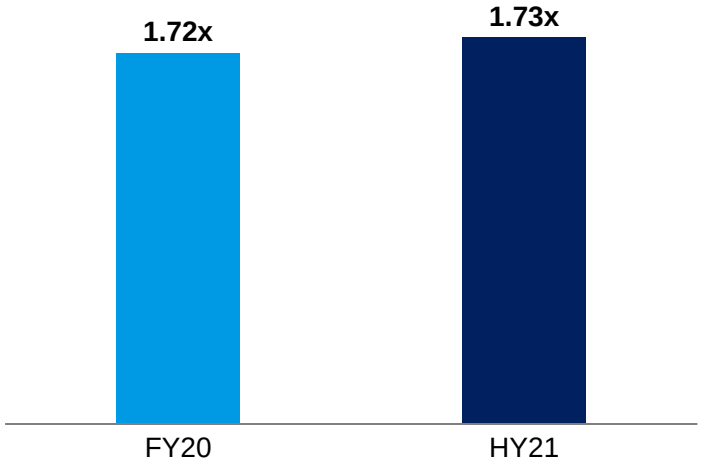
Balance sheet and capital management

Reinsurance expense



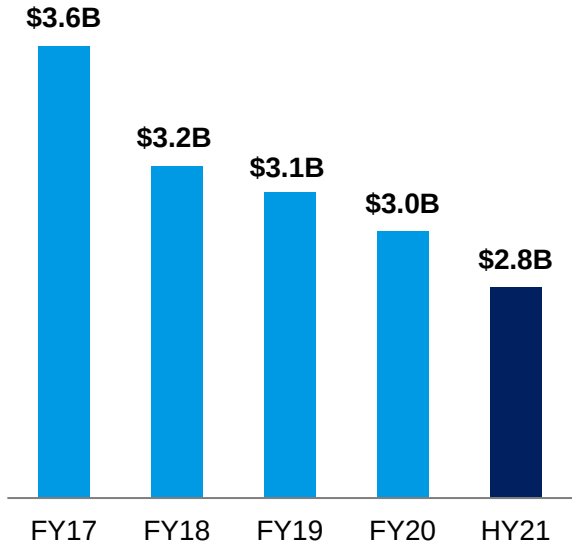
- Growth in heavily reinsured Crop business
- MLPL growth in NA supported by 50% QS
- Increased (including government) trade credit reinsurance
- LMI quota share increased to 40%
- Cost of Core Group program (CAT and Risk XOL treaties) increased ~$40M

APRA capital



- Regulatory capital remains above the midpoint of our 1.6x-1.8x target range
- Capital at S&P 'AA' level

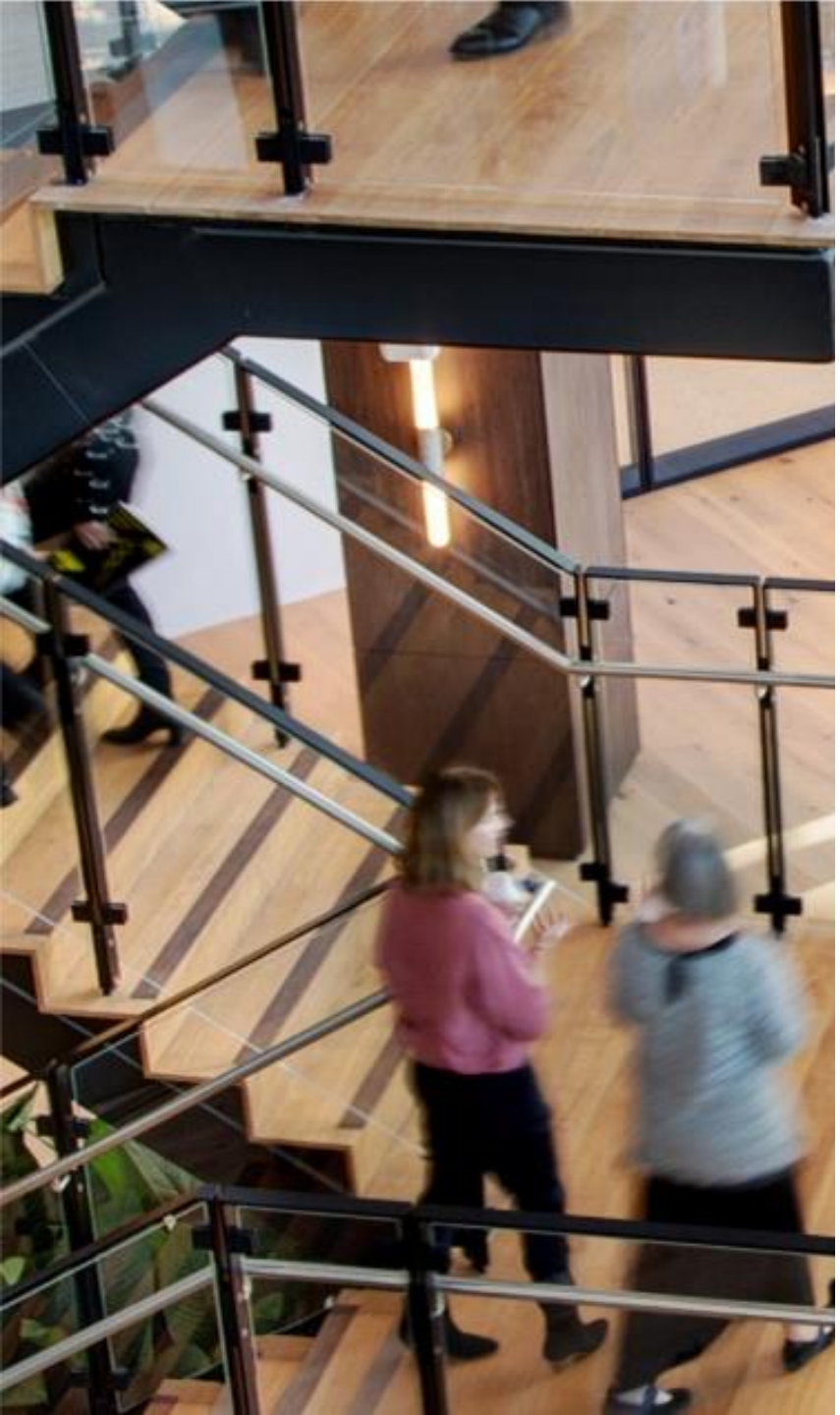
Borrowings



	FY17	FY18	FY19	FY20	HY21
Debt to equity	40.8	38.0	38.0	34.8	31.1
Debt to total capital	29.0	27.6	27.5	25.8	23.7

Richard Pryce

Interim Group Chief Executive Officer



Outlook and focus

Targeted and disciplined growth

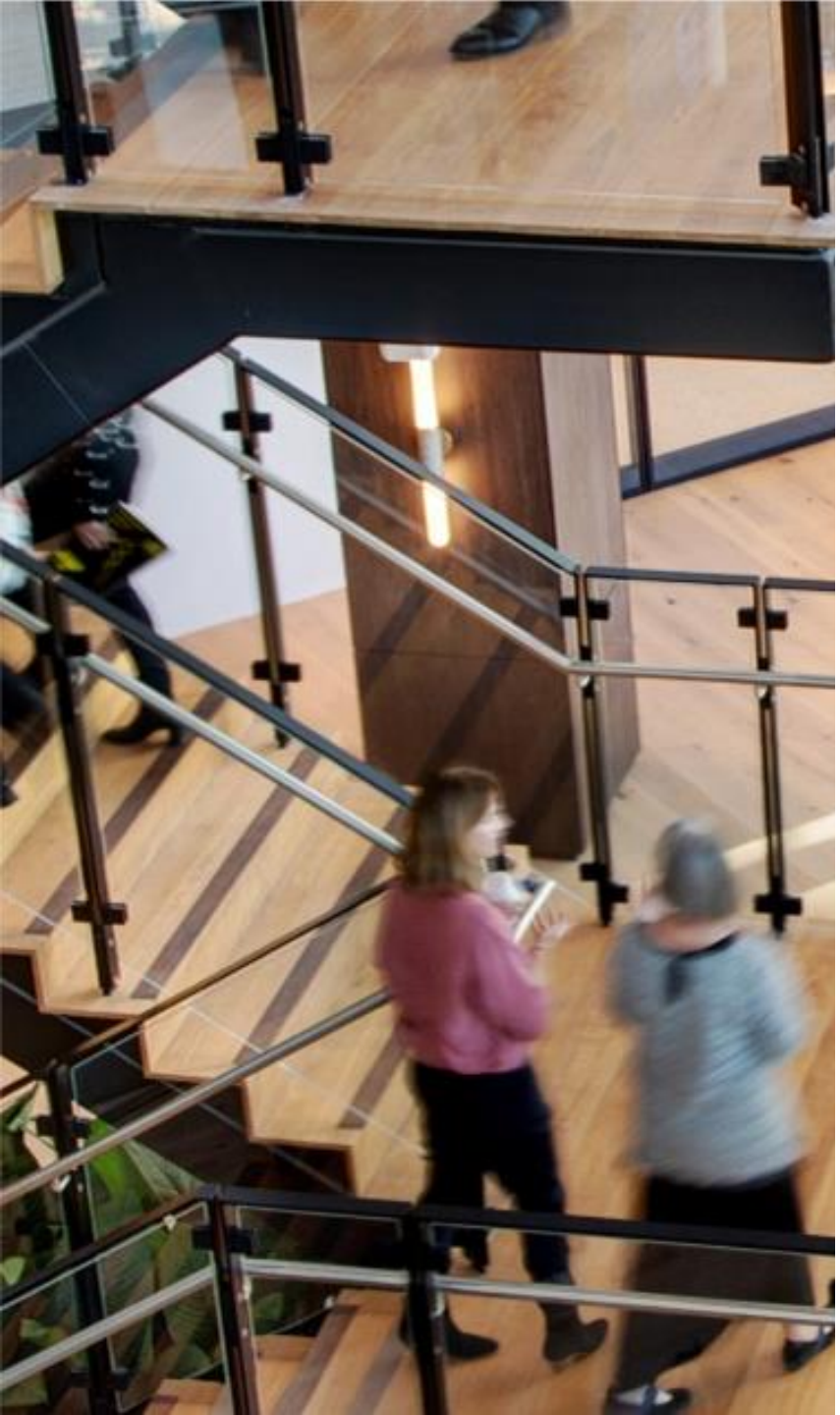
Portfolio optimisation and improved capital allocation

Enhanced customer connectivity

Technology and operating model modernisation

Culture accelerator

Questions and answers



Important information

Basis of presentation (unless otherwise stated)

1. All figures are in US$
2. Combined operating ratios (COR) exclude the impact of changes in risk-free rates used to discount net outstanding claims
3. Premium growth rates are quoted on a constant currency basis
4. Premium rate change excludes North America Crop and/or Australian compulsory third party motor (CTP)
5. Attritional claims ratios exclude North America Crop and/or Australian lenders' mortgage insurance (LMI)
6. Adjusted net cash profit (loss) after tax adjusts for Additional Tier 1 capital coupon accruals, amortisation and restructuring costs
7. North America and International historical results have been restated for the transfer of North America's inward reinsurance business to QBE Re, part of International
8. Prior accident year claims development excludes North America Crop development that is matched by premium cessions under the MPCI scheme
9. Prior periods (2019 and earlier) are presented on a continuing operations basis and adjusted basis as presented in prior half year reports
10. 2020 figures exclude the impact of COVID-19
11. APRA PCA calculations at 30 June 2021 are indicative. Prior year calculation has been updated to be consistent with APRA returns finalised subsequent to year end
12. Insurance Financial Strength ratings (FSR) reflects ability of an insurer to meet its obligations and claims. FSR is applicable to operating insurance entities
13. Issuer Credit Rating (ICR) reflects ability of the company to pay the security holder's interest in addition to principal repayment
14. For capital markets issuances, the date to first call is subject to APRA approval

Disclaimer

The information in this presentation provides an overview of the results for the half year ended 30 June 2021.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange ("ASX"). Copies of those lodgments are available from either the ASX website www.asx.com.au or QBE's website www.qbe.com.

The information is supplied in summary form and is therefore not necessarily complete. Prior to making a decision in relation to QBE's securities, products or services, investors, potential investors and customers must undertake their own due diligence as to the merits and risks associated with that decision, which includes obtaining independent financial, legal and tax advice on their personal circumstances. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

This presentation contains certain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "outlook" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and QBE assumes no obligation to update such information.

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the allowance in our business plans; no reduction in premium rates in excess of our business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our strong reinsurance panel; no unplanned asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this presentation.

This presentation does not constitute an offer or invitation for the sale or purchase of securities. In particular, this presentation does not constitute an offer of securities for sale in the United States, or to any person that is, or is acting for the account or benefit of, any U.S. Person, or in any other jurisdiction in which such an offer would be illegal. Securities of QBE may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. Persons without registration under the Securities Act or an exemption from registration.

Appendices

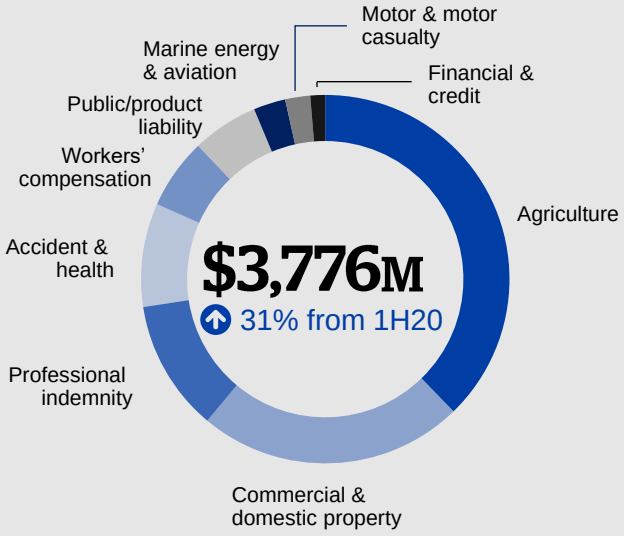
Global coverage: diversified

QBE operates in 3 segments with insurance operations in 27 countries globally

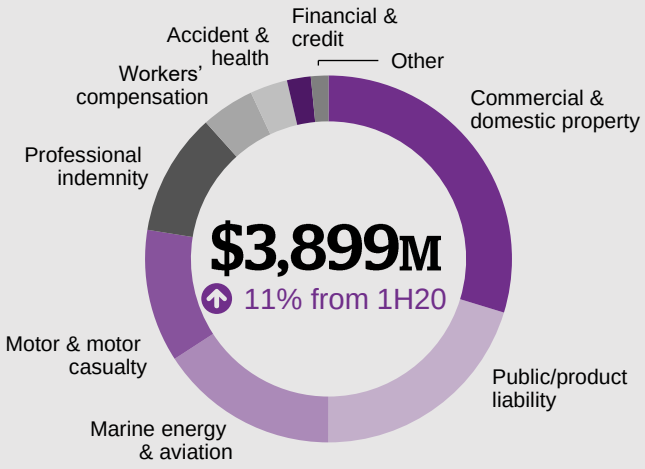
QBE is an international general insurance and reinsurance group, with substantial operations in North America, Europe and Australia. QBE also operates its captive reinsurer in Bermuda. QBE is listed on the Australian Securities Exchange, headquartered in Sydney, Australia and lead regulated by APRA

QBE had gross written premium (GWP) of $10,203 million for the half year ended 30 June 2021

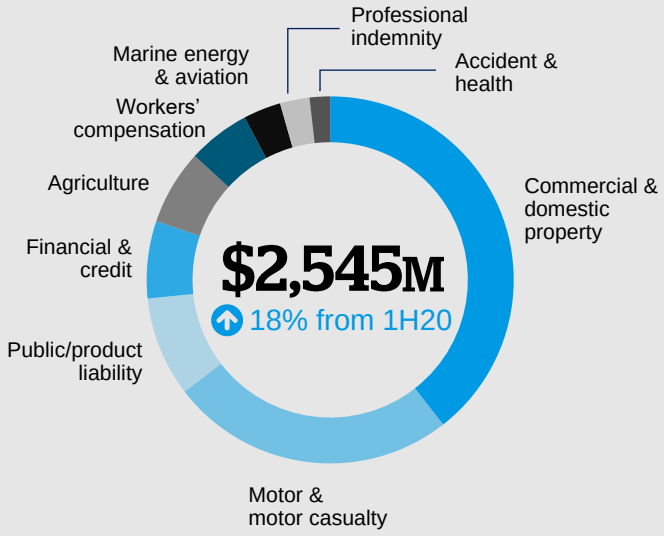
North America GWP



International GWP



Australia Pacific GWP



Currency mix of investments and cash, and GWP

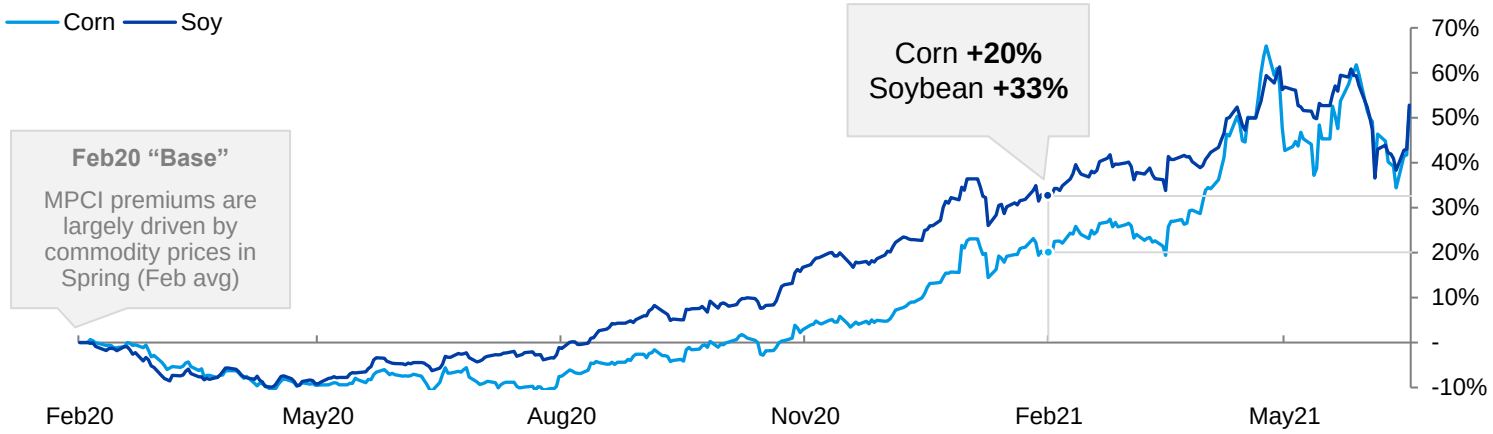
Total investments and cash	1H20 $M	1H20 %	1H21 $M	1H21 %
US dollar	8,756	36	8,909	32
Australian dollar	6,179	25	7,604	27
Sterling	3,849	16	4,836	17
Euro	3,169	13	3,738	14
Canadian dollar	1,235	5	1,426	5
New Zealand dollar	367	2	458	2
Hong Kong dollar	360	1	376	1
Singapore dollar	171	1	192	1
Other	346	1	325	1
Total	**24,432**	**100**	**27,864**	**100**

Gross written premium	1H20 $M	1H20 %	1H21 $M	1H21 %
US dollar	4,107	51	5,126	50
Australian dollar	1,720	21	2,365	23
Sterling	810	10	910	9
Euro	768	10	957	9
New Zealand dollar	141	2	187	2
Canadian dollar	138	2	185	2
Hong Kong dollar	118	1	109	1
Singapore dollar	88	1	91	1
Other	151	2	273	3
Total	**8,041**	**100**	**10,203**	**100**

Crop commodity prices driving material premium growth

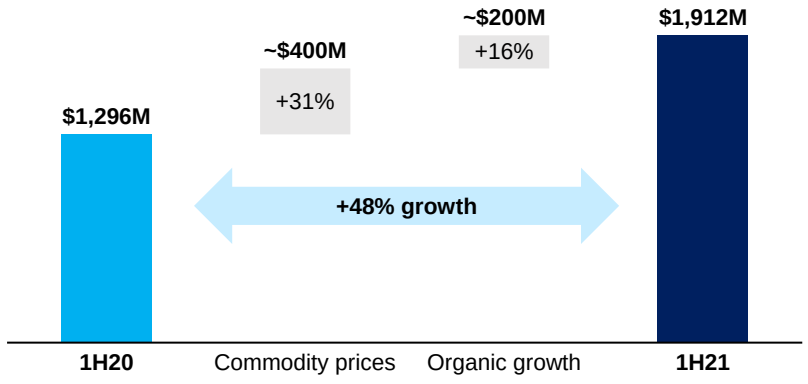
Crop commodities futures - price indexed to February 2020

Corn / Soybeans / Wheat represent approximately 36% / 23% / 10% of exposures



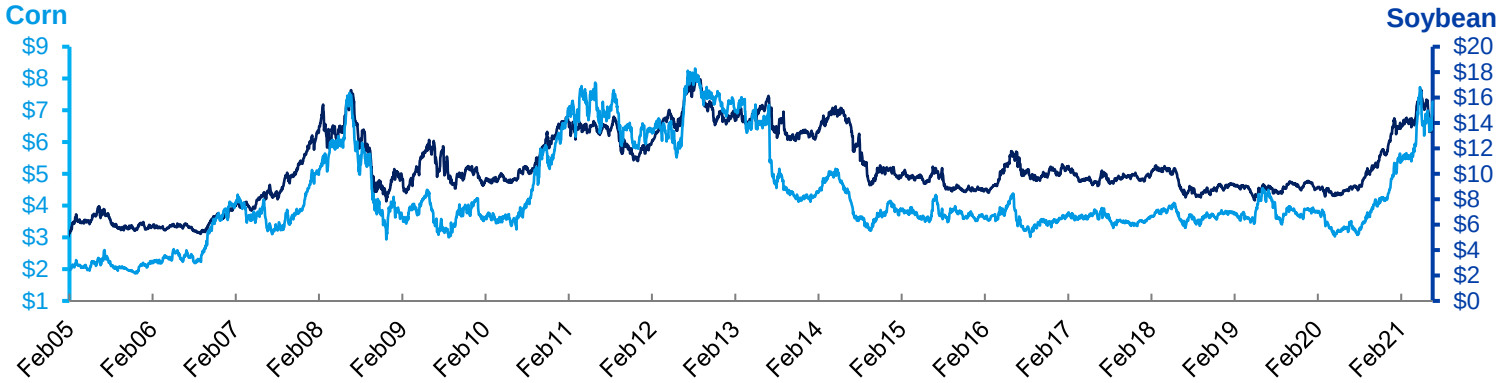
Crop gross written premiums grew 48%

Largely driven by commodity price increases



Long-term crop commodity prices

Long term prices expected to mean revert ⇨ rebase MPCI premium expectations in near-medium term

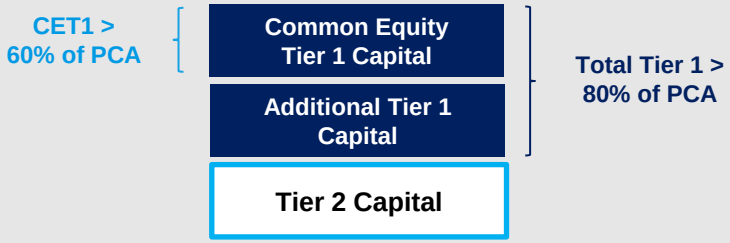


- Corn and Soybean price increases driving MPCI premium growth
- Current US drought conditions may impact harvest in key states:
  - California but mostly irrigated
  - North Dakota, South Dakota and Minnesota

APRA regulatory capital

APRA PCA calculation ($M)	31 DEC 2020	30 JUN 2021
Ordinary share capital and reserves	7,606	7,954
Net surplus relating to insurance liabilities	1,194	1,342
Regulatory adjustments to Common Equity Tier 1 Capital	(3,125)	(3,123)
Common Equity Tier 1 Capital	**5,675**	**6,173**
Additional Tier 1 Capital – Capital securities	886	886
Total Tier 1 Capital	**6,561**	**7,059**
Tier 2 Capital – Subordinated debt and hybrid securities	2,787	2,745
Total capital base	**9,348**	**9,804**
Insurance risk charge	3,305	3,426
Insurance concentration risk charge	561	561
Asset risk charge	2,265	2,432
Operational risk charge	571	605
Less: Aggregation benefit	(1,268)	(1,343)
APRA Prescribed Capital Amount (PCA)	**5,434**	**5,681**
PCA multiple	**1.72x**	**1.73x**
CET1 ratio (APRA requirement >60%)	**104%**	**109%**

APRA Tiers of Capital Requirement



Source: Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", July 2019

APRA: Point of non-viability loss absorption

- All Additional Tier 1 Capital and Tier 2 Capital must include loss absorption provisions (via conversion or write-down) upon a non-viability trigger event

Classification of QBE as an IAIG

- In 2020, APRA announced that will it align its prudential standards and practices with the International Association of Insurance Supervisors' (IAIS) Common Framework for the Supervision of Internationally Active Insurance Group (ComFrame) and classified QBE as an Internationally Active Insurance Group (IAIG)
- It is expected that this classification will enhance APRA's group-wide supervision of QBE and promote the coordination of supervisory activities efficiently and effectively between APRA and other international supervisors

Financial strength and flexibility

Summary balance sheet ($M)

	31 DEC 2020	30 JUN 2021
Investments and cash	27,735	27,864
Trade and other receivables	5,760	7,678
Intangibles	2,534	2,495
Other assets	1,786	1,408
Assets	**37,815**	**39,445**
Insurance liabilities, net	22,518	23,828
Borrowings	2,955	2,751
Other liabilities	3,850	4,026
Liabilities	**29,323**	**30,605**
Net assets	**8,492**	**8,840**
Shareholders' funds	7,605	7,953
Capital notes	886	886
Non-controlling interests	1	1
Total equity	**8,492**	**8,840**

Reserving

- PYD favourable $71M (1H20 $120M adverse); positive development in North America
- Risk margin largely unchanged (1H20 $138M increase includes COVID-19 impact)
- $205M favourable risk-free rate impact (1H20 $335M adverse)
- Probability of adequacy at 92.3% (FY20 92.5%)

Capital and borrowings

- $200 million of Tier 2 subordinated debt repaid in March 2021
- Debt to equity ratio 31.1% (FY20 34.8%)

Credit Ratings

- QBE is rated by four major rating agencies and is committed to maintaining current ratings

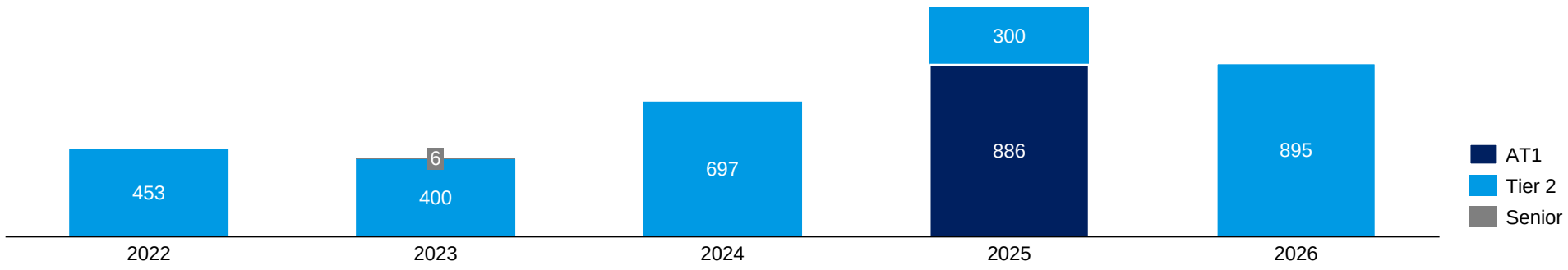
	Long term FSR	Debt issue ICR	Outlook	Effective date
S&P Global Ratings	A+	A-	Stable	May 2021
Moody's	A1	A3	Negative	December 2020
FitchRatings	A+	A-	Negative	December 2020
A.M. BEST	A	-	Stable	March 2021

Capital markets issuance profile

QBE have access to A$MTN, EMTN and US144A capital markets

Date to first call ($M)

Weighted average time to first call: 3.6yrs



		Issued instruments	Issue date	First call date	Coupon	Maturity date	1H21 Balance sheet value ($M)
Equity accounted	**Additional Tier 1 (AT1)**	Capital Notes	Nov-17	May-25	5.250%	Perp	393
		Capital Notes	May-20	May-25	5.875%	Perp	493
	AT1 subtotal						**886**
Debt accounted	**Tier 2**	AUD 16NC6	Aug-20	Aug-26	3M BBSW + 2.75%	Aug-36	373
		GBP 26NC6	May-16	May-22	6.115%	May-42	453
		USD 27NC7	Oct-16	Nov-23	7.500%	Nov-43	400
		USD 30NC10	Nov-14	Dec-24	6.750%	Dec-44	697
		USD 30NC10	Nov-15	Nov-25	6.100%	Nov-45	300
		USD 30NC10	Jun-16	Jun-26	5.875%	Jun-46	522
	Tier 2 subtotal						**2,745**
	Senior	USD 2023 Senior	Sep-17	-	3.000%	May-23	6
Total instruments							**3,637**

Our approach to sustainability

We have a focus on sustainability and the identification of current and emerging environmental, social and governance (ESG) trends is an integral part of achieving our purpose, understanding the needs of our customers and ensuring the sustainability of our own business

Our Sustainability Framework helps us drive performance, manage risks and identify opportunities across the areas of sustainability that are most important to our business, customers and stakeholders

See the Sustainability section of our website for more information.

Our approach to sustainability

2021: Recent achievements

Equileap 2021 – Gender Equality Global Report and Ranking
Recognised in the Top 100 of Equileap's 2021 Gender Equality Global Report & Ranking for progressing our gender equality agenda. Equileap ranks over 3,500 companies worldwide based on gender pay gap, work-life balance and parental leave policies.

Human Rights
Published QBE's Group Human Rights Policy outlining our commitment to continue to integrate human rights considerations across the business according to international principles.

Family Friendly Certification
QBE is a founding partner of the National Work + Family Standards, launched in partnership with UNICEF Australia and Parents at Work, and became one of the first organisations in Australia certified as a Family Friendly Workplace. The standards provide best practices and minimum ways to build family-friendly workplace cultures.

Sustainability linked loan
Launched QBE's first Syndicated Sustainability Linked Loan, connecting the interest charged on the structured facility to sustainability KPIs linked to renewable electricity, women in leadership and Premiums4Good impact investments.

QBE Foundation – Red Cross and Save the Children Partnership
Supported vulnerable communities around the world through our disaster relief and resilience partnership with Red Cross and Save the Children. Since 2019, the partnership have enabled rapid disaster relief in response to catastrophic events.

Recognition
Awarded Green insurer of the Year in Finder Green Awards 2021 for the second year in a row. The award recognises our progress on using renewable energy, our environmental targets and our commitment to managing climate risks in investment and risk decisions.

2021: Forward focus

Premiums4Good
Achieve our ambition to grow our impact investments to $2 billion by 2025. Refer to the Premiums4Good section of our website for more information.

Managing Climate Risk
Continue to manage climate risk in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

Continue to integrate environmental and social considerations into our investment and underwriting business according to our new Environmental & Social Risk Framework.

Transition our investment portfolio to net-zero greenhouse gas emissions by 2050, according to our commitment to UN-convened Net-Zero Asset Owner Alliance. Refer to our 2020 Annual Report for more information.

Sustainability Scorecard
Deliver commitments outlined in our Sustainability Scorecard which are aligned to our priority United Nations Sustainable Development Goals (SDGs):

Refer to our 2020 Sustainability Report for more information

See the Sustainability section of our website for more information