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11 August 2022

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 2022

The Directors of QBE Insurance Group Limited announce the financial results for the half year ended 30 June 2022.

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 2022.

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

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Carolyn Scobie', with a small flourish at the end.

Carolyn Scobie
Company Secretary

Attachment



QBE Insurance Group Limited Appendix 4D – Half year report for the period to 30 June 2022

Results for announcement to the market

| FOR THE HALF YEAR ENDED 30 JUNE | UP / DOWN | % CHANGE | 2022 US\$M | 2021 US\$M |
|--|-----------|----------|---------------|---------------|
| Revenue from ordinary activities | Up | 26% | 11,538 | 9,126 |
| Profit from ordinary activities after income tax attributable to equity holders of the company | Down | 66% | 151 | 441 |
| Net profit for the period attributable to ordinary equity holders of the company | Down | 66% | 151 | 441 |

Net profit after income tax for the half year ended 30 June 2022 was \$151 million compared with a net profit after tax of \$441 million for the prior period. The current period profit was impacted by investment market volatility including wider credit spreads and higher risk-free rates, as well as the cost of the transaction to reinsure prior accident year North American Excess and Surplus (E&S) liabilities, and the impacts of the Australian pricing review.

The Group reported a statutory underwriting profit of \$1,191 million compared with \$642 million in the prior period, equating to a combined operating ratio of 82.5% compared with 90.2%. Excluding the impacts of changes in risk-free rates in both periods, the combined operating ratio was 94.1% compared with 93.3% in the prior period.

The combined commission and expense ratio decreased to 28.7% from 29.0% in the prior period. The net commission ratio increased to 15.5% from 15.3% primarily due to the E&S reinsurance transaction, the impacts of which were partly offset by income from increased quota shares in Crop, LMI and North America financial lines. The Group's expense ratio decreased to 13.2% from 13.7% mainly reflecting disciplined cost management and ongoing operating leverage driven by strong premium growth.

Total investment loss for the current half was \$840 million compared with net income of \$58 million in the prior period. Excluding the impacts of changes in risk-free rates, total investment return was \$14 million compared with \$190 million in the prior period. Performance in the current period was impacted by significantly wider credit spreads and market volatility.

The Group's effective tax rate was 17.7% compared with 16.2% in the prior period, reflecting the mix of corporate rates in the jurisdictions in which QBE operates and the utilisation of previously unrecognised tax losses in North American tax group.

| DIVIDENDS | AMOUNT PER SECURITY (AUSTRALIAN CENTS) | FRANKED AMOUNT PER SECURITY (AUSTRALIAN CENTS) |
|------------------|--|--|
| Interim dividend | 9 | 0.9 |

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 26 August 2022 and 8 September 2022 (both dates inclusive).

The record date for determining shareholder entitlements to the dividend is 19 August 2022.

The last date for receipt of election notices applicable to the Dividend Reinvestment Plan and the Bonus Share Plan will be 22 August 2022.

The interim dividend will be paid on 23 September 2022.

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 2022 (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 (20%) and Raheja QBE General Insurance Company (49%). The Group's aggregate share of profits of these entities is not material.

QBE Insurance Group Limited
Attachment A: Half year report for the period ended 30 June 2022



Enabling a more resilient future



2022 Half Year Report

QBE INSURANCE GROUP LIMITED

Important information

Basis of presentation (unless otherwise stated)

All amounts in this report are US dollars.

Premium growth rates are quoted on a constant currency basis.

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

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

APRA PCA calculations at 30 June 2022 are indicative. Prior period calculation has been updated to be consistent with APRA returns finalised subsequent to year end.

Basis of presentation (Section 1)

Results presented on statutory basis.

Combined operating ratio, net claims ratio and underwriting result exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Basis of presentation (Section 2)

Combined operating ratio and net claims ratio exclude the impact of changes in risk-free rates used to discount net outstanding claims.

2022 figures exclude transaction to reinsure North America Excess & Surplus (E&S) lines liabilities, and charge in relation to the Australian pricing promise review.

Prior accident year claims development excludes North America Crop development that is matched by premium cessions under the MPCI scheme, and any International development that is matched by premium adjustments in the current period.

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

2021 pro forma adjusts for GBP327 million pre-funded May 2022 debt repayment.

North America and International results (2019 and earlier) have been restated for the transfer of North America's inward reinsurance business to QBE Re, part of International.

Prior periods (2019 and earlier) are presented on a continuing operations basis and adjusted basis as presented in prior year reports.

Analysis of the Group by division excludes Corporate & Other.

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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.

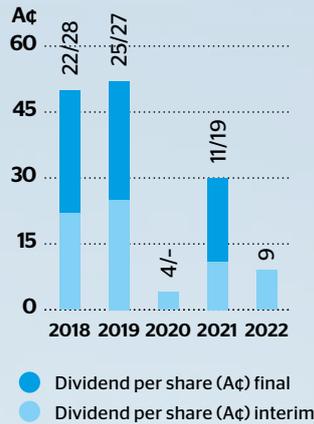
2022 half year snapshot¹

Shareholder highlights

Dividend payout (A\$M)

133

⬇️ 18% from 2021



Return on average shareholders' equity - adjusted cash basis

4.3%

2021 11.9%

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

11.4

2021 31.4

Dividend per share (A¢)

9

2021 11

Sustainability highlights

Transitioning to net-zero

2025

Set intermediate targets for our investment portfolio

2030

Committed to net-zero emissions across our global operations

2050

Committed to net-zero emissions across our underwriting and investment activities²

Inclusion of diversity

Met our 2025 goal of

40%

women on Group Board (44%)

Pledge to Hesta's 40:40 Vision

40:40

VISION

| HESTA | 

AWEO Gold Award

4th Year

Finder Green Insurer of the Year Award

3rd Year

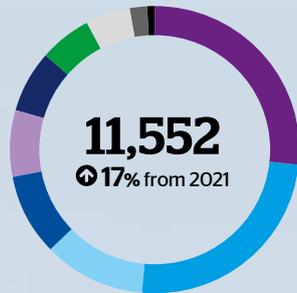


¹ Financial information above is extracted or derived from the Group's half year financial statements on pages 30 to 45 of this Half Year Report. The Group Chief Financial Officer's report provides further analysis of the results.

² Commitment to net-zero emissions in investment portfolio made in 2020 by joining the UN-convened Net-Zero Asset Owner Alliance.

Financial highlights

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



| | 2022 % | 2021 % |
|--------------------------------|--------|--------|
| Commercial & domestic property | 26.7 | 28.1 |
| Agriculture | 24.8 | 20.4 |
| Public/product liability | 11.3 | 11.6 |
| Motor & motor casualty | 9.4 | 10.5 |
| Professional indemnity | 7.4 | 7.9 |
| Marine energy & aviation | 6.9 | 7.2 |
| Workers' compensation | 5.8 | 6.0 |
| Accident & health | 5.1 | 5.1 |
| Financial & credit | 1.8 | 3.0 |
| Other | 0.8 | 0.2 |

Net earned premium (US\$M)

6,789

↑ 8% from 2021

Net earned premium by type

90% direct and facultative insurance

10% inward reinsurance

Combined operating ratio

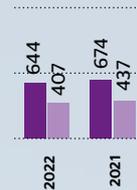
94.1%

2021 **93.3%**

Insurance profit (US\$M)

644

2021 **674**



Underwriting result (US\$M)

407

2021 **437**

Net profit after tax (US\$M)

151

2021 **441**

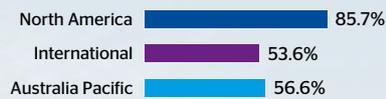
Ex-cat claims ratio

Group

Segment

62.5%

2021 **58.1%**



Catastrophe claims (US\$M)

454

↓ 2% from 2021

Catastrophe claims ratio

6.7%

2021 **7.0%**

Operational highlights

Gross written premium growth

↑ **17%**

2021 **20%**

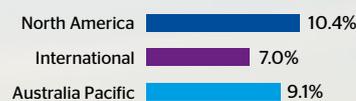
Average renewal premium rate increase

Group

Segment

8.1%

2021 **9.7%**



Premium retention

85%

2021 **83%**

Positive momentum across the business

We have made pleasing progress against our new strategic priorities, launched earlier this year. While we recognise this is a multi-year approach, we have good momentum on a range of activities supporting the direction of our organisation. Importantly, our new purpose and vision are resonating well across our global teams. Our people continue to be at the heart of our organisation and I am proud of how they continue to support our customers, communities and each other.

Gross written premium (US\$M)

11,552

↑ 17% from 2021

Net earned premium (US\$M)

6,789

↑ 8% from 2021

Underwriting profit (US\$M)

407

2021 437

The operating environment has remained challenging in 2022. Heightened inflation, instability of supply chains, geopolitical tensions and material financial market volatility have presented challenges for our business and led to an uncertain economic outlook.

We progressively reopened our offices in 2022 and have enjoyed greater collaboration and social connection as our people returned to a hybrid working environment.

Sadly, the devastating situation in Ukraine continues, causing tragic humanitarian consequences. The economic impacts of the crisis have reverberated across the world, with no clear end or understanding of the full effects and disruptions.

Australia experienced destructive floods in early 2022 and restoring the lives of those impacted will remain a priority for QBE.

Challenges presented by this backdrop have driven another period of favourable premium rate increases for the insurance

industry in the first half of 2022. We expect risks associated with inflation and economic uncertainty should serve to maintain the recent improvement in pricing discipline across the industry.

In Australia, as part of a broader industry review, QBE has identified instances where policy pricing promises were not fully delivered. \$75 million before tax has been recorded for expected costs, and we are working promptly to remediate impacted customers.

Business performance

Despite the difficult operating backdrop, QBE has demonstrated resilience. Premium growth remains strong, with Group-wide renewal rate increases of 8.1% in the first half of 2022, which supported gross written premium growth of 17%.

The adjusted net combined ratio improved to 92.9% from 93.3% in the prior period, supported by continued premium rate increases, disciplined expense

management, positive operating leverage, and a reduction in catastrophe claims, all helping offset adverse prior year development.

The adjusted cash return on equity (ROE) of 4.3% was disappointing, albeit heavily impacted by adverse investment market-to-market impacts and Australian customer remediation costs. Higher global bond yields should support a higher second half investment return, which alongside the improved underwriting result should enhance QBE's ROE.

Strategic priorities

Launched in February 2022, we have made pleasing progress against our new strategic priorities. The six strategic priorities have been designed to support our new purpose, enabling a more resilient future, and our new vision, to be the most consistent and innovative risk partner.

We have two Group Executives responsible for the delivery of each strategic priority, and have established a number of workstreams across the organisation to embed our new purpose. My aspiration is for QBE to become a purpose-led organisation.

This new strategic direction is resonating well with our people. Our latest QBE Voice people surveys have been encouraging, and highlight that our people feel a greater sense of belonging at QBE. I was proud to announce an out-of-cycle 3% pay rise for our people in July, in recognition of the increasing cost of living pressures across all regions.

Over the half, we placed significant focus on our North America operations. We exited the Westwood Insurance Agency to focus on our key commercial, specialty and crop portfolios, while additional reinsurance and initiatives to de-risk property catastrophe exposure have helped reduce portfolio volatility. We have materially simplified the business and I am confident we have the right strategy and team in place to drive a sustained improvement in performance.

Our overarching goal is to establish QBE as a consistently high performing enterprise, united in our commitment to support great outcomes for our customers. Further information related to the focus of each strategic priority, and the progress we are making is detailed on [page 6](#) of the Half Year Report.

Setting a new sustainable direction

I am personally focused on embedding sustainability into our business and building on our sustainability credentials.

Our current sustainability framework has driven meaningful progress over the last five years. This year, we are building on these foundations, refreshing our approach, with a consistent and well understood strategy that refines our focus to three key areas over the medium term.

We will take an enterprise-wide approach to these key areas of focus: foster an orderly and inclusive transition to a net-zero economy, enable a sustainable and resilient workforce, and partner for growth through innovative, sustainable and impactful solutions. We will provide further detail and progress against these key areas in our annual sustainability report.

We are proud to be recognised as Green Insurer of the Year for a third consecutive year in the Finder Green Awards 2022, and we also achieved Gold Employer status in the 2022 Australian Workplace Equality Index (AWEI) for the fourth year in a row. We achieved our goal of having 40% women on the Group Board by 2025, which now consists of 44% women. While encouraging, we believe it is time to look beyond gender and continue to build on our inclusion of diversity approach.

QBE recognises the importance of our transition to net-zero and is committed to net-zero emissions across our operations by 2030, and our investment and underwriting portfolios by 2050.

As a member of the UN-convened Net-Zero Insurance Alliance (NZIA), considerable work is underway across the industry to develop a consistent methodology to assess the carbon intensity of underwriting portfolios. This will support science-based intermediate targets with an expected initial focus on commercial lines and private motor. Significant effort is required to prepare our data, systems and people to support this commitment. Our first set of intermediate targets are expected to be disclosed within our 2023 half year reporting, subject to any regulatory requirements, in line with the NZIA target setting protocol.

Strategy

We have made good early progress against our six strategic priorities in the first half of 2022.

i Further detailed information outlined on [page 6 to 7](#).

Sustainability

Our sustainability strategy continues to evolve, which remains crucial to the delivery of our strategic vision.

i Further detailed information outlined on [page 8 to 9](#).

Performance

Despite a challenging operating backdrop, QBE exhibited resilience and ongoing business momentum.

i Further detailed information outlined on [page 10 to 25](#).

Outlook

QBE demonstrated further momentum and resilience in the first half of 2022, despite the dynamic, and ultimately challenging operating environment.

QBE continues to embed our new purpose and vision, and through an evolving enterprise-wide approach, we are focused on delivering on our strategic priorities which will support more consistent performance.

Our outlook for the remainder of the year remains positive. We expect constant currency gross written premium growth of around 10%, an improvement from our previous expectation for growth in the high single digits. Our combined operating ratio guidance remains unchanged, where in FY22 we continue to expect improvement on the FY21 exit combined ratio of around 94%.

Andrew Horton
Group Chief Executive Officer

Our strategic priorities early momentum

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



Portfolio optimisation

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



Sustainable growth

Achieve consistent growth through innovative risk solutions, leveraging improved digital capabilities and existing skillset across the enterprise



Bring the enterprise together

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



Modernise our business

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



Our people

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



Our culture

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



What we have achieved in the first half of 2022

Future focus

- Increased emphasis on consistency of returns is driving a sharper focus on volatility. Embedded a more consistent framework to assess volatility over shorter return periods (for example 1:10 year)
- Substantial progress in North America to de-risk property catastrophe exposure, and restructure the programs business where we delegate underwriting authority to distribution partners



- Greater and faster collaboration across claims, underwriting, pricing and actuarial to interpret and respond to the dynamic operating environment
- Well defined portfolio strategy and risk appetite to inform decisions on reducing volatility and enhancing returns, e.g. retrospective reinsurance to reduce reserve volatility risk

- Enterprise level discussions driving a focussed growth agenda to optimise Group portfolio mix, supported by clear points of market relevance/differentiation, underwriting capability and risk assessment
- Commenced a global net-zero transition analysis and pilot studies to support commitment to the Net-Zero Insurance Alliance



- Well-diversified, balanced and risk-managed portfolio of growth initiatives across regions, customer and product segments (Crop, QBE Re, Continental Europe, NA retail and AU SME)
- Supporting customers as they transition to net-zero, and building capability and expertise that will enable QBE to deliver on its ESG and climate change commitments

- Established leadership cohorts across the top 350 in QBE to drive strategic priorities and support succession
- Operating model changes announced across a number of functions to drive clearer accountabilities, and create a more resilient business
- Group CEO and CFO to join divisional boards in 2022



- Define products and segments across the Group which would be the most immediate beneficiaries of capability and skillset sharing
- Build out capabilities to create a globally consistent underwriting platform that can leverage market opportunities and support the resilience of our clients in an increasingly complex risk environment

- Migration of legacy applications to cloud-based or more modern infrastructure
- Adoption of better pricing models and integration of third party data sets have improved the granularity of pricing and risk selection tools



- Continue to deliver the project portfolio that will build a strategic data platform and capability across the Group
- Leverage the foundational investment over recent years to further digitise underwriting workflows across the business, with a focus on improved data science integration

- Announced an out-of-cycle 3% pay rise for our people in July, in recognition of the increasing cost of living pressures
- Latest QBE Voice people surveys have been encouraging, highlighting improved engagement, and that our people feel a greater sense of belonging at QBE
- Launched a new enterprise-wide incentives program supporting greater alignment across the group



- Position QBE to stand out in the increasingly competitive market for talent
- Increase our diversity representation in line with targets (including HESTA's 40:40 vision) including increasing representation of women in all leadership roles

- Launched a new enterprise recognition program, DNA Champions and Group CEO Award to celebrate those living our values and purpose
- Created and piloted an experimentation playbook to encourage innovation, high performance and a future focus



- Embed our new Purpose, and support transition to a purpose-led culture
- Building on our Safety to Speak Up framework, ensuring our people feel supported, safe to call out behaviours, and be able to challenge safely

Evolving our approach to sustainability

Sustainability remains essential to QBE's ability to deliver on our strategic priorities. We continue to embed our Sustainability Framework across the business while responding to evolving regulatory and industry trends.

During the first half of 2022, we have been refining our sustainability focus areas through extensive internal consultation and analysis of the external landscape. We have identified three areas of focus which will allow us to build on the foundational elements of the Sustainability Framework and refine clear sustainability objectives. These are:

- 1 Foster an orderly and inclusive transition to a net-zero economy
- 2 Enable a sustainable and resilient workforce
- 3 Partner for growth through innovative, sustainable and impactful solutions

These areas of focus will enable the development of a globally aligned plan that supports QBE's sustainability ambition and our existing strategic priorities. Key to this is increasing internal awareness and engagement to drive integration by harnessing the energy and enthusiasm of our people. Everyone will have a role to play.

Through the first half of 2022, we have been making progress on our 2022 Sustainability Scorecard and will report our achievements at the end of the year.

So far in 2022, we have:

Reached our 2025 women on Board target early, with women comprising 44% of QBE's Group Board as of 1 July 2022

Furthered our commitment to women in leadership, pledging to HESTA's 40:40 Vision

Our culture

QBE continues to focus on culture across the enterprise, delivering global initiatives such as an enterprise recognition program for living our DNA and purpose, a new framework for meetings to drive inclusion and accountability, establishing a global approach to innovation and experimentation, and refreshing our annual performance incentives approach to include non-financial metrics for business outcomes, and DNA-alignment ('How' rating) for individual outcomes.

Following the launch of our new purpose earlier this year, 'enabling a more resilient future', work has commenced on an enterprise-wide roadmap to support QBE in the journey towards becoming more purpose-led. Creating team and personal connection to our purpose have been identified as key enablers, with initiatives underway such as activities to explore how our teams are enabling a more resilient future for the business, customers, community, and our people.

Our areas of sustainability focus

1 Foster an orderly and inclusive transition to a net-zero economy

We support an orderly and inclusive transition to a net-zero emissions economy, aligned with the 2015 Paris Agreement objectives. We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our decision making, facilitating a resilient future for our business and our customers. Our commitments include:

- Use 100% renewable electricity for QBE's operations by 2025 through RE100
- Reduce QBE's Scope 1 and 2 operational emissions by 30% by 2025 (1.5°C trajectory aligned science-based target)
- Reach net-zero for QBE's operational emissions by 2030, expanding our commitment on operational Scope 1 and 2 to include material Scope 3
- Commence formal engagement on net-zero progress with large suppliers in our global supply chain, with the goal of setting targets for those large suppliers by 2025
- Target a 25% reduction in QBE's financed Scope 1 and 2 carbon intensity for our developed market equity investment portfolio by 2025
- Engage at least annually with the top 20 highest emitters in our investment grade corporate credit portfolio and with all of our external investment managers
- Target an increase in our Climate Solutions investments to 5% of the total investment portfolio by 2025
- Aim to set intermediate targets for our underwriting portfolio as per NZIA target-setting protocol by August 2023, subject to regulatory approval and data quality. Subsequently we will commence formal engagement with priority commercial customers.

2 Enable a sustainable and resilient workforce

Culture and the capability of our people are drivers of value for QBE. A sustainable and resilient workforce is underpinned by how we engage and connect our people to our purpose and vision. Investing in our people's career development, supporting flexibility and wellbeing can allow us to continue to attract and retain the best talent. Our commitments include:

- Achieve 40% of women in leadership by 2025
- Elevate our focus on inclusion of diversity in the workplace
- Continue to strengthen and build our workplace culture
- Align performance-linked remuneration with non-financial metrics and targets
- Commit to progressing equality of pay and opportunities
- Uplift baseline understanding on sustainability in order to better deliver on our purpose of enabling a more resilient future
- Focus on developing and promoting our talent from within
- Strengthen a sustainability connection to purpose, vision, DNA and our employee value proposition through opportunities for employees to engage and contribute meaningfully.

3 Partner for growth through innovative, sustainable and impactful solutions

Our landscape is changing, presenting opportunities to partner with our customers and others for growth through innovation. There are opportunities beyond insurance products to partner on impactful solutions through our investments, supplier and broker relationships, the QBE Foundation and QBE Ventures. We are exploring ways to co-create solutions to meet the changing needs of our customers, and support communities affected by climate impacts and the net-zero transition. Our commitments include:

- Achieve our ambition to grow our total impact investments to US\$2 billion by 2025
- Build capability and understanding of climate-related risks and opportunities to enhance innovation and sustainable growth
- Ensure effective engagement and management of our supply chain
- Review our partnerships and initiatives to ensure QBE's engagement is driving consistent advocacy, capability uplift and progress towards the achievement of the Paris Agreement and the United Nations Sustainable Development Goals.

Operating and financial review



Group Chief Financial Officer's report

QBE's underwriting performance remained resilient in the first half of 2022, despite economic uncertainty, higher inflation, geopolitical tensions and record storm and flood events in Australia. Pleasingly, we delivered another period of organic premium growth and expect market conditions to remain supportive over the remainder of the year.

Financial performance

QBE reported a statutory net profit after tax of \$151 million compared with \$441 million in the prior period.

Adjusted cash profit after tax reduced to \$169 million from \$463 million in the prior period and equates to an annualised return on equity of 4.3%.

Statutory gross written premium increased 13% as a result of continued favourable premium rate increases, improved retention and further new business growth. Our Crop business achieved particularly strong growth, supported by commodity prices and organic initiatives.

Rising inflation has prompted aggressive action by central banks globally, resulting in higher risk-free rates across all currencies during the period. This resulted in a \$804 million benefit to the underwriting account, and a corresponding \$854 million adverse mark-to-market impact on our fixed income portfolio.

The combined operating ratio excluding the risk-free rate benefit deteriorated to 94.1% from 93.3% in the prior period, reflecting the transaction to reinsure

North America Excess and Surplus (E&S) lines prior accident year liabilities which impacted the underwriting result by \$45 million. In addition we have recorded \$75 million for Australian customer remediation and the result was impacted by adverse development in prior accident year reserves. On the same basis, underwriting profit decreased to \$407 million from \$437 million in the prior period.

The total investment loss for the half was \$(840) million or (3.0)%, compared with a return of \$58 million or 0.2% in the prior period. Excluding the impact of risk-free rates, the investment return was \$14 million or 0.1% compared to \$190 million or 0.7% in the prior period, primarily due to the significant widening of credit spreads during the current period, and unrealised losses in the risk asset portfolio.

This recalibration in bond yields has however, resulted in a material increase in the exit running yield of our fixed income portfolio from 68bps to 249bps, which should enhance future investment returns.

We made steady progress in redeploying toward our target strategic asset allocation in the period, with 11% of the portfolio now

in risk assets, and the remainder in high quality fixed income securities.

In May, QBE sold the Westwood Insurance Agency in North America for \$374 million. The transaction had a \$6 million positive impact in the period, after accounting for \$328 million of goodwill which was allocated to Westwood, and \$30 million in restructuring expenses.

QBE's capital position improved during the half, notwithstanding significant organic growth, normalisation of investment portfolio mix, and statutory profit which was challenged by several non-recurring items.

The indicative APRA PCA multiple increased to 1.77x compared to the pro forma position of 1.75x at 31 December 2021. This is now towards the upper end of our 1.6–1.8x target range.

Debt to total capital was 24.5% at 30 June 2022, a minor increase from the pro forma gearing position of 24.1% at 31 December 2021, though remains within the Group's 15–30% target range.

Summary income statement and underwriting performance

| FOR THE HALF YEAR ENDED 30 JUNE | STATUTORY | | ADJUSTMENTS | | ADJUSTED BASIS |
|--|---------------|---------------|---------------------------------|----------------------|----------------|
| | 2022 US\$M | 2021 US\$M | PRICING REVIEW 2022 US\$M | E&S 2022 US\$M | 2022 US\$M |
| Gross written premium | 11,552 | 10,203 | (57) | – | 11,609 |
| Gross earned premium | 9,047 | 7,980 | (53) | – | 9,100 |
| Net earned premium | 6,789 | 6,571 | (53) | (390) | 7,232 |
| Net claims expense | (3,651) | (4,023) | – | 327 | (3,978) |
| Net commission | (1,051) | (1,009) | – | – | (1,051) |
| Underwriting and other expenses | (896) | (897) | (7) | (2) | (887) |
| Underwriting result | 1,191 | 642 | (60) | (65) | 1,316 |
| Net investment (loss) income on policyholders' funds | (547) | 32 | – | – | (547) |
| Insurance profit | 644 | 674 | (60) | (65) | 769 |
| Net investment (loss) income on shareholders' funds | (293) | 26 | – | – | (293) |
| Financing and other costs | (135) | (126) | (15) | – | (120) |
| Gain on sale of entities and businesses | 36 | – | – | – | 36 |
| Share of net loss of associates | (3) | (3) | – | – | (3) |
| Remediation | – | – | 75 | – | (75) |
| Restructuring and related expenses | (54) | (29) | – | – | (54) |
| Amortisation and impairment of intangibles | (8) | (12) | – | – | (8) |
| Profit before income tax | 187 | 530 | – | (65) | 252 |
| Income tax expense | (33) | (86) | – | – | – |
| Profit after income tax | 154 | 444 | – | – | – |
| Non-controlling interests | (3) | (3) | – | – | – |
| Net profit after income tax | 151 | 441 | – | – | – |
| KEY RATIOS | % | % | | | % |
| Net claims ratio (ex risk-free rate) | 65.4 | 64.3 | | | 66.1 |
| Ex-cat claims ratio | 62.5 | 58.1 | | | 58.4 |
| Catastrophe claims ratio | 6.7 | 7.0 | | | 6.3 |
| Prior accident year claims development | (4.0) | (1.1) | | | 0.9 |
| Risk margin charge | 0.2 | 0.3 | | | 0.5 |
| Net commission ratio | 15.5 | 15.3 | | | 14.5 |
| Expense ratio | 13.2 | 13.7 | | | 12.3 |
| Combined operating ratio (ex risk-free rate) | 94.1 | 93.3 | | | 92.9 |
| Combined operating ratio | 82.5 | 90.2 | | | 81.8 |
| Insurance profit margin | 9.5 | 10.3 | | | 10.6 |

Significant items impacting the underwriting result

The summary income statement above shows the statutory result excluding the following items to more clearly present underlying performance.

Australian pricing promise review

As part of a broader industry review, QBE has investigated pricing practices dating back several years across a range of retail products. The review was focused around the delivery of pricing promises for retail products.

Following the review, QBE has identified instances where the policy pricing promise was not fully delivered.

\$75 million (including \$15 million in financing and other costs) before tax has been recorded in the first half to account for expected customer remediation, interest payable and the costs associated with administering the program.

North America E&S reinsurance transaction

During the half, the Group entered into a transaction to reinsure E&S prior accident year liabilities. The transaction had a material impact on the comparison of net earned premium and key underwriting ratios.

The loss portfolio transfer reduced net earned premium and net claims expense by \$390 million and \$327 million respectively, while impacting underwriting expenses by \$2 million.

As a result, the transaction had a \$65 million net adverse impact (including an estimated \$20 million risk-free rate impact) on the underwriting result.

Unless otherwise stated, the Group and business commentary following excludes both items in the first half of 2022.

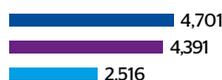


Premium income and pricing

Gross written premium (US\$M)

11,609

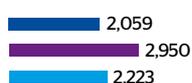
↑ 18% from 2021



Net earned premium (US\$M)

7,232

↑ 15% from 2021



- North America
- International
- Australia Pacific

Average renewal premium rate increase

Group

+8.1%

| | |
|-------------------|--------|
| North America | +10.4% |
| International | +7.0% |
| Australia Pacific | +9.1% |

Group

Gross written premium increased 14% on a headline basis to \$11,609 million from \$10,203 million in the prior period.

On a constant currency basis, gross written premium increased 18% reflecting continued rate increases, organic growth, further strong growth in Crop and improved retention.

Excluding Crop, gross written premium growth was 13% on the same basis.

The Group achieved an average renewal premium rate increase of 8.1% compared with 9.7% in the prior period.

Excluding premium rate increases and Crop, constant currency growth was 6% for the first half of 2022, which reduced from 7% in the prior period.

North America

North America reported a 24% increase in gross written premium, underpinned by an average renewal premium rate increase of 10.4% compared with 10.2% in the prior period.

Excluding Crop, gross written premium grew 8%, which was supported by continued premium rate increases and targeted growth across selected lines. This more than offset a planned reduction in exposure in the programs business, which should support further reduction in North America catastrophe exposure.

Crop premium increased by 40% as a result of significantly higher commodity prices coupled with strong organic growth.

Excluding premium rate increases and Crop, growth was 3%.

International

International reported a 19% increase in gross written premium. Premium rate increases remained supportive at 7.0%, albeit have moderated slightly, largely in classes which have experienced prolonged periods of compound rate increases.

European insurance (financial lines, property and liability) and QBE Re achieved strong top-line growth of 20% and 27% respectively, while the UK and International markets grew by 20% and 14% respectively. Asia grew by 5% due to improved rate across major markets.

Excluding premium rate increases, growth was 12%.

Australia Pacific

Australia Pacific reported a 6% increase in gross written premium reflecting a 9.1% premium rate increase compared with 7.7% in the first half of 2021.

Growth in commercial lines, farm and personal lines was offset by moderation in Lenders Mortgage Insurance (LMI), where interest rate normalisation impacted new lending applications. Excluding premium rate increases and LMI, growth was 3%.

Reinsurance expense

Reinsurance expense increased 33% to \$1,868 million from \$1,409 million in the prior period.

Much of the increase relates to the Crop portfolio, where the majority of growth in this portfolio was ceded through the placement of an external quota share to manage net retention. Excluded from the reinsurance expense above is the one-time reinsurance of legacy North America E&S reserves for \$390 million.

Average renewal premium rate increases

| FOR THE HALF YEAR ENDED 30 JUNE | 2022 % | 2021 % | 2020 % | 2019 % |
|---------------------------------|-----------|-----------|-----------|-----------|
| North America | 10.4 | 10.2 | 9.5 | 3.8 |
| International | 7.0 | 10.5 | 10.1 | 3.9 |
| Australia Pacific | 9.1 | 7.7 | 5.5 | 6.8 |
| Group | 8.1 | 9.7 | 8.7 | 4.7 |

Foreign exchange rates

| FOR THE HALF YEAR ENDED 30 JUNE | | 2022 | | 2021 | |
|---------------------------------|-----|----------------|---------------|----------------|---------------|
| | | PROFIT OR LOSS | BALANCE SHEET | PROFIT OR LOSS | BALANCE SHEET |
| Australian dollar | A\$ | 0.719 | 0.690 | 0.771 | 0.750 |
| Sterling | £ | 1.296 | 1.218 | 1.389 | 1.383 |
| Euro | € | 1.092 | 1.048 | 1.205 | 1.186 |

Segment underwriting performance

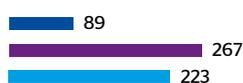
Combined operating ratio

92.9%



Underwriting result

512



- North America
- International
- Australia Pacific

North America

North America reported a combined operating ratio of 95.6%, an improvement from 100.9% in the prior period.

Catastrophe costs were 3.0% of net earned premium, and declined significantly from 8.8% in the prior period which was adversely impacted by Winter Storm Uri.

Adverse prior accident year claims development of \$32 million or 1.6% of net earned premium was recorded in the half, compared with favourable development of 0.7% in the first half of 2021.

The combined commission and expense ratio improved 1.3% compared to the prior period as a result of premium growth, favourable mix and positive operating leverage.

Crop recorded a combined operating ratio of 92.8%, which improved from 93.7% in the prior period. Strong premium growth and a new external quota share supported improved total acquisition costs which more than offset a higher claims ratio assumption.

International

International reported a combined operating ratio of 91.0%, which deteriorated from 89.1% in the prior period.

Higher catastrophe costs were more than offset by further improvement in the combined commission and expense ratio, which included an allowance for exposure to the Russia/Ukraine conflict.

The ex-cat claims ratio was steady on the prior period, with the benefit of further premium rate increases offset by inflation impacts, and an increase in frequency as economic activity returned to more normal levels.

Adverse prior accident year development of \$75 million or 2.6% of net earned premium was recorded in the half, compared to 1.5% of positive development in the prior period. This primarily reflected additional inflation impacts, and a strengthening of COVID-19 business interruption reserves following the Corbin & King judgement.

Australia Pacific

Australia Pacific reported a combined operating ratio of 90.0%, which improved from 91.0% in 2021.

While the ex-cat claims ratio was steady on the prior period, the significant impact of east coast storms and floods resulted in net catastrophe claims costs of 9.8% of net earned premium, relative to 8.2% in the prior period.

Prior accident year claims development contributed \$39 million to the underwriting result, or 1.7% of net earned premium, compared to 1.2% in the prior period.

The combined commission and expense ratio improved further, supported by premium rate increases, cost control and favourable operating leverage.

The LMI result was supported by favourable prior year development, where delinquency and claim payment trends remain particularly supportive.

| FOR THE HALF YEAR ENDED 30 JUNE | GROSS WRITTEN PREMIUM | | NET EARNED PREMIUM | | COMBINED OPERATING RATIO | | UNDERWRITING RESULT | |
|---------------------------------|-----------------------|---------------|--------------------|--------------|--------------------------|-------------|---------------------|------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | US\$M | US\$M | US\$M | US\$M | % | % | US\$M | US\$M |
| North America | 4,701 | 3,776 | 2,059 | 1,882 | 95.6 | 100.9 | 89 | (17) |
| International | 4,391 | 3,899 | 2,950 | 2,612 | 91.0 | 89.1 | 267 | 285 |
| Australia Pacific | 2,516 | 2,545 | 2,223 | 2,075 | 90.0 | 91.0 | 223 | 186 |
| Corporate & Other | 1 | (17) | – | 2 | – | – | (67) | (17) |
| Group adjusted basis | 11,609 | 10,203 | 7,232 | 6,571 | 92.9 | 93.3 | 512 | 437 |
| Risk-free rate impact | – | – | – | – | (11.6) | (3.1) | 784 | 205 |
| Remediation | (57) | – | (53) | – | 0.9 | – | (60) | – |
| E&S reinsurance transaction | – | – | (390) | – | 0.3 | – | (45) | – |
| Group statutory | 11,552 | 10,203 | 6,789 | 6,571 | 82.5 | 90.2 | 1,191 | 642 |



Claims

Net claims ratio

66.1%



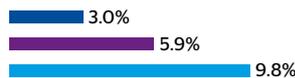
Ex-cat claims ratio

58.4%



Catastrophe claims ratio

6.3%



- North America
- International
- Australia Pacific

Prior accident year claims development

(US\$M)

(68)^{1,2}



Incurred claims

Excluding the impact of changes in risk-free rates used to discount net outstanding claims, the net claims ratio increased to 66.1% from 64.3% in the prior period.

This increase was primarily driven by adverse prior accident year claims development of \$68 million^{1,2}, compared to favourable prior year development of \$71 million¹ in the first half of 2021.

The current accident year claims ratio improved on the prior period, supported by a reduction in the net cost of catastrophe claims to 6.3% of net earned premium, while the ex-cat claims ratio increased slightly to 58.4%.

Catastrophe claims

The net cost of catastrophe claims improved to \$454 million or 6.3% of net earned premium, slightly ahead of the first half allowance of \$442 million, though an improvement from a net cost of 7.0% in the prior period.

Natural catastrophe costs included widespread flooding and storm claims along the east coast of Australia, and storm Eunice in Europe and the UK.

Catastrophe costs also included a \$75 million allowance for the Russia/Ukraine conflict, which reflects exposure through political risk, political violence and aviation classes. Excluding the estimated impact of the Russia/Ukraine conflict, natural catastrophe costs of \$379 million were below the first half allowance of \$442 million.

Ex-cat claims

The ex-cat claims ratio increased to 58.4% from 58.1% in the prior period.

While premium rate increases remained supportive, the operating environment was challenged by higher inflation across all key regions, resulting in increased claims severity being observed across a number of largely short tail classes. Further, as economic activity returned to more normal levels, some portfolios are experiencing an increase in claims frequency.

In North America, the current half included a higher claims ratio assumption for Crop, and higher frequency of large commercial property claims was also observed.

In Australia Pacific, an above normal frequency of non-catastrophe weather claims had an impact across many property lines.

Prior accident year claims development

Prior accident year claims development was \$68 million^{1,2} adverse or 0.9% of net earned premium, compared to \$71 million¹ favourable or (1.1)% in the prior year.

North America reported \$32 million¹ of adverse development, reflecting strengthening in financial lines across older accident years and discontinued programs.

International reported \$75 million² of adverse development. COVID-19 business interruption reserves were strengthened following the Corbin & King judgement, while inflation allowances were increased across the portfolio.

Australia Pacific reported \$39 million of favourable development, reflecting releases from LMI, partially offset by inflation related strengthening in a number of classes.

- 1 Excludes \$18 million of positive prior accident year claims development pertaining to North America Crop insurance that is matched by additional premium cessions under the MPC1 scheme (2021 \$2 million positive).
- 2 Excludes \$13 million of adverse prior accident year claims development in International which is more than offset by related premium adjustments also recognised in the period.

Weighted average risk-free rates

| CURRENCY | | 30 JUNE 2022 | 31 DECEMBER 2021 | 30 JUNE 2021 |
|----------------------------------|-------|--------------|------------------|--------------|
| Australian dollar | % | 3.16 | 1.12 | 0.68 |
| US dollar | % | 3.09 | 1.44 | 1.35 |
| Sterling | % | 2.15 | 0.86 | 0.72 |
| Euro | % | 1.19 | (0.33) | (0.30) |
| Group weighted | % | 2.49 | 0.87 | 0.73 |
| Estimated risk-free rate benefit | US\$M | 804 | 301 ¹ | 205 |

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

Underwriting expenses, commission and tax

Expense ratio

12.3%

2021 13.7%

Net commission ratio

14.5%

2021 15.3%

Tax rate

17.7%

2021 16.2%

Underwriting and other expenses

The Group's expense ratio improved to 12.3% from 13.7% in the prior period, reflecting disciplined cost management, favourable business mix and ongoing operating leverage as a result of strong premium growth.

International and Australia Pacific achieved further improvement in their expense ratios, as a result of cost control coupled with positive operating leverage.

North America reported a slight deterioration in its expense ratio to 11.9% from 11.6% in the prior period, where the benefit of positive operating leverage and mix was offset by targeted reinvestment.

Net commission

The net commission ratio reduced to 14.5% from 15.3% in the prior period, primarily due to higher quota share income from the increased Crop quota share and favourable business mix.

North America's commission expense ratio was supported by further growth in Crop, where commissions are reimbursed by the US Government, and higher

commission income from quota share reinsurance. Further, additional growth in financial lines was achieved, which is supported by significant quota share.

International and Australia Pacific's commission ratio also improved on the prior period due to favourable business mix shift and a continued focus on trading and distribution negotiations.

Income tax expense

QBE's effective statutory tax rate was 17.7% compared with 16.2% 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 \$43 million in corporate income tax globally, with no payments in Australia due to our tax loss position. The balance of the franking account stood at A\$49 million as at 30 June 2022, enabling the Group to fully frank A\$114 million of dividends.

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

Operational efficiency

Underwriting and other expenses (US\$M)

887

↑ 4% on 2021¹

Expense ratio

12.3%



We are now well into the next phase of our operational efficiency journey, including the rationalisation and modernisation of our technology estate. In addition to cost efficiencies, digitisation and modernisation are expected to drive sustained improvement in operating capacity and business agility.

During the half, we continued to simplify divisional organisational structures, particularly in Australia Pacific and International.

The modernisation of our technology estate remains on track, with continued progress on reducing our exposure to end-of-life technology, and the closure of our Sydney data centre resulting in the migration of legacy applications to cloud-based or modern infrastructure in a new co-located facility.

Our program of work is on track to deliver material technology cost savings by the end of 2022, a portion of which has been invested in new services including cyber security and cloud engineering capabilities.

These measures are supporting reinvestment into key areas of strategic growth and helping to unlock greater operating leverage in our business.

Our digital capability continues to improve with the launch of a new digital platform enabling direct, online purchasing of insurance products by our micro SME customers, a 'build your own' digital insurance product for our Singapore customer base, and ongoing digitisation of processes across the core insurance value chain.

Given strong progress against our 2023 expense ratio target, we expect to increasingly reinvest incremental operating efficiencies to drive further modernisation, and capitalise on longer-term growth opportunities.

The expected \$150 million restructuring expense of the three year program is now expected to be fully incurred by the end of FY22, including a \$24 million charge recognised in the current period that was not reported as part of the Group's underwriting expenses.

¹ Constant currency basis.



Investment performance and strategy

Total investment (loss) income (US\$M)

(840)

↓ 898 from 2021

Total investment return

(3.0)%

2021 0.2%

Fixed income VS Risk assets

(3.3)% (0.4)%

2021 (0.2)% 2021 5.9%

The total investment loss for the first half was \$(840) million or (3.0)%, compared with a return of \$58 million or 0.2% for the prior period. The result was materially impacted by unrealised losses associated with the significant increase in bond yields during the period.

Adjusting for the impact of changes in risk-free rates on fixed income securities, the total investment return was \$14 million or 0.1% for the half, a decrease from 0.7% in the prior period. In fixed income, the core yield from the portfolio was almost fully offset by adverse credit spread marks, and within risk assets, the returns from infrastructure and unlisted property were largely offset by unrealised losses on equities and enhanced fixed income.

Fixed income

The fixed income portfolio experienced a significant increase in running yield, with the 30 June 2022 exit running yield of 2.49% almost 200 basis points higher than at 31 December 2021, reaching levels not experienced since closing the balance sheet mismatch.

Our corporate credit portfolio performed consistently with broad market indices. The portfolio exhibited strong credit quality, with rating downgrades below the level seen more broadly across fixed income markets.

Risk assets

We have had a deliberate strategy to position our risk asset portfolio toward asset classes which exhibit some positive correlation to inflation, in recognition of the corresponding sensitivity of our claims liabilities.

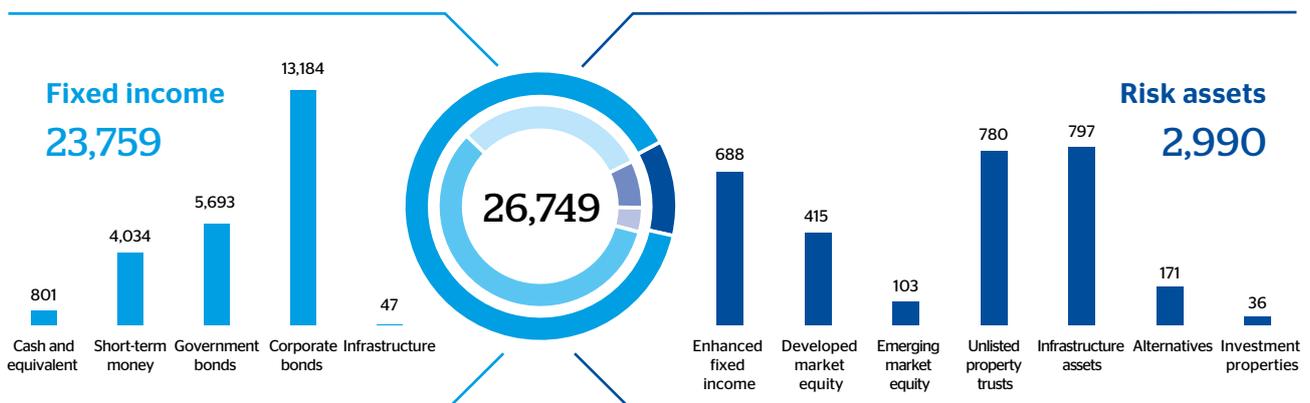
Our unlisted property and infrastructure assets performed well against a backdrop of heightened financial market volatility, delivering a 6.2% return in the first half. This helped to offset weaker performance across other risk asset classes including high yield and emerging market debt, and listed equities.

Funds under management

The portfolio remains conservatively positioned with around 89% invested in high quality fixed income securities and the remaining 11% invested in risk assets. Into 2023, we will continue to gradually redeploy toward our target strategic asset allocation benchmark of 15% risk asset exposure.

Funds under management declined by 8% compared to the 2021 full year, or 3% on a constant currency basis after accounting for a \$1,329 million foreign exchange headwind. The balance was impacted by adverse mark-to-market losses, the pre-funded redemption of a Tier 2 note and the E&S transaction.

Total cash and investments (US\$M)



| | POLICY-HOLDERS' FUNDS | SHARE-HOLDERS' FUNDS | | POLICY-HOLDERS' FUNDS | SHARE-HOLDERS' FUNDS |
|---------------------------|-----------------------|----------------------|--------------------------|-----------------------|----------------------|
| Cash and cash equivalents | 525 | 276 | Fixed income | | |
| Short-term money | 2,643 | 1,391 | ● Policyholders' funds | | |
| Government bonds | 3,730 | 1,963 | ● Shareholders' funds | | |
| Corporate bonds | 8,637 | 4,547 | Risk assets | | |
| Infrastructure debt | 31 | 16 | ● Policyholders' funds | | |
| | | | ● Shareholders' funds | | |
| | | | Enhanced fixed income | 451 | 237 |
| | | | Developed market equity | 272 | 143 |
| | | | Emerging market equity | 67 | 36 |
| | | | Unlisted property trusts | 511 | 269 |
| | | | Infrastructure assets | 522 | 275 |
| | | | Alternatives | 112 | 59 |
| | | | Investment properties | 24 | 12 |

Balance sheet and capital management

Capital

QBE's indicative PCA multiple improved to 1.77x at 30 June 2022 from 1.75x¹ at 31 December 2021.

The strong result was supported by the sale of Westwood, first half profitability and lower insurance liabilities and asset risk charges reflecting the material increase in interest rates.

These factors more than offset capital absorbed through organic growth, deployment toward our long-term investment portfolio strategic asset allocation, and an increase in the insurance concentration risk charge.

In May 2022, QBE redeemed GBP327 million of subordinated Tier 2 notes. These notes were capital qualifying under APRA's capital adequacy framework. The redemption was pre-funded by the September 2021 issuance of GBP400 million of capital qualifying Tier 2 subordinated notes.

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.

Net outstanding claims

At 30 June 2022, the risk margin was \$1,366 million or 8.7% of the net discounted central estimate of outstanding claims compared with \$1,418 million and 8.8% at 31 December 2021.

Excluding foreign exchange and the E&S reinsurance transaction, the risk margin increased \$38 million.

The underlying growth in the risk margin over the period primarily reflected further significant strain associated with strong new business growth, partially offset by the impact of higher risk-free rates.

The probability of adequacy (PoA) of net outstanding claims remained unchanged at 91.7%, and remains comfortably above the midpoint of the Group's 87.5–92.5% target range.

Borrowings

At 30 June 2022, total borrowings were \$2,755 million, a reduction of \$513 million from \$3,268 million at 31 December 2021.

The decrease in borrowings reflects the redemption of GBP327 million subordinated Tier 2 notes in May 2022.

Debt to total capital was 24.5% at 30 June 2022, a minor increase from 24.1%¹ at 31 December 2021.

Gross interest expense on borrowings for the half year was \$87 million, in line with the prior period. Following the redemption of the 6.115% GBP327 million Tier 2 notes in May 2022 which was pre-funded with 2.50% GBP400 million Tier 2 notes in September 2021, this represents an interest saving of approximately GBP10 million per annum.

The average annualised cash cost of borrowings at 30 June 2022 was 5.4%, in line with 31 December 2021.

At 30 June 2022, all but \$6 million of the Group's borrowings continued to count towards regulatory capital.

Key balance sheet and capitalisation metrics

| AS AT | | BENCHMARK | 30 JUNE 2022 | | 31 DECEMBER 2021 | |
|---------------------------------|-------|-----------|----------------|-----------|------------------------|--|
| | | | STATUTORY | STATUTORY | PRO FORMA ¹ | |
| Net discounted central estimate | US\$M | | 15,613 | 16,107 | 16,107 | |
| Risk margin | US\$M | | 1,366 | 1,418 | 1,418 | |
| Net outstanding claims | US\$M | | 16,979 | 17,525 | 17,525 | |
| Net assets | US\$M | | 8,513 | 8,882 | 8,882 | |
| Less: intangible assets | US\$M | | (2,014) | (2,449) | (2,449) | |
| Net tangible assets | US\$M | | 6,499 | 6,433 | 6,433 | |
| Add: borrowings | US\$M | | 2,755 | 3,268 | 2,826 | |
| Total tangible capitalisation | US\$M | | 9,254 | 9,701 | 9,259 | |
| Debt to total capital | % | 15–30 | 24.5 | 26.9 | 24.1 | |
| Debt to equity | % | | 32.4 | 36.8 | 31.8 | |
| Debt to tangible equity | % | | 42.4 | 50.8 | 43.9 | |
| Premium solvency ² | % | | 47.9 | 46.7 | 46.7 | |
| Probability of adequacy | % | | 91.7 | 91.7 | 91.7 | |
| Risk margin to central estimate | % | | 8.7 | 8.8 | 8.8 | |
| QBE's regulatory capital base | US\$M | | 10,071 | 10,389 | 9,947 | |
| APRA's PCA | US\$M | | 5,675 | 5,732 | 5,699 | |
| PCA multiple | | 1.6–1.8x | 1.77x | 1.81x | 1.75x | |

1 Pro forma adjusting for GBP327 million pre-funded debt repaid in May 2022.

2 The ratio of net tangible assets to net earned premium.



Cash profit and dividends

Reconciliation of cash profit

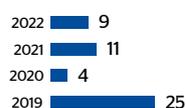
| FOR THE HALF YEAR ENDED 30 JUNE | 2022 US\$M | 2021 US\$M |
|---|---------------|---------------|
| Net profit after tax | 151 | 441 |
| Amortisation and impairment of intangibles after tax ¹ | 30 | 26 |
| Write-off of deferred tax assets | – | – |
| Write-off of capitalised tax assets | – | – |
| Net cash profit after tax | 181 | 467 |
| Restructuring and related expenses after tax | 49 | 21 |
| Net gain on disposals after tax | (36) | – |
| Additional Tier 1 capital coupon | (25) | (25) |
| Adjusted net cash profit after tax | 169 | 463 |
| Return on average shareholders' equity – adjusted cash basis (%) | 4.3 | 11.9 |
| Basic earnings per share – adjusted cash basis (US cents) | 11.4 | 31.4 |
| Dividend payout ratio (percentage of adjusted cash profit) ² | 57% | 27% |

1 \$37 million of pre-tax amortisation expense is included in underwriting expenses (2021 \$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¢)

9



Dividend payout (A\$M)

133

Dividends

QBE's recently revised dividend policy is calibrated to a 40-60% payout of annual adjusted cash profit. This updated approach will better support the Group's growth ambitions and provide flexibility to manage the dynamics associated with the global insurance cycle.

The interim dividend for 2022 is 9 Australian cents per share, a decrease from 11 Australian cents per share from the 2021 interim dividend.

The payout for the current period reflects the Board's confidence around the strength of the balance sheet and positive business momentum, while retaining

flexibility to manage earnings volatility in the second half of the year, where catastrophe incidence and Crop variability are typically higher.

The interim dividend will be 10% franked and is payable on 23 September 2022. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

The 2022 interim dividend payout is A\$133 million compared with A\$162 million in the prior period.

Closing remarks

Despite challenges to the outlook including higher inflation and economic uncertainty, we remain confident in our ambition for improved, and more consistent returns. The potential for higher investment returns should materially enhance recent business momentum, and broaden our earnings base.

Outlook focus

Maximise market opportunity

Drive targeted growth and enhance returns

Reduce volatility

Mitigate volatility through evolving portfolio optimisation framework

Build greater consistency

In our operations and financial results

Sustainability

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

Despite an operating backdrop that was characterised by heightened inflation, geopolitical tensions and significant financial market volatility, QBE demonstrated improved resilience and continued business momentum.

While there remains a large degree of economic uncertainty heading into the second half, we are encouraged by another period of strong organic growth, and expect market conditions to remain supportive over the remainder of the year. After a prolonged low interest rate environment, current yields support a materially higher investment result, which alongside recent underwriting margin improvement, underpins our confidence in the outlook.

Achieving an appropriate risk-adjusted return on capital in North America remains our highest priority, and the turnaround in profitability this half is encouraging. We are making good progress on our strategy to further optimise and grow the portfolio to achieve a better balanced, less volatile and higher quality earnings base in the region.

We have sharpened our focus around volatility through the period, which is driving a recalibration in culture. This is supporting an evolution of our approach to risk, with more consistent use of volatility metrics across the group, and more deliberate decisions around capital allocation, pricing and reinsurance to support our ambition for more consistent financial returns.

We successfully exited the Westwood Insurance Agency in North America, and executed a loss portfolio transfer on North American E&S reserves. We will continue to consider initiatives such as retrospective reinsurance that may provide opportunities to reduce volatility and reserve risk, and redeploy capital to support organic growth.

Foundational investment in the modernisation of our technology estate alongside pricing and claims capabilities is supporting improved service to customers and distribution partners, plus more streamlined work-flow across the Group. We maintain a disciplined expense culture, and the benefit of significant positive operating leverage now affords a greater degree of flexibility to pursue additional initiatives to modernise the business and support growth.

Sustainability is deeply integrated into our new purpose, vision and strategy. Progress against our sustainability commitments will enhance our ability to attract and retain customers, talent and capital. Significant work is underway to embed our refreshed sustainability strategy across our underwriting activities, and enhance capability across the Group to support our customers on their transition pathway.

With premium rate increases expected to remain supportive, coupled with ongoing operating leverage and a significantly improved contribution from the investment account, we remain confident of achieving a stronger, more consistent level of financial performance over the medium term.

Inder Singh
Group Chief Financial Officer

North America business review

Gross written
premium (US\$M)

4,701

↑ 24% from 2021

Net earned
premium (US\$M)

2,059

↑ 9% from 2021

Combined
operating ratio

95.6%

2021 100.9%

Underwriting
result¹ (US\$M)

89

↑ 106 from 2021

Insurance
margin

8.0%

2021 2.3%

North America delivered its strongest result in the past five years, supported by a continued positive premium rate environment, the execution of a profitable organic growth strategy and efforts to better manage volatility.

Todd Jones • Chief Executive Officer • North America

2022 overview

The operating environment remained favourable through the first half of 2022, which helped support our strategy focused on targeted organic growth, alongside further improvement in underwriting discipline. This contributed toward a return to profitability for North America, reporting a combined operating ratio of 95.6% for the first half compared with 100.9% in the prior period.

Pricing remained strong, resulting in an average renewal rate increase (excluding Crop) of 10.4%, compared with 10.2% in the prior period. This included rate increases of 15% in financial lines, 20% in property catastrophe programs and 10% in accident & health (A&H), all broadly consistent with the prior period.

Overall gross written premium growth was robust at 24%. North America continued to realign the portfolio toward its core focus, exiting a number of program partnerships and the Westwood Insurance Agency. Capital has been reallocated for targeted growth in commercial and specialty lines, including retail middle market, financial lines and A&H.

North America continued to refine its strategy and risk appetite around volatility to support capital allocation decisions and sustainable growth. There has been an ongoing reduction in property catastrophe risk with a plan to reduce coastal wind exposure by over 30% in 2022, alongside the use of reinsurance to manage earnings-at-risk in other classes of business, including Crop.

Modernisation and efficiency initiatives are driving improved outcomes. Foundational investments in policy administration and data architecture are well progressed, with the migration of a number of key systems nearing completion. Adoption of better pricing models and integration of additional third party data have improved pricing and risk selection tools.

During the second quarter, North America executed a loss portfolio transaction which was finalised with the transfer of \$327 million of outstanding claims reserves related to the run-off legacy E&S portfolio, resulting in an adverse pre-tax impact \$65 million. All discussion of performance within has been adjusted for the impact of this transaction.

Underwriting result

| FOR THE HALF YEAR ENDED 30 JUNE | | 2022 | EX-E&S 2022 | 2021 | EX-COVID 2020 | 2019 |
|------------------------------------|-------|-------|----------------|-------|------------------|-------|
| Gross written premium | US\$M | 4,701 | 4,701 | 3,776 | 2,892 | 2,655 |
| Gross earned premium | US\$M | 3,246 | 3,246 | 2,578 | 2,051 | 2,067 |
| Net earned premium | US\$M | 1,669 | 2,059 | 1,882 | 1,542 | 1,729 |
| Net claims expense | US\$M | 979 | 1,306 | 1,388 | 1,247 | 1,251 |
| Net commission | US\$M | 238 | 238 | 246 | 237 | 263 |
| Underwriting expenses | US\$M | 246 | 244 | 219 | 229 | 246 |
| Underwriting result | US\$M | 206 | 271 | 29 | (171) | (31) |
| Net claims ratio | % | 68.4 | 72.2 | 76.2 | 73.6 | 69.9 |
| Net commission ratio | % | 14.2 | 11.5 | 13.1 | 15.4 | 15.2 |
| Expense ratio | % | 14.7 | 11.9 | 11.6 | 14.8 | 14.2 |
| Combined operating ratio | % | 97.3 | 95.6 | 100.9 | 103.8 | 99.3 |
| Statutory combined operating ratio | % | 87.6 | 86.8 | 98.5 | 111.0 | 101.8 |
| Insurance profit (loss) margin | % | 5.9 | 8.0 | 2.3 | (11.4) | N/A |

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

Underwriting performance

North America reported a combined operating ratio of 95.6%, which improved from 100.9% in the first half of 2021.

The result reflected a lower level of catastrophe claims, which decreased to \$61 million or 3.0% of net earned premium compared with 8.8% in the prior period.

We observed higher inflation, which alongside a higher loss ratio in Crop, resulted in a deterioration in the ex-cat claims ratio to 68.7%.

The result included a 1.3% reduction in the total acquisition cost ratio due to cost savings and improved operating leverage.

Adverse prior year claims development added 1.6% to the claims ratio, due to strengthening in legacy financial lines and discontinued programs, while underlying claims inflation assumptions were also strengthened across a number of lines.

The combined operating ratio for Crop was 92.8% compared with 93.7% in 1H21.

Premium income

Gross written premium increased 24% to \$4,701 million. This reflected particularly strong growth in Crop and 8% growth across the broader business as a result of continued strong premium rate increases, new business growth and slightly improved retention levels.

Crop gross written premium increased 40% primarily due to higher commodity prices, notably for corn (+29%) and soybeans (+21%), coupled with organic growth of around 16%. The Crop business continues to grow market share through its leading technology-oriented customer proposition, deeply ingrained agent loyalty and investment in new talent.

Commercial & Specialty premium grew 9% compared to the prior period. Premium rate increases remained strong in all lines

while investment in market-leading talent to increase our financial lines footprint 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 the growth.

North America commenced exiting a number of programs which accounted for around \$400 million of gross written premium in 2021. These actions will lead to an exposure reduction in both convective storm and social inflation.

Net earned premium increased 9% to \$2,059 million. Growth lagged top-line growth largely due to strong growth in heavily reinsured portfolios such as Crop (including the placement of a new quota share for 2022).

Claims expense

The ex-cat claims ratio deteriorated to 68.7% from 67.8% in the prior period.

We observed increased severity in certain property segments and higher social inflation in casualty lines during 2021, which continued in 2022 and is partly connected to the aforementioned terminations in the program business.

Further, the ex-cat claims ratio for Crop increased on the prior period given risks surrounding planting conditions that arose in the second quarter.

Catastrophe claims decreased to 3.0% of net earned premium from 8.8% in the

prior period, primarily due to the impact of Winter Storm Uri during the first quarter of 2021.

Adverse prior accident year claims development of \$32 million or 1.6% of net earned premium compared with favourable development of 0.7% in the first half of 2021. This reflected strengthening in older accident years for financial lines and discontinued programs, primarily around public entity portfolios where we have observed higher social inflation. Elsewhere, underlying claims inflation assumptions were strengthened across a number of lines.

Commission and expenses

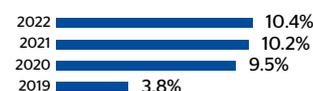
The combined commission and expense ratio improved to 23.4% from 24.7% in the prior period, partly reflecting the benefit of business mix and operating leverage associated with strong growth in Crop, which operates with commission and expense ratios below the North America average.

Excluding Crop, North America's combined commission and expense ratio improved by approximately 0.8% from the prior period due to underwriting expense savings, coupled with improved operating leverage as a result of strong premium growth in targeted segments.

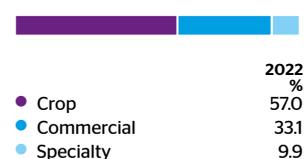
Average renewal premium rate increase

10.4%

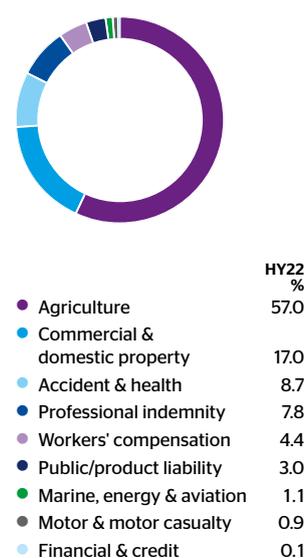
↑ 0.2% from 2021



Gross written premium by segment



Gross written premium by class of business



Combined commission and expense ratio

23.4%

↓ 1.3% from 2021



International business review

Gross written
premium (US\$M)

4,391

↑ 19% from 2021

Net earned
premium (US\$M)

2,950

↑ 18% from 2021

Combined
operating ratio

91.0%

2021 89.1%

Underwriting
result¹ (US\$M)

267

↓ 18 from 2021

Insurance
margin

13.3%

2021 16.2%

International delivered a strong combined ratio of 91.0% for the first half of 2022, demonstrating encouraging resilience through a period which was impacted by uncertainty regarding inflation and geopolitical tensions.

Jason Harris • Chief Executive Officer • International

2022 overview

While the operating environment was presented with a number of challenges through the first half of 2022, International demonstrated strong resilience and was able to record further progress in its pursuit of targeted growth. The combined operating ratio of 91.0% for the first half compared with 89.1% in the prior period, and was impacted by the Russia/Ukraine conflict and adverse prior year development.

Strong premium rate increases continued through the period, and momentum in new business volumes remained favourable. International has focused recent growth initiatives across QBE Re and Continental Europe, where good progress was made within these markets which are biased to a 1 January renewal.

Within QBE Re, our product offering in specialty and casualty reinsurance markets has been expanded through the addition of key specialist capability, and a disrupted January reinsurance renewal period resulted in materially improved opportunities to deploy capital. Supportive trading conditions were also present in Continental European insurance, where plans are progressed to open additional trading hubs, and leverage existing specialty capability within International to support our continental growth ambitions.

International's multinational proposition and global network of partner companies has been expanded, so that we can now issue local policies in more than 180 countries, to the growing number of customers who benefit from an integrated global program.

Further refinement of our volatility mapping and return on capital analysis has been embedded into our cell review framework, which will support future growth, reinsurance and capital allocation decisions.

Focus on sustainability has intensified, with the launch of a Sustainable Energies Unit to support customers in the transition to a lower carbon economy.

Underwriting result

| FOR THE HALF YEAR ENDED 30 JUNE | | 2022 | 2021 | EX-COVID 2020 | 2019 |
|------------------------------------|-------|--------------|-------|------------------|-------|
| Gross written premium | US\$M | 4,391 | 3,899 | 3,339 | 3,029 |
| Gross earned premium | US\$M | 3,384 | 3,108 | 2,645 | 2,446 |
| Net earned premium | US\$M | 2,950 | 2,612 | 2,321 | 2,139 |
| Net claims expense | US\$M | 1,361 | 1,372 | 1,602 | 1,474 |
| Net commission | US\$M | 506 | 465 | 421 | 379 |
| Underwriting expenses | US\$M | 342 | 351 | 323 | 315 |
| Underwriting result | US\$M | 741 | 424 | (25) | (29) |
| Net claims ratio | % | 62.2 | 57.8 | 60.8 | 62.6 |
| Net commission ratio | % | 17.2 | 17.9 | 18.1 | 17.8 |
| Expense ratio | % | 11.6 | 13.4 | 13.9 | 14.7 |
| Combined operating ratio | % | 91.0 | 89.1 | 92.8 | 95.1 |
| Statutory combined operating ratio | % | 74.9 | 83.8 | 101.1 | 101.4 |
| Insurance profit (loss) margin | % | 13.3 | 16.2 | (2.5) | N/A |

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

Underwriting performance

International delivered a combined operating ratio of 91.0% compared with 89.1% in the prior period.

Continued rate increases, in excess of expectations, together with strong levels of new business and underlying exposure growth resulted in further robust premium growth.

The operating backdrop was challenged by a number of headwinds including inflation uncertainty, the ongoing

Russia/Ukraine conflict, and an adverse court judgement relating to COVID-19 Business Interruption.

Excluding the expected impact from the Russia/Ukraine conflict, net catastrophe claims were below allowance for the half.

Sustained expense discipline alongside the benefit of positive operating leverage resulted in a further reduction in the expense ratio to 11.6% from 13.4% in the prior period.

Premium income

Gross written premium increased 19% to \$4,391 million, reflecting continued strong rate increases, targeted new business and significant underlying exposure growth across the platform.

The rating environment remains supportive across almost all lines, with an average renewal rate increase of 7.0% achieved in the first half. While there is some evidence of moderation, this tends to be in portfolios which have enjoyed prolonged periods of compound rate increases, and an associated improvement in rate adequacy.

Underlying premium exposure growth has also been delivered across all areas of the portfolio, including casualty, property and specialty classes.

Within Insurance, gross written premium increased by 16%. Mid to high single digit rate increases have been achieved across most portfolios, while underlying volume growth of nearly 9% was robust, with particularly strong contributions from liability classes as well as natural resources and UK property.

Within QBE Re, conditions for growth improved with premium up 27% compared to the prior period, reflecting a strong 1 January renewal season where we looked to capitalise on the disrupted marketplace.

Within Asia, gross written premium increased by 5% due to improved rate across major markets.

Claims expense

The net claims ratio increased to 62.2% from 57.8% in the prior period. This reflected earned rate increases offset by a number of aforementioned headwinds.

The ex-cat claims ratio was unchanged at 53.6%. The benefit of strong premium rate increases was offset by an increased allowance for inflation following an in-depth evaluation across the portfolio. As economic activity returns to more normal levels, many portfolios are experiencing an uplift in claims frequency compared to the first half of 2021, which was impacted by government lockdowns.

Net catastrophe claims were \$175 million or 5.9% of net earned premium compared

with 4.8% in the prior period. This included allowances booked in relation to the ongoing Russia/Ukraine conflict, where International has exposure to political risk and political violence classes as well as aviation within QBE Re.

Adverse prior accident year development of \$75 million or 2.6% of net earned premium was recorded in the first half, compared to 1.5% of positive development in the prior period. This largely reflected additional allowances for inflation together with a strengthening of COVID-19 business interruption claims liabilities following the Corbin & King judgement in the UK.

Commission and expenses

The combined commission and expense ratio improved to 28.8% from 31.3% in the prior period.

The net commission ratio improved to 17.2% from 17.9% in the prior period, reflecting a combination of favourable portfolio mix effects, together with the benefit of additional reinsurance profit

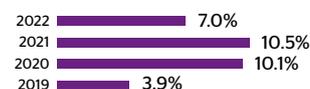
commissions which were recognised in the period.

The expense ratio improved to 11.6% from 13.4% in the prior year, reflecting the continued focus on cost containment alongside the benefit of positive operating leverage.

Average renewal premium rate increase

7.0%

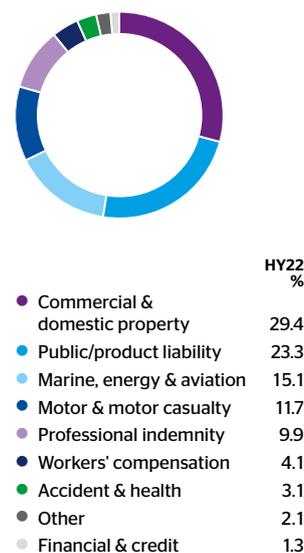
⬇️ 3.5% from 2021



Gross written premium by segment



Gross written premium by class of business



Combined commission and expense ratio

28.8%

⬇️ 2.5% from 2021



Australia Pacific business review

Gross written
premium (US\$M)

2,516

↑ 6% from 2021

Net earned
premium (US\$M)

2,223

↑ 15% from 2021

Combined
operating ratio

90.0%

2021 91.0%

Underwriting
result¹ (US\$M)

223

↑ 37 from 2021

Insurance
margin

12.1%

2021 11.1%

Despite heightened catastrophe activity and building inflation, Australia Pacific delivered a combined operating ratio of 90.0%. The result was underpinned by a continued positive premium rate environment and a strategy focused on driving underwriting improvement.

Sue Houghton • Chief Executive Officer • Australia Pacific

2022 overview

During the first half, significant flooding and a prolonged period of wet weather in eastern Australia gave rise to higher claims costs in short-tail classes, and exacerbated the trend toward higher inflation. Notwithstanding, Australia Pacific delivered consistent performance, while continuing to enhance capability across claims, underwriting and customer and partner connectivity. The combined operating ratio for Australia Pacific was 90.0% for the first half, compared with 91.0% in the prior period, supported by strong results in LMI, New Zealand and Australian commercial portfolios.

Australia Pacific remains focused on delivering consistent underwriting profitability and returns. Progress was made in re-orienting the business around the customer, with enhanced accountability for business leaders. Our strategy was refreshed and refined with a focus on simplification, modernisation, sustainability and targeted growth.

Premium rates continued to firm, with average increases of 9.1%, up from 7.7% in the prior period. Alongside further progress made in connectivity with customers and distribution partners, attractive growth was achieved across a number of target portfolios including commercial packages, farm and engineering.

While gross written premium growth was impacted by a moderation in LMI new business, supportive economic conditions including low unemployment and substantial house price appreciation have given rise to improved mortgage delinquency trends, and favourable claims experience in LMI.

Australia Pacific conducted a review of pricing promises in conjunction with the broader ASIC industry review. As announced in July, this gave rise to a charge of \$75 million in relation to instances where policy pricing promises were not fully delivered. Work is ongoing to close out the process and remediate impacted customers.

Underwriting result

| FOR THE HALF YEAR ENDED 30 JUNE | | 2022 | EX-PRICING 2022 | 2021 | EX-COVID 2020 | 2019 |
|------------------------------------|-------|-------|--------------------|-------|------------------|-------|
| Gross written premium | US\$M | 2,459 | 2,516 | 2,545 | 1,829 | 1,960 |
| Gross earned premium | US\$M | 2,412 | 2,465 | 2,303 | 1,858 | 1,951 |
| Net earned premium | US\$M | 2,170 | 2,223 | 2,075 | 1,696 | 1,797 |
| Net incurred claims | US\$M | 1,254 | 1,254 | 1,290 | 1,151 | 1,157 |
| Net commission | US\$M | 306 | 306 | 296 | 256 | 269 |
| Underwriting expenses | US\$M | 298 | 291 | 283 | 237 | 258 |
| Underwriting result | US\$M | 312 | 372 | 206 | 52 | 113 |
| Net claims ratio | % | 64.7 | 63.1 | 63.1 | 66.1 | 61.2 |
| Net commission ratio | % | 14.1 | 13.8 | 14.3 | 15.2 | 14.9 |
| Expense ratio | % | 13.7 | 13.1 | 13.6 | 14.0 | 14.4 |
| Combined operating ratio | % | 92.5 | 90.0 | 91.0 | 95.3 | 90.5 |
| Statutory combined operating ratio | % | 85.6 | 83.3 | 90.1 | 97.1 | 93.7 |
| Insurance profit margin | % | 9.6 | 12.1 | 11.1 | 1.5 | 13.6 |

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



Underwriting performance

Australia Pacific reported a combined operating ratio of 90.0% compared with 91.0% in the prior period.

Strong momentum in LMI, New Zealand & Pacific and Australian commercial portfolios were offset by higher claims from storms and floods in eastern Australia.

The ex-cat claims ratio was steady over the period, where the benefit of higher earned premium rates and lower claims handling costs was offset by increased frequency of weather-related claims and higher inflation in short-tail portfolios.

Excluding risk margin, LMI reported a current accident year combined ratio of 39.6%, an improvement from 50.7% in the prior period, predominantly due to higher commission income from quota share reinsurance.

Our business interruption claims liability is unchanged from 31 December 2021, as leave has been sought to appeal to the High Court following the recent test case judgement.

Premium income

Gross written premium increased 6% to \$2,516 million, reflecting supportive premium rate increases and sustained strength in retention, partially offset by lower volumes in LMI.

Premium rate increases averaged 9.1%, up from 7.7% in the prior period. Rate increases were broad based, though more pronounced in short-tail portfolios exposed to heightened natural peril activity and increased inflation.

Premium retention remained strong at 86%, broadly consistent with the prior period.

Commercial gross written premium growth of 7% was underpinned by farm, commercial packages and engineering. Excluding LMI, consumer also achieved gross written premium growth of 11%, reflecting higher rate increases while New Zealand & Pacific achieved gross written premium growth of 5%.

LMI gross written premium declined 30% to \$107 million, driven by reduced housing market activity following strong transaction volumes in the prior year.

Net earned premium for Australia Pacific increased 15% to \$2,223 million.

Claims expense

The ex-cat claims ratio was steady relative to the prior period at 55.2%. The benefit of higher earned premium rates and lower claims handling costs were offset by increased frequency of non-catastrophe storm claims, and higher inflation.

The net catastrophe claims ratio of 9.8% increased compared to 8.2% in the prior period. The half was underscored by the major Australian east coast flood event in February-March. The impact of this event was compounded by prolonged rain and storm activity in eastern Australia over the past six to nine months.

Elevated natural peril activity has exacerbated short-tail claims inflation, and as a result we have strengthened inflation allowances across a number of short-tail classes in both the current and prior accident years.

Positive prior accident year claims development was \$39 million or 1.7% of net earned premium.

In LMI, asset quality continues to improve, with 90-day arrears at 0.62%, down from 0.68% at 31 December 2021 and nearly 30 basis points below pre-COVID-19 levels. As a result, prior accident year claims liabilities were released in relation to COVID-19 and an assumed delay in claims notifications.

Partly offsetting the LMI release was a strengthening of inflation assumptions across a number of short tail classes. Liability experience was stable in the first half, while workers' compensation saw further strain concentrated in the XOL portfolio, which has been recently closed.

Commission and expenses

The combined commission and expense ratio improved to 26.9% from 27.9% in the prior period.

The net commission ratio reduced to 13.8% from 14.3% in the prior period, primarily due to business mix changes and additional commission income

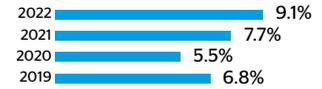
associated with increased LMI quota share reinsurance.

The expense ratio improved to 13.1% from 13.6% in the prior period, reflecting positive operating leverage together with phasing of expenses which are expected to seasonally increase in the second half.

Average renewal premium rate increase

9.1%

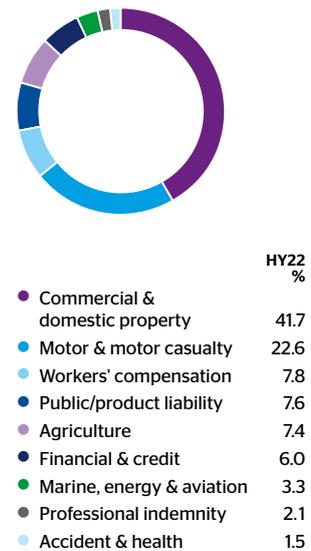
⬆️ 1.4% from 2021



Gross written premium by segment



Gross written premium by class of business



Combined commission and expense ratio

26.9%

⬇️ 1.0% from 2021



Directors' Report

FOR THE HALF YEAR ENDED 30 JUNE 2022

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 2022.

Directors

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

Yasmin Allen (from 1 July 2022)
 Stephen Fitzgerald AO (until 5 May 2022)
 John M Green (Deputy Chair) (until 5 May 2022)
 Andrew Horton
 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 2022 US\$M | 30 JUNE 2021 US\$M |
|--|--------------------------|--------------------------|
| Gross written premium | 11,552 | 10,203 |
| Gross earned premium revenue | 9,047 | 7,980 |
| Net earned premium | 6,789 | 6,571 |
| Net claims expense | (3,651) | (4,023) |
| Net commission | (1,051) | (1,009) |
| Underwriting and other expenses | (896) | (897) |
| Underwriting result | 1,191 | 642 |
| Net investment (loss) income on policyholders' funds | (547) | 32 |
| Insurance profit | 644 | 674 |
| Net investment (loss) income on shareholders' funds | (293) | 26 |
| Financing and other costs | (135) | (126) |
| Gain on sale of entities and businesses | 36 | – |
| Share of net loss of associates | (3) | (3) |
| Restructuring and related expenses | (54) | (29) |
| Amortisation and impairment of intangibles | (8) | (12) |
| Profit before income tax | 187 | 530 |
| Income tax expense | (33) | (86) |
| Profit after income tax | 154 | 444 |
| Net profit attributable to non-controlling interests | (3) | (3) |
| Net profit after income tax attributable to ordinary equity holders of the Company | 151 | 441 |

Result

The Group reported a net profit after tax attributable to ordinary equity holders of the Company of \$151 million for the half year ended 30 June 2022 compared with a net profit after tax of \$441 million for the prior period. The current period profit was impacted by investment market volatility including wider credit spreads and higher risk-free rates, as well as the cost of the transaction to reinsure prior accident year North American Excess and Surplus (E&S) liabilities and the impacts of the Australian pricing review.

Gross written premium increased by \$1,349 million mainly through continued premium rate increases, improved retention, and new business growth across the Group, with particularly strong growth in Crop. Reinsurance expense increased by \$849 million compared with the prior period, mainly reflecting the growth in Crop, where net retention was managed through the placement of an external quota share, combined with the cost of the E&S reinsurance transaction.

The Group reported a statutory underwriting profit of \$1,191 million compared with \$642 million in the prior period, equating to a combined operating ratio of 82.5% compared with 90.2%. Excluding the impacts of changes in risk-free rates, the combined operating ratio was 94.1% compared with 93.3% in the prior period.

The net claims ratio was 53.8% compared with 61.2% in the prior period. Excluding the impacts of changes in risk-free rates, the net claims ratio was 65.4% compared with 64.3% in the prior period. The beneficial impact of the E&S reinsurance transaction was more than offset by adverse prior accident year claims development (\$63 million excluding the transaction, compared to favourable development of \$73 million in the prior period) and an increase in the ex-cat claims primarily driven by a return to more normal levels of economic activity, elevated non-catastrophe weather claims in Australia, a higher loss ratio for Crop and higher inflation across all key regions.

The combined commission and expense ratio decreased to 28.7% from 29.0% in the prior period. The net commission ratio increased to 15.5% from 15.3% primarily due to the E&S reinsurance transaction, the impacts of which were partly offset by income from the increased quota shares in Crop, LMI and North America financial lines. The Group's expense ratio decreased to 13.2% from 13.7% mainly reflecting disciplined cost management and ongoing operating leverage driven by strong premium growth.

Total investment loss for the current half was \$840 million compared with net income of \$58 million in the prior period. Excluding the impacts of changes in risk-free rates, total investment return was \$14 million compared with \$190 million in the prior period. Performance in the current period was impacted by significantly wider credit spreads and market volatility.

The Group's effective tax rate was 17.7% compared with 16.2% 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 directors are announcing an interim dividend of 9 Australian cents per share for the half year ended 30 June 2022 (2021 11 Australian cents per share). The interim dividend will be 10% franked (2021 10%). The total interim dividend payout is A\$133 million (2021 A\$162 million).

Operating and financial review

Information on the Group's results, operations, business strategies, prospects and financial position is set out in the operating and financial review on [pages 10 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, reinsurance and other recoveries and future interest and inflation factors.

As in previous years, the directors consider that substantial risk margins are required to mitigate inherent uncertainty in the net central estimate. The probability of adequacy of the outstanding claims liability at 30 June 2022 was 91.7%, unchanged from 31 December 2021.

Material business risks

As a global insurance and reinsurance business, QBE is subject to a variety of business risks. The directors believe 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, QBE's broader business processes and, most importantly, QBE's culture.

Some of the material business risks that QBE faces include strategic, insurance, credit, market, liquidity, operational, compliance and Group risks. Explanations of these risks and their mitigations are set out in note 4 to the Group's financial statements for the year ended 31 December 2021, which we recommend you read. Further details of how QBE manages risk are set out in the Group Chief Risk Officer's report, the climate change report and the risk management section of the Corporate Governance Statement, which are included in the 2021 Annual Report.

QBE's 2021 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 2022 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 2022, 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 2022 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 continued

FOR THE HALF YEAR ENDED 30 JUNE 2022

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 11 August 2022 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



Andrew Horton
Director

Auditor's independence declaration

FOR THE HALF YEAR ENDED 30 JUNE 2022



As lead auditor for the review of QBE Insurance Group Limited for the half year ended 30 June 2022, 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
11 August 2022

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Consolidated statement of comprehensive income

FOR THE HALF YEAR ENDED 30 JUNE 2022

| | NOTE | 30 JUNE 2022 US\$M | 30 JUNE 2021 US\$M |
|--|------|--------------------------|--------------------------|
| Gross written premium | | 11,552 | 10,203 |
| Unearned premium movement | | (2,505) | (2,223) |
| Gross earned premium revenue | 2.1 | 9,047 | 7,980 |
| Outward reinsurance premium | | (3,595) | (2,387) |
| Deferred reinsurance premium movement | | 1,337 | 978 |
| Outward reinsurance premium expense | | (2,258) | (1,409) |
| Net earned premium (a) | | 6,789 | 6,571 |
| Gross claims expense | 2.2 | (5,791) | (4,924) |
| Reinsurance and other recoveries revenue | 2.1 | 2,140 | 901 |
| Net claims expense (b) | 2.2 | (3,651) | (4,023) |
| Gross commission expense | | (1,402) | (1,254) |
| Reinsurance commission revenue | 2.1 | 351 | 245 |
| Net commission (c) | | (1,051) | (1,009) |
| Underwriting and other expenses (d) | | (896) | (897) |
| Underwriting result (a)+(b)+(c)+(d) | | 1,191 | 642 |
| Investment (loss) income – policyholders' funds | 3.1 | (539) | 40 |
| Investment expenses – policyholders' funds | 3.1 | (8) | (8) |
| Insurance profit | | 644 | 674 |
| Investment (loss) income – shareholders' funds | 3.1 | (289) | 30 |
| Investment expenses – shareholders' funds | 3.1 | (4) | (4) |
| Financing and other costs | | (135) | (126) |
| Gain on sale of entities and businesses | 5.1 | 36 | – |
| Share of net loss of associates | | (3) | (3) |
| Restructuring and related expenses | | (54) | (29) |
| Amortisation and impairment of intangibles | | (8) | (12) |
| Profit before income tax | | 187 | 530 |
| Income tax expense | | (33) | (86) |
| Profit after income tax | | 154 | 444 |
| Other comprehensive (loss) income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Net movement in foreign currency translation reserve | | (350) | (106) |
| Net movement in cash flow hedge and cost of hedging reserves | | 41 | 19 |
| Income tax relating to these components of other comprehensive income | | (12) | (5) |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Remeasurement of defined benefit plans | | (2) | 15 |
| Income tax relating to this component of other comprehensive income | | – | (6) |
| Other comprehensive loss after income tax | | (323) | (83) |
| Total comprehensive (loss) income after income tax | | (169) | 361 |
| Profit after income tax attributable to: | | | |
| Ordinary equity holders of the Company | | 151 | 441 |
| Non-controlling interests | | 3 | 3 |
| | | 154 | 444 |
| Total comprehensive (loss) income after income tax attributable to: | | | |
| Ordinary equity holders of the Company | | (172) | 358 |
| Non-controlling interests | | 3 | 3 |
| | | (169) | 361 |

| EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | NOTE | 30 JUNE 2022 US CENTS | 30 JUNE 2021 US CENTS |
|---|------|-----------------------------|-----------------------------|
| For profit after income tax | | | |
| Basic earnings per share | 4.5 | 8.5 | 28.2 |
| Diluted earnings per share | 4.5 | 8.5 | 28.1 |

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

Consolidated balance sheet

AS AT 30 JUNE 2022

| | NOTE | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|--|------|--------------------------|------------------------------|
| Assets | | | |
| Cash and cash equivalents | | 801 | 819 |
| Investments | 3.2 | 25,912 | 28,111 |
| Derivative financial instruments | 4.2 | 237 | 142 |
| Trade and other receivables | | 9,609 | 7,109 |
| Current tax assets | | 54 | 6 |
| Deferred insurance costs | | 4,007 | 2,697 |
| Reinsurance and other recoveries on outstanding claims | 2.3 | 7,327 | 6,757 |
| Other assets | | 2 | 2 |
| Assets held for sale | | 1 | 50 |
| Defined benefit plan surpluses | | 80 | 92 |
| Right-of-use lease assets | | 297 | 328 |
| Property, plant and equipment | | 149 | 155 |
| Deferred tax assets | | 517 | 521 |
| Investment properties | | 36 | 37 |
| Investment in associates | | 27 | 28 |
| Intangible assets | | 2,014 | 2,449 |
| Total assets | | 51,070 | 49,303 |
| Liabilities | | | |
| Derivative financial instruments | 4.2 | 517 | 452 |
| Trade and other payables | | 3,701 | 3,215 |
| Current tax liabilities | | 30 | 24 |
| Unearned premium | | 10,650 | 8,637 |
| Gross outstanding claims | 2.3 | 24,306 | 24,282 |
| Lease liabilities | | 321 | 354 |
| Provisions | | 206 | 129 |
| Defined benefit plan deficits | | 28 | 29 |
| Deferred tax liabilities | | 43 | 31 |
| Borrowings | 4.1 | 2,755 | 3,268 |
| Total liabilities | | 42,557 | 40,421 |
| Net assets | | 8,513 | 8,882 |
| Equity | | | |
| Contributed equity | 4.3 | 9,380 | 9,777 |
| Treasury shares held in trust | | (2) | (2) |
| Reserves | | (1,496) | (1,608) |
| Retained profits | | 630 | 714 |
| Shareholders' equity | | 8,512 | 8,881 |
| Non-controlling interests | | 1 | 1 |
| Total equity | | 8,513 | 8,882 |

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 2022

| | 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 2022 | 9,777 | (2) | (1,608) | 714 | 8,881 | 1 | 8,882 |
| Profit after income tax | - | - | - | 151 | 151 | 3 | 154 |
| Other comprehensive loss | - | - | (321) | (2) | (323) | - | (323) |
| Total comprehensive (loss) income | - | - | (321) | 149 | (172) | 3 | (169) |
| Transactions with owners in their capacity as owners | | | | | | | |
| Shares issued under Employee Share and Option Plan and held in trust | 29 | (29) | - | - | - | - | - |
| Share-based payment expense | - | - | 20 | - | 20 | - | 20 |
| Shares vested and/or released | - | 29 | (29) | - | - | - | - |
| Dividends paid on ordinary shares | - | - | - | (208) | (208) | (3) | (211) |
| Dividend Reinvestment Plan | 25 | - | - | - | 25 | - | 25 |
| Distribution on capital notes | - | - | - | (25) | (25) | - | (25) |
| Foreign exchange | (451) | - | 442 | - | (9) | - | (9) |
| As at 30 June 2022 | 9,380 | (2) | (1,496) | 630 | 8,512 | 1 | 8,513 |

| | 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 | (258) | - | 254 | - | (4) | - | (4) |
| As at 30 June 2021 | 10,046 | (2) | (1,747) | 542 | 8,839 | 1 | 8,840 |

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 2022

| | NOTE | 30 JUNE 2022 US\$M | 30 JUNE 2021 US\$M |
|---|------|--------------------------|--------------------------|
| Operating activities | | | |
| Premium received | | 7,608 | 7,134 |
| Reinsurance and other recoveries received | | 1,100 | 968 |
| Outward reinsurance premium paid | | (2,445) | (1,277) |
| Claims paid | | (4,047) | (4,044) |
| Acquisition and other underwriting costs paid | | (1,854) | (1,991) |
| Interest received | | 187 | 211 |
| Dividends received | | 88 | 51 |
| Other operating payments | | (72) | (95) |
| Interest paid | | (101) | (121) |
| Income taxes paid | | (43) | (46) |
| Net cash flows from operating activities | | 421 | 790 |
| Investing activities | | | |
| Net (payments for purchase) proceeds on sale of growth assets | | (635) | 147 |
| Net proceeds on sale (payments for purchase) of interest-bearing financial assets | | 738 | (649) |
| Net (payments for) proceeds from foreign exchange transactions | | (70) | 47 |
| Payments for purchase of intangible assets | | (48) | (28) |
| Payments for purchase of property, plant and equipment | | (16) | (9) |
| Payments for investment in associates | | (2) | – |
| Proceeds on disposal of entities and businesses (net of cash disposed) | | 361 | – |
| Proceeds on sale of investment property | | – | 4 |
| Net cash flows from investing activities | | 328 | (488) |
| Financing activities | | | |
| Net proceeds from issue of equity instruments | | – | 1 |
| Payments relating to principal element of lease liabilities | | (32) | (35) |
| Repayment of borrowings | | (412) | (202) |
| Dividends and distributions paid | | (211) | (28) |
| Net cash flows from financing activities | | (655) | (264) |
| Net movement in cash and cash equivalents | | 94 | 38 |
| Cash and cash equivalents at 1 January | | 819 | 766 |
| Effect of exchange rate changes | | (112) | (37) |
| Cash and cash equivalents at 30 June | | 801 | 767 |

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 2022

1. OVERVIEW

1.1 Basis of preparation

This general purpose consolidated financial report for the half year ended 30 June 2022 (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 2021 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. Where appropriate, comparative information has been reclassified to be comparable with information presented in the current period.

New and amended accounting standards adopted by the Group

The Group adopted the following revised accounting standards from 1 January 2022:

| TITLE | |
|-------------|--|
| AASB 2020-3 | <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i> |
| AASB 2021-3 | <i>Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021</i> |

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

AASB 17 Insurance Contracts

AASB 17, the new accounting standard for insurance contracts, will be effective for the Group from 1 January 2023. The Group's consolidated financial statements for the year ended 31 December 2021 included disclosure on the key areas impacted by the standard in note 8.1.2.

The Group continues to monitor market interpretation in considering its approach to the new standard, and is developing application methodologies and Group-wide accounting guidance for key judgements. While an initial assessment of eligibility to apply the simplified approach (also referred to as the premium allocation approach) was completed in 2018, the Group is currently updating its assessment to validate initial conclusions. This analysis is well-advanced, and the simplified approach continues to be expected to apply to the majority of the Group's business. Changes to finance systems and reporting processes are also well progressed. The Group intends to disclose the potential financial impact of adopting AASB 17 once it is practical to provide a reasonable estimate.

The Group also continues to engage with the Australian Prudential Regulation Authority (APRA) as part of its industry consultation on draft standards aimed at integrating AASB 17 into capital and reporting frameworks.

1. OVERVIEW

1.2 Critical accounting judgements and estimates

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities, including in relation to the impacts of macroeconomic factors. The current period was characterised by heightened levels of geopolitical tensions, as well as market volatility with a sharp rise in inflation prompting aggressive action by central banks resulting in higher risk-free rates across all currencies. 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 2022.

1.2.1 COVID-19

QBE continues to monitor the potential impacts of COVID-19 on key areas of judgement. 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 the following areas at the balance date:

- **Net discounted central estimate:** The projected net ultimate cost of COVID-19 related claims is based on detailed reviews of the Group's emerging claims experience and exposure, scenario analysis under a variety of legislative outcomes, and consideration of the Group's reinsurance protections. The potential impact of ongoing litigation relating to the Group's property business interruption exposure continues to be considered in the determination of the net discounted central estimate and risk margin (see below). In Australia, the High Court has granted an oral hearing in response to applications for special leave to appeal certain aspects of the second industry test case judgement. There remains uncertainty around the timing, and potential outcomes of the hearing. The Group also continues to monitor the potential impact of the Corbin & King Ltd v Axa Insurance UK plc judgement, together with ongoing litigation against other insurers, on its UK and European exposure.

There has been no material change to the projected ultimate cost of COVID-19 related claims, noting that an increase in the period in respect of UK business interruption was offset by a release in respect of the LMI business for which actual and emerging claims experience has been lower than expected.

- **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. The probability of adequacy at 30 June 2022 is 91.7%, which is unchanged from 31 December 2021, and includes consideration of the continuing uncertainty related to COVID-19.
- **Liability adequacy test:** This assessment is informed by the Group's expectation of future net claims including a risk margin. Any residual COVID-19 related uncertainty as it pertains to future claims is considered relatively small in the context of this assessment.

Given the continued uncertainty, 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.

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, environmental, 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 2021.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2022

1. OVERVIEW

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 7.1.1 to the consolidated financial statements for the year ended 31 December 2021. At 30 June 2022, QBE has reviewed all intangible assets for indicators of impairment and has completed a detailed impairment test where indicators of impairment were identified.

The disposal of Westwood Insurance Agency included an allocation of \$328 million of North America goodwill (refer to note 5.1). Following the disposal, the remaining North America goodwill is \$30 million.

1.2.4 Recoverability of deferred tax assets

A deferred tax asset (DTA) of \$295 million (2021 \$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 18 years, with the majority expiring between 2032 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 2022 did not identify a deficiency (2021 nil).

1.2.6 Australian pricing promise review

Following a review of Australian pricing practices dating back several years across a number of policy administration systems and products, the Group has identified instances where policy pricing promises were not fully delivered. As a result, the Group has recognised a \$75 million net cost in the statement of comprehensive income during the period based on current estimates, of which \$53 million relates to customer remediation for premium earned, \$15 million relates to interest payable, and \$7 million relates to other costs associated with administering the program.

In estimating the amounts recognised, assumptions have been made based on the findings of the review, including in relation to the number of affected customers, and the premiums and interest refundable.

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.

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

| 30 JUNE 2022 | 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 | 4,701 | 4,391 | 2,459 | 11,551 | 1 | 11,552 |
| Gross earned premium revenue – external | 3,246 | 3,382 | 2,412 | 9,040 | 7 | 9,047 |
| Gross earned premium revenue – internal | – | 2 | – | 2 | (2) | – |
| Outward reinsurance premium expense | (1,577) | (434) | (242) | (2,253) | (5) | (2,258) |
| Net earned premium | 1,669 | 2,950 | 2,170 | 6,789 | – | 6,789 |
| Net claims expense | (979) | (1,361) | (1,254) | (3,594) | (57) | (3,651) |
| Net commission | (238) | (506) | (306) | (1,050) | (1) | (1,051) |
| Underwriting and other expenses | (246) | (342) | (298) | (886) | (10) | (896) |
| Underwriting result | 206 | 741 | 312 | 1,259 | (68) | 1,191 |
| Investment (loss) income – policyholders' funds | (107) | (350) | (103) | (560) | 13 | (547) |
| Insurance profit (loss) | 99 | 391 | 209 | 699 | (55) | 644 |
| Investment loss – shareholders' funds | (79) | (150) | (40) | (269) | (24) | (293) |
| Financing and other costs | (1) | (1) | (17) | (19) | (116) | (135) |
| Gain on sale of entities and businesses | – | – | – | – | 36 | 36 |
| Share of net loss of associates | – | – | – | – | (3) | (3) |
| Restructuring and related expenses | (7) | (6) | (5) | (18) | (36) | (54) |
| Amortisation and impairment of intangibles | 1 | – | (1) | – | (8) | (8) |
| Profit (loss) before income tax | 13 | 234 | 146 | 393 | (206) | 187 |
| Income tax (expense) credit | (3) | (44) | (54) | (101) | 68 | (33) |
| Profit (loss) after income tax | 10 | 190 | 92 | 292 | (138) | 154 |
| Net profit attributable to non-controlling interests | – | – | – | – | (3) | (3) |
| Net profit (loss) after income tax attributable to ordinary equity holders of the Company | 10 | 190 | 92 | 292 | (141) | 151 |

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2022

1. OVERVIEW

| 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) – policyholders' funds | 13 | (2) | 24 | 35 | (3) | 32 |
| Insurance profit (loss) | 42 | 422 | 230 | 694 | (20) | 674 |
| Investment income (loss) – 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 |

2. UNDERWRITING ACTIVITIES**2.1 Revenue**

| | NOTE | 30 JUNE 2022 US\$M | 30 JUNE 2021 US\$M |
|--|------|--------------------------|--------------------------|
| Gross earned premium revenue | | | |
| Direct and facultative | | 8,262 | 7,253 |
| Inward reinsurance | | 785 | 727 |
| | | 9,047 | 7,980 |
| Other revenue | | | |
| Reinsurance and other recoveries revenue | 2.2 | 2,140 | 901 |
| Reinsurance commission revenue | | 351 | 245 |
| | | 11,538 | 9,126 |

2. UNDERWRITING ACTIVITIES

2.2 Net claims expense

| | NOTE | 30 JUNE 2022 US\$M | 30 JUNE 2021 US\$M |
|--|------|--------------------------|--------------------------|
| Gross claims and related expenses | | 5,791 | 4,924 |
| Reinsurance and other recoveries revenue | 2.1 | (2,140) | (901) |
| Net claims expense | | 3,651 | 4,023 |

2.2.1 Prior accident year claims development

Net claims expense for the half year ended 30 June 2022 includes an undiscounted prior accident year recovery of \$334 million as a result of the reinsurance of legacy North American Excess and Surplus (E&S) liabilities. Excluding this recovery, the current period net adverse prior accident year claims development was \$63 million (2021 \$73 million favourable) reflecting adverse development in North America and International, partly offset by favourable development in Australia Pacific.

2.3 Net outstanding claims liability

| | NOTE | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|--|-------|--------------------------|------------------------------|
| Gross discounted central estimate | 2.3.1 | 22,940 | 22,864 |
| Risk margin | 2.3.3 | 1,366 | 1,418 |
| Gross outstanding claims | | 24,306 | 24,282 |
| Reinsurance and other recoveries on outstanding claims | 2.3.2 | (7,327) | (6,757) |
| Net outstanding claims | | 16,979 | 17,525 |

2.3.1 Gross discounted central estimate

| | NOTE | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|---|------|--------------------------|------------------------------|
| Gross undiscounted central estimate excluding claims settlement costs | | 24,360 | 23,129 |
| Claims settlement costs | | 487 | 500 |
| Gross undiscounted central estimate | | 24,847 | 23,629 |
| Discount to present value | | (1,907) | (765) |
| Gross discounted central estimate | 2.3 | 22,940 | 22,864 |

2.3.2 Reinsurance and other recoveries on outstanding claims

| | NOTE | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|--|------|--------------------------|------------------------------|
| Reinsurance and other recoveries on outstanding claims – undiscounted ¹ | | 7,926 | 7,014 |
| Discount to present value | | (599) | (257) |
| Reinsurance and other recoveries on outstanding claims | 2.3 | 7,327 | 6,757 |

¹ Net of a provision for impairment of \$42 million (2021 \$32 million).

2.3.3 Risk margin

The risk margin included in the net outstanding claims liability is 8.7% (2021 8.8%) of the net discounted central estimate. The probability of adequacy at 30 June 2022 is 91.7% (2021 91.7%) which is well above APRA's 75% benchmark.

The movement in risk margin includes a charge to profit or loss of \$11 million (2021 \$18 million) which was more than offset by a foreign exchange decrease of \$63 million (2021 \$14 million). Excluding the impacts of foreign exchange and the E&S reinsurance transaction, the risk margin increased by \$38 million, reflecting strong new business growth.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2022

3. INVESTMENT ACTIVITIES

3.1 Investment income

| | 30 JUNE 2022 US\$M | 30 JUNE 2021 US\$M |
|--|--------------------------|--------------------------|
| Loss on fixed interest securities, short-term money and cash | (871) | (40) |
| Income on growth assets | 14 | 119 |
| Gross investment (loss) income ¹ | (857) | 79 |
| Investment expenses | (12) | (12) |
| Net investment (loss) income | (869) | 67 |
| Foreign exchange | 28 | (4) |
| Other income | 1 | 6 |
| Other expenses | – | (11) |
| Total investment (loss) income | (840) | 58 |
| Investment (loss) income – policyholders' funds | (539) | 40 |
| Investment expenses – policyholders' funds | (8) | (8) |
| Investment (loss) income – shareholders' funds | (289) | 30 |
| Investment expenses – shareholders' funds | (4) | (4) |
| Total investment (loss) income | (840) | 58 |

1 Includes net fair value losses of \$1,091 million (2021 \$172 million), interest income of \$198 million (2021 \$202 million) and dividend and distribution income of \$36 million (2021 \$49 million).

3.2 Investment assets

| | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|----------------------------|--------------------------|------------------------------|
| Fixed income assets | | |
| Short-term money | 4,034 | 4,537 |
| Government bonds | 5,693 | 6,953 |
| Corporate bonds | 13,184 | 14,777 |
| Infrastructure debt | 47 | 99 |
| Emerging market debt | 325 | – |
| High yield debt | 269 | – |
| Private credit | 94 | – |
| | 23,646 | 26,366 |
| Growth assets | | |
| Developed market equity | 415 | 85 |
| Emerging market equity | 103 | – |
| Unlisted property trusts | 780 | 758 |
| Infrastructure assets | 797 | 788 |
| Alternatives | 171 | 114 |
| | 2,266 | 1,745 |
| Total investments | 25,912 | 28,111 |

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 2022 | | | | 31 DECEMBER 2021 | | | |
|----------------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|
| | 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 assets | | | | | | | | |
| Short-term money | 315 | 3,719 | – | 4,034 | 141 | 4,396 | – | 4,537 |
| Government bonds | 4,152 | 1,541 | – | 5,693 | 5,236 | 1,717 | – | 6,953 |
| Corporate bonds | – | 13,184 | – | 13,184 | – | 14,777 | – | 14,777 |
| Infrastructure debt | – | – | 47 | 47 | – | – | 99 | 99 |
| Emerging market debt | – | 325 | – | 325 | – | – | – | – |
| High yield debt | – | 269 | – | 269 | – | – | – | – |
| Private credit | – | – | 94 | 94 | – | – | – | – |
| | 4,467 | 19,038 | 141 | 23,646 | 5,377 | 20,890 | 99 | 26,366 |
| Growth assets | | | | | | | | |
| Developed market equity | 413 | – | 2 | 415 | 83 | – | 2 | 85 |
| Emerging market equity | 103 | – | – | 103 | – | – | – | – |
| Unlisted property trusts | – | – | 780 | 780 | – | – | 758 | 758 |
| Infrastructure assets | – | – | 797 | 797 | – | – | 788 | 788 |
| Alternatives | 110 | – | 61 | 171 | 64 | – | 50 | 114 |
| | 626 | – | 1,640 | 2,266 | 147 | – | 1,598 | 1,745 |
| Total investments | 5,093 | 19,038 | 1,781 | 25,912 | 5,524 | 20,890 | 1,697 | 28,111 |

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 level 1 in the fair value hierarchy. Term deposits are valued at par. Other short-term money (bank bills, certificates of deposit, treasury bills and other short-term instruments) is priced using interest rates and yield curves observable at commonly quoted intervals.

Government bonds, corporate bonds, emerging market debt and high yield debt

These assets are valued based on quoted prices sourced from external data providers. The fair value categorisation of these assets is based on the observability of the inputs.

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. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Private credit

These assets comprise investments in fund vehicles that are valued using current unit prices as advised by the investment fund manager. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Developed market equity and emerging market equity

These assets mainly comprise listed equities traded in active markets that are valued by reference to quoted bid prices.

Unlisted property trusts and infrastructure assets

These assets are valued using current unit prices as advised by the responsible entity, trustee or equivalent of the investment management scheme. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Alternatives

These assets mainly comprise investments in exchange-traded commodity products that are listed, traded in active markets and valued by reference to quoted bid prices. Alternatives also includes strategic unlisted investments which are valued based on other valuation techniques utilising significant unobservable inputs.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2022

3. INVESTMENT ACTIVITIES**Movements in level 3 investments**

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

| | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|--|--------------------------|------------------------------|
| LEVEL 3 | | |
| At 1 January | 1,697 | 2,285 |
| Purchases | 134 | 61 |
| Disposals/transfers to assets held for sale | (75) | (675) |
| Fair value movement recognised in profit or loss | 79 | 86 |
| Foreign exchange | (54) | (60) |
| At balance date | 1,781 | 1,697 |

4. CAPITAL STRUCTURE**4.1 Borrowings**

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

| FINAL MATURITY DATE | ISSUE DATE | PRINCIPAL AMOUNT | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|--------------------------|-------------------|---|--------------------------|------------------------------|
| Senior debt | | | | |
| 25 May 2023 | 25 September 2017 | \$6 million | 6 | 6 |
| | | | 6 | 6 |
| Subordinated debt | | | | |
| 25 August 2036 | 25 August 2020 | A\$500 million ¹ | 344 | 362 |
| 13 September 2038 | 13 September 2021 | £400 million | 484 | 538 |
| 24 May 2042 | 24 May 2016 | Nil (2021 £327 million) ² | – | 442 |
| 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 | 699 | 698 |
| 12 November 2045 | 12 November 2015 | \$300 million | 300 | 300 |
| 17 June 2046 | 17 June 2016 | \$524 million | 522 | 522 |
| | | | 2,749 | 3,262 |
| Total borrowings | | | 2,755 | 3,268 |

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

² The securities were redeemed on 24 May 2022.

4.1.1 Fair value of borrowings

| | 30 JUNE 2022 US\$M | 31 DECEMBER 2021 US\$M |
|--------------------------------|--------------------------|------------------------------|
| Senior debt | 6 | 6 |
| Subordinated debt | 2,671 | 3,475 |
| Total fair value of borrowings | 2,677 | 3,481 |

The fair value of the Group's borrowings are categorised as level 2 in the fair value hierarchy. 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 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. CAPITAL STRUCTURE

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 2022 | | | 31 DECEMBER 2021 | | |
|--|-------------------|------------------------------|----------------------------------|-------------------|------------------------------|----------------------------------|
| | 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 not in designated hedges | 1,972 | 209 | 289 | 2,143 | 118 | 161 |
| Forward foreign exchange contracts used in cash flow hedges | (1,474) | – | 188 | (1,599) | – | 291 |
| Forward foreign exchange contracts used in hedges of net investments in foreign operations | 1,091 | – | 40 | 489 | 11 | – |
| Interest rate swaptions | 345 | 28 | – | 363 | 13 | – |
| | | 237 | 517 | | 142 | 452 |

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 2022 US\$M | 31 DECEMBER 2021 US\$M |
|------------------------------------|-------|--------------------------|------------------------------|
| Issued ordinary shares, fully paid | 4.3.1 | 8,494 | 8,891 |
| Capital notes | | 886 | 886 |
| Contributed equity | | 9,380 | 9,777 |

4.3.1 Share capital

| | 30 JUNE 2022 | | 30 JUNE 2021 | |
|--|---------------------------------|-------|---------------------------------|-------|
| | NUMBER OF SHARES MILLIONS | US\$M | NUMBER OF SHARES MILLIONS | US\$M |
| Issued ordinary shares, fully paid at 1 January | 1,477 | 8,891 | 1,471 | 9,387 |
| Shares issued under the Employee Share and Option Plan | 3 | 29 | 4 | 31 |
| Shares issued under the Dividend Reinvestment Plan | 3 | 25 | – | – |
| Foreign exchange | – | (451) | – | (258) |
| Issued ordinary shares, fully paid at 30 June | 1,483 | 8,494 | 1,475 | 9,160 |
| Shares notified to the Australian Securities Exchange | 1,483 | 8,497 | 1,475 | 9,163 |
| Less: plan shares subject to non-recourse loans, derecognised under accounting standards | – | (3) | – | (3) |
| Issued ordinary shares, fully paid at 30 June | 1,483 | 8,494 | 1,475 | 9,160 |

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2022

4. CAPITAL STRUCTURE**4.4 Dividends**

| | 2021 | | 2020 |
|---|---------------|-------------------|-------|
| | FINAL | INTERIM | FINAL |
| Dividend per share (Australian cents) | 19 | 11 | – |
| Franking percentage | 10% | 10% | – |
| Franked amount per share (Australian cents) | 1.9 | 1.1 | – |
| Dividend payout (A\$M) | 281 | 162 | – |
| Payment date | 12 April 2022 | 24 September 2021 | N/A |

On 11 August 2022, the directors declared a 10% franked interim dividend of 9 Australian cents per share, payable on 23 September 2022. The interim dividend payout is A\$133 million. The record date is 19 August 2022.

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.

4.5 Earnings per share

| | 30 JUNE 2022 | 30 JUNE 2021 |
|---|-----------------|-----------------|
| For profit after income tax | | |
| Profit used in calculating basic and diluted earnings per share (US\$M) | 126 | 416 |
| Basic earnings per share (US cents) | 8.5 | 28.2 |
| Diluted earnings per share (US cents) | 8.5 | 28.1 |

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 2022 US\$M | 30 JUNE 2021 US\$M |
|--|--------------------------|--------------------------|
| Profit after income tax attributable to ordinary equity holders of the Company | 151 | 441 |
| Less: distributions paid on capital notes classified as equity | (25) | (25) |
| Profit used in calculating basic and diluted earnings per share | 126 | 416 |

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

| | 30 JUNE 2022 NUMBER OF SHARES MILLIONS | 30 JUNE 2021 NUMBER OF SHARES MILLIONS |
|--|--|--|
| Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share | 1,480 | 1,473 |
| Weighted average number of dilutive potential ordinary shares relating to shares issued under the Employee Share and Option Plan | 9 | 7 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | 1,489 | 1,480 |

5. GROUP STRUCTURE

5.1 Disposals

During the period, the Group disposed of Westwood Insurance Agency in North America, details of which are set out in the table below.

| | 30 JUNE 2022 US\$M |
|--|--------------------------|
| Intangible assets ¹ | 329 |
| Other assets | 10 |
| Total assets | 339 |
| Total liabilities | 4 |
| Net assets at the date of disposal | 335 |
| Proceeds on disposal (net of transaction costs) ² | 371 |
| Net gain on disposal | 36 |

1 Includes \$328 million of goodwill relating to the North American cash-generating unit which has been allocated to Westwood Insurance Agency, reflecting the intangible value of the business relative to the remainder of the cash-generating unit.

2 Includes \$10 million of contingent consideration which has been measured at fair value.

6. OTHER

6.1 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 2021. The Group may also be exposed to the possibility of contingent liabilities in relation to insurance and non-insurance litigation including but not limited to regulatory test cases and class actions, and taxation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts. QBE is currently defending a representative class action in Australia relating to policyholders with business interruption policies.

6.2 Offsetting financial assets and liabilities

The Group has a \$224 million receivable and payable (2021 \$243 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.

6.3 Events after the balance date

Other than the declaration of the interim dividend, no matter or circumstance has arisen since 30 June 2022 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

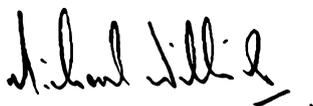
FOR THE HALF YEAR ENDED 30 JUNE 2022

In the directors' opinion:

1. 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 2022 and of its performance for the half year ended on that date; and
2. 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 11 August 2022 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



Andrew Horton
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 2022, 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 2022 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 2022 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
11 August 2022

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation.



Historical review

FOR THE HALF YEAR ENDED 30 JUNE 2022

| | | HALF YEAR ENDED 30 JUNE | | | | | YEAR ENDED 31 DECEMBER | | | | |
|--|------------------|-------------------------|--------|--------|-------------------|-------------------|------------------------|---------|-------------------|-------------------|-------------------|
| | | 2022 | 2021 | 2020 | 2019 ¹ | 2018 ¹ | 2021 | 2020 | 2019 ¹ | 2018 ¹ | 2017 ¹ |
| Profit or loss information | | | | | | | | | | | |
| Gross written premium | US\$M | 11,552 | 10,203 | 8,011 | 7,637 | 7,887 | 18,457 | 14,643 | 13,442 | 13,657 | 13,328 |
| Gross earned premium revenue | US\$M | 9,047 | 7,980 | 6,509 | 6,458 | 6,697 | 17,035 | 14,008 | 13,257 | 13,601 | 13,611 |
| Net earned premium | US\$M | 6,789 | 6,571 | 5,506 | 5,671 | 5,647 | 13,408 | 11,708 | 11,609 | 11,640 | 11,351 |
| Claims ratio | % | 53.8 | 61.2 | 78.2 | 69.5 | 63.1 | 62.4 | 76.3 | 69.8 | 63.6 | 71.5 |
| Commission ratio | % | 15.5 | 15.3 | 16.4 | 16.1 | 16.8 | 15.5 | 16.1 | 15.6 | 16.9 | 17.1 |
| Expense ratio | % | 13.2 | 13.7 | 14.9 | 14.8 | 15.5 | 13.6 | 15.0 | 14.6 | 15.4 | 15.9 |
| Combined operating ratio | % | 82.5 | 90.2 | 109.5 | 100.4 | 95.4 | 91.5 | 107.4 | 100.0 | 95.9 | 104.5 |
| Investment income (loss) | | | | | | | | | | | |
| before fair value gains/losses | US\$M | 251 | 241 | 225 | 279 | 323 | 531 | 432 | 555 | 690 | 576 |
| after fair value gains/losses | US\$M | (840) | 58 | (90) | 755 | 287 | 122 | 226 | 1,036 | 547 | 758 |
| Insurance profit (loss) | US\$M | 644 | 674 | (584) | 433 | 450 | 1,215 | (727) | 647 | 826 | (60) |
| Insurance profit (loss) to net earned premium | % | 9.5 | 10.3 | (10.6) | 7.6 | 8.0 | 9.1 | (6.2) | 5.6 | 7.1 | (0.5) |
| Financing and other costs | US\$M | 135 | 126 | 125 | 129 | 135 | 247 | 252 | 257 | 305 | 302 |
| Operating profit (loss) | | | | | | | | | | | |
| before income tax | US\$M | 187 | 530 | (778) | 570 | 394 | 913 | (1,472) | 672 | 627 | (793) |
| after income tax and non-controlling interests | US\$M | 151 | 441 | (712) | 479 | 370 | 750 | (1,517) | 571 | 567 | (1,212) |
| Balance sheet and share information | | | | | | | | | | | |
| Number of shares on issue ² | millions | 1,483 | 1,475 | 1,468 | 1,313 | 1,348 | 1,477 | 1,471 | 1,305 | 1,327 | 1,358 |
| Shareholders' equity | US\$M | 8,512 | 8,839 | 8,438 | 8,366 | 8,695 | 8,881 | 8,491 | 8,153 | 8,381 | 8,859 |
| Total assets | US\$M | 51,070 | 49,390 | 43,167 | 41,193 | 42,417 | 49,303 | 46,625 | 40,035 | 39,582 | 43,862 |
| Net tangible assets per share ² | US\$ | 4.38 | 4.30 | 3.88 | 4.27 | 4.30 | 4.36 | 4.05 | 4.11 | 4.22 | 4.29 |
| Borrowings to total capital | % | 24.5 | 23.7 | 23.2 | 23.4 | 24.0 | 26.9 | 25.8 | 24.0 | 24.5 | 27.1 |
| Basic earnings (loss) per share ² | US cents | 8.5 | 28.2 | (51.9) | 34.9 | 26.4 | 47.5 | (108.5) | 41.8 | 29.0 | (91.5) |
| Basic earnings (loss) per share – adjusted cash basis ³ | US cents | 11.4 | 31.4 | (48.6) | 42.3 | 28.5 | 54.6 | (60.7) | 55.7 | 51.4 | (19.2) |
| Diluted earnings (loss) per share | US cents | 8.5 | 28.1 | (51.9) | 34.7 | 26.3 | 47.2 | (108.5) | 41.5 | 28.6 | (91.5) |
| Return on average shareholders' equity | % | 3.5 | 10.2 | (17.2) | 11.1 | 8.2 | 8.6 | (18.2) | 6.7 | 4.5 | (13.0) |
| Dividend per share | Australian cents | 9 | 11 | 4 | 25 | 22 | 30 | 4 | 52 | 50 | 26 |
| Dividend payout | A\$M | 133 | 162 | 59 | 329 | 297 | 443 | 59 | 681 | 669 | 356 |
| Total investments and cash ⁴ | US\$M | 26,749 | 27,864 | 24,432 | 23,094 | 23,280 | 28,967 | 27,735 | 24,374 | 22,887 | 26,141 |

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 adjusted cash profit, being profit after tax adjusted for impairment of intangibles and other non-cash items net of tax as well as coupons on Additional Tier 1 instruments.

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



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