



# 2022 Half Year Report

QBE INSURANCE GROUP LIMITED

*Enabling a more resilient future*

All figures are in US\$ unless otherwise stated. This presentation should be read together with the basis of presentation information detailed on page 23



# Andrew Horton

Group Chief Executive Officer



## *QBE – enabling a more resilient future*

To be the most consistent and innovative risk partner

|                                                                                                                                                                                                                  |                                                                                                                                                                                                        |                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                         |                                                                                                                                                     |
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|                                                                                                                                 |                                                                                                                       |                                                                                                                            |                                                                                                                                                                                                                               |                                                                                                                                                      |                                                                  |
| <b>Portfolio optimisation</b>                                                                                                                                                                                    | <b>Sustainable growth</b>                                                                                                                                                                              | <b>Bring the enterprise together</b>                                                                                                                                                                          | <b>Modernise our business</b>                                                                                                                                                                                                                                                                                    | <b>Our people</b>                                                                                                                                                                                                                       | <b>Our culture</b>                                                                                                                                  |
| <ul style="list-style-type: none"><li>• Actively manage for consistency and resilience</li><li>• Consistent framework to identify and monitor target portfolio</li><li>• Reduce volatility in earnings</li></ul> | <ul style="list-style-type: none"><li>• Harness the depth and breadth of product knowledge and expertise</li><li>• Innovate new product offerings and risk solutions to solve customer needs</li></ul> | <ul style="list-style-type: none"><li>• Leverage expertise and capability across markets</li><li>• Optimise our operating model</li><li>• Simplify what we do and remove complexity in how we do it</li></ul> | <ul style="list-style-type: none"><li>• Complete the modernisation of foundational systems and processes</li><li>• Accelerate digital capabilities to make it easier for our customers, partners and people</li><li>• Invest in differentiating capabilities that drive insight and support innovation</li></ul> | <ul style="list-style-type: none"><li>• Reward and recognition to drive culture and enterprise performance</li><li>• Invest in our people and internal succession</li><li>• Future focus through strategic workforce planning</li></ul> | <ul style="list-style-type: none"><li>• Strengthen alignment and collaboration across the enterprise</li><li>• Live our purpose every day</li></ul> |

# Strategic priorities: Progress and focus



## Portfolio optimisation

Increased emphasis on consistency of returns, implemented a more consistent framework for assessing volatility

Substantial progress in North America to de-risk property catastrophe exposure, and restructure programs business



## Sustainable growth

Enterprise level discussions driving a focussed growth agenda to optimise Group portfolio mix

Commenced a global net-zero transition analysis and pilot studies to support commitment to the NZIA



## Bring the enterprise together

Established leadership cohorts across the top ~350 in QBE to drive strategic priorities and support succession

Group CEO and CFO to join Divisional boards in 2022

Operating model changes announced across a number of functions to drive clearer accountabilities



## Modernise

Migration of legacy applications to cloud-based or more modern infrastructure

Adoption of better pricing models and integration of third party data sets has improved the granularity of pricing and risk selection tools



## Our People

Announced an out-of-cycle 3% pay rise for our people in July, in recognition of increasing cost of living pressures

Latest QBE Voice people surveys have been encouraging, highlighting improved engagement and sense of belonging



## Our Culture

Launched a new enterprise recognition program, DNA Champions and Group CEO Award to celebrate those living our values and purpose

Created experimentation playbook to encourage innovation, high performance and a future focus

**Sustainability is essential to QBE's ability to deliver our strategic priorities. We are continuing 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 objectives:

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

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.

## **Enable a sustainable and resilient workforce**

A sustainable and resilient workforce is underpinned by how we engage and connect our people to our purpose and vision.

## **Partner for growth through innovative, sustainable and impactful solutions**

We can explore 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.

**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 has a role to play**

## Performance

**Statutory COR (incl RFR) 82.5%**  
**Adjusted COR 92.9%**

Ex-cat claims ratio 58.4%

Cat claims ratio 6.3%

Adverse prior accident year claims development of 0.9%

Adjusted cash profit ROE of 4.3%

## Rate and growth

**Group-wide renewal rate increases averaged 8.1%**

Continued gross written premium growth in 1H22 at 14%, or 18% in constant currency

Growth in excess of premium rate increases of 13%

Excluding Crop, Group gross written premium increased by 13% or 6% in excess of premium rate increases

## Investments

**1H22 net investment return of 0.1% ex-RFR**

Fixed income running yield at 30 June 2022 2.49% up from 0.68% at 31 December 2021

Higher risk-free rates resulted in negative investment asset impact of \$854M, largely offset by \$804M beneficial claims discount rate impact

Closing FUM \$26.7B, risk assets now account for 11% of total investments

## Balance sheet

**Regulatory capital at 1.77x**

Dividend per share 9 cents

Capital above S&P 'AA' level

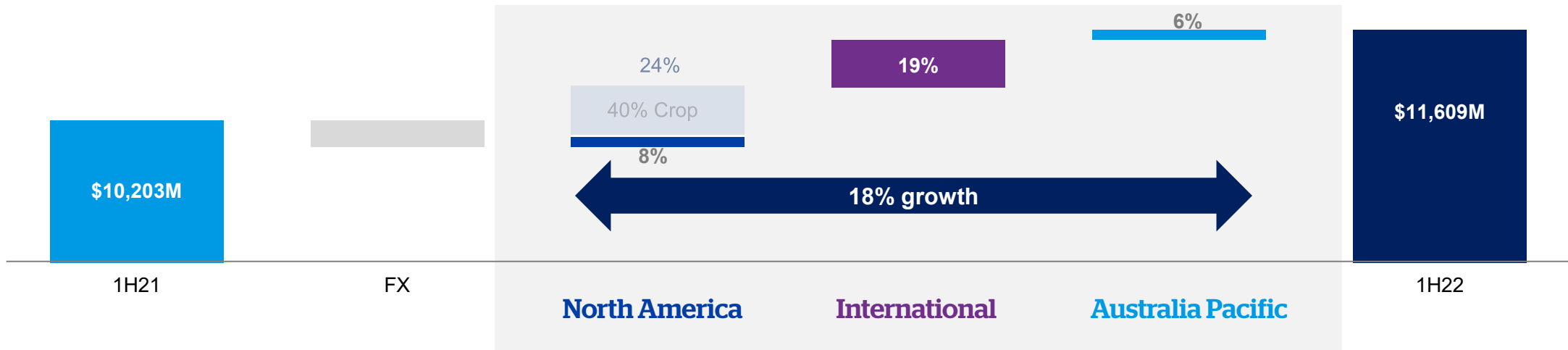
Repaid \$412M Tier 2 debt

Debt to total capital 24.5%

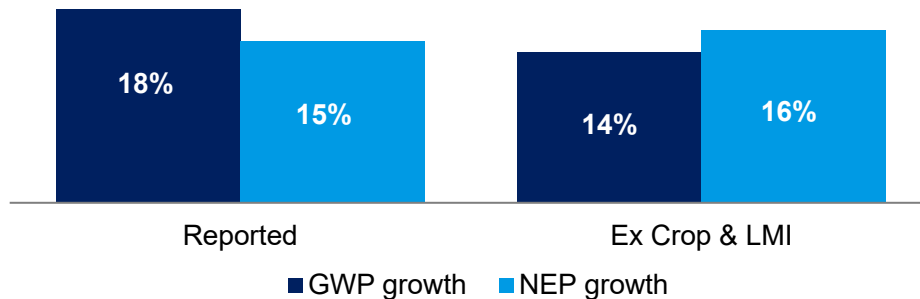
# Gross written premium

## Constant currency growth of 18%

Growth ex rate 13%

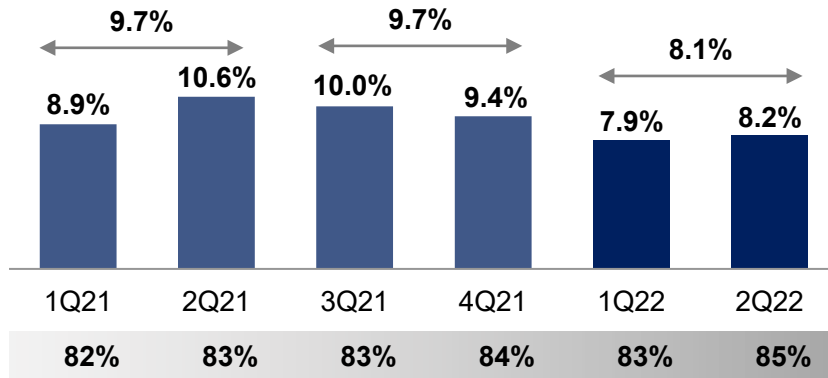


## Premium growth

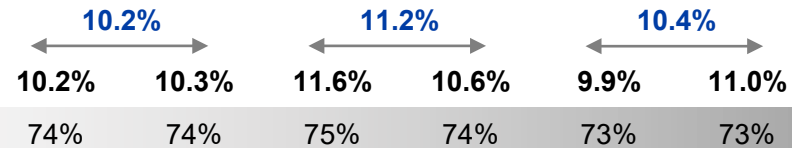


- GWP momentum continues with Group growth of 18%, or 13% excluding Crop
- Growth continued across all divisions, with North America +24% driven by Crop GWP growth of 40%
- Headline gap between GWP and NEP growth closed, after adjusting for Crop and LMI which have material quota shares

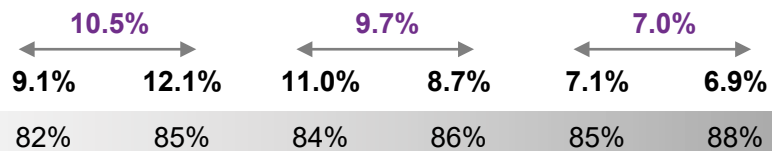
## Continued group-wide premium rate increases +8.1%



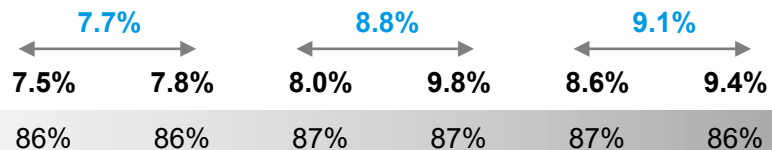
### North America +10.4%



### International +7.0%



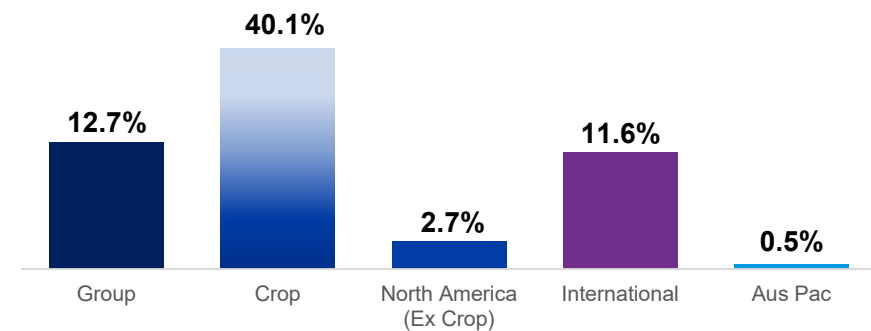
### Australia Pacific +9.1%



YTD premium retention

- Compound premium rate increases continue across each division
- Rate increases moderating in lines where rate adequacy has improved
- Ex-rate growth driven by Crop, QBE Re and Continental European insurance. Ex-rate growth tempered in NA and AusPac by program terminations and LMI
- While new business has been an important driver of ex-rate growth, higher retention and underlying exposure growth have also been key contributors

## Group ex-rate growth trend





# Inder Singh

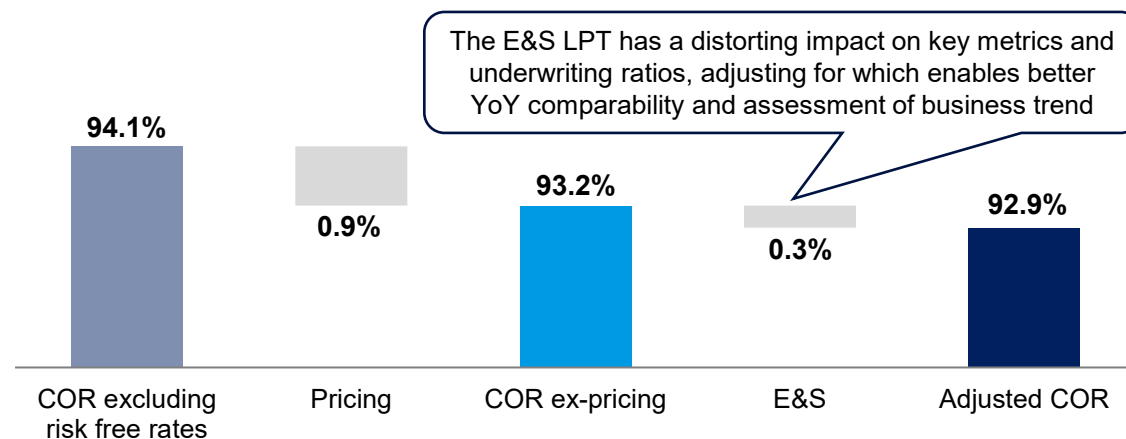
Group Chief Financial Officer



## Key result highlights

- Strong constant currency GWP growth +18% (13% ex Crop)
- Constant currency NEP growth of +15% (16% ex Crop)
- Underwriting profit of \$512M, excludes:
  - \$804M positive risk-free rate impact
- Investment income of \$(840)M, or \$14M ex risk free rate movements
- Annualised adjusted cash of ROE 4.3%
- Interim dividend AUD 9 cents per share

## Combined operating ratio



|                                          |          | HY21        | HY22        |
|------------------------------------------|----------|-------------|-------------|
| Gross written premium                    | \$M      | 10,203      | 11,609      |
| Net earned premium                       | \$M      | 6,571       | 7,232       |
| Net claims ratio (ex risk-free rates)    | %        | 64.3        | 66.1        |
| Net commission ratio                     | %        | 15.3        | 14.5        |
| Expense ratio                            | %        | 13.7        | 12.3        |
| <b>COR</b>                               | <b>%</b> | <b>93.3</b> | <b>92.9</b> |
| Underwriting result (ex risk-free rates) | \$M      | 437         | 512         |
| Net investment income                    | \$M      | 58          | (840)       |
| Statutory net profit after income tax    | \$M      | 441         | 151         |
| Adjusted cash profit after income tax    | \$M      | 463         | 169         |
| <b>Adjusted cash return on equity</b>    | <b>%</b> | <b>11.9</b> | <b>4.3</b>  |

# Group performance

## GWP

**\$11,609M**

↑ 18% from 1H21

## COR

**92.9%**

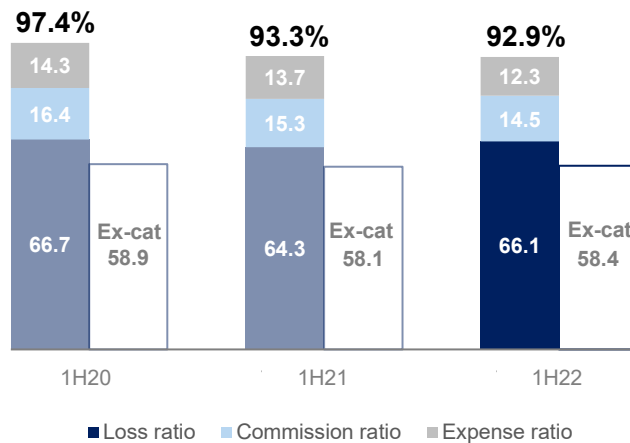
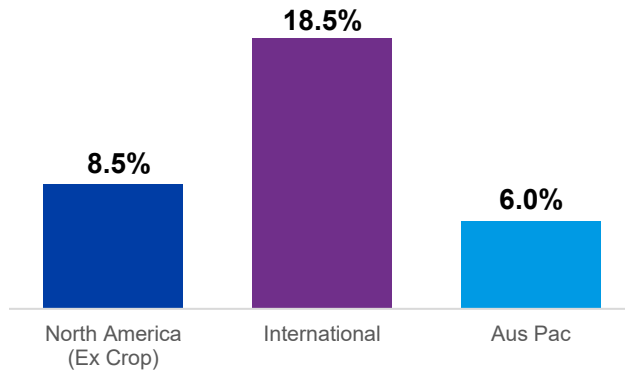
1H21 93.3%

Ex-cat  
claims ratio

**58.4%**

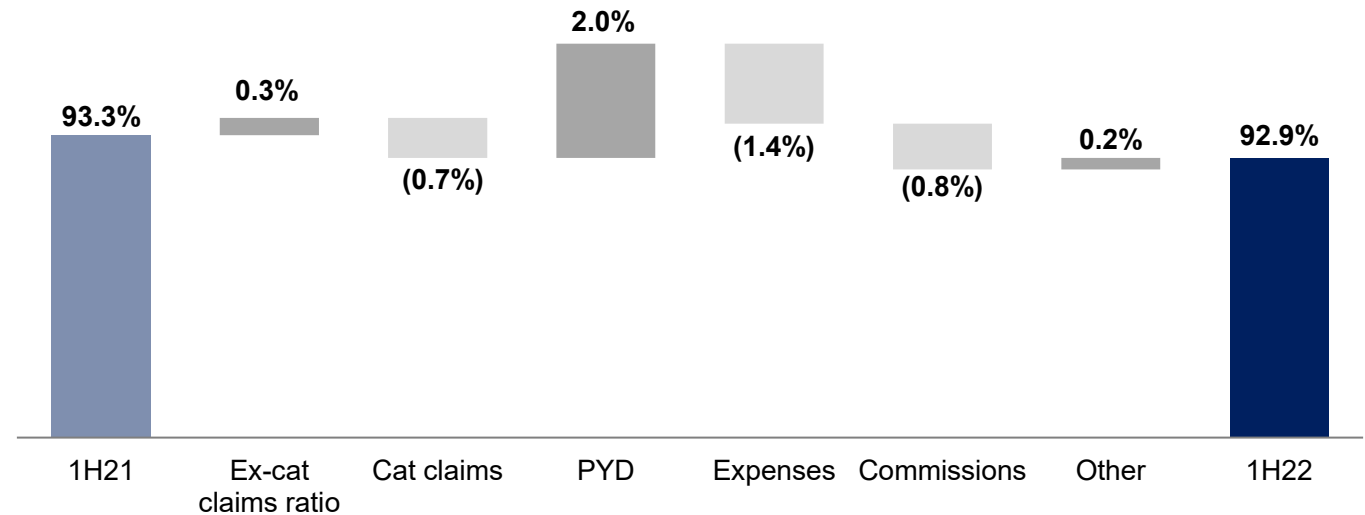
1H21 58.1%

## Premium growth



- Improved result underpinned by continued positive operating leverage and lower catastrophe costs
- Increased inflation assumptions impacting both current and prior year claims, with PYD also impacted by recent UK business interruption ruling
- Lower natural catastrophe costs helped to absorb impact of Russia/Ukraine conflict where current best estimate of net impact remains \$75M
- Other represents impact to COR from increased risk margin reflecting new business strain

## Improved combined operating ratio despite PYD



## Translation and current observations

- CPI and wage inflation are not perfectly correlated to claims inflation across the majority of QBE's portfolio
- Higher CPI inflation most immediately impacting short tail property classes, where rate is generally responding
- Key QBE casualty lines are most sensitive to social inflation. In general, claims settlements currently not indicative of any shift in trend
- We have responded to these trends by embedding higher inflation assumptions across the portfolio to reflect a mix of experience, and uncertainty

### Management framework

- Inflation working groups established to enhance monitoring
- Improved internal feedback loops to ensure pricing and rate adequacy responds faster to inflation signals
- Ongoing review of scenario analysis and risk appetites to inform decisions on reducing reserve volatility e.g. through retrospective reinsurance solutions

### Mitigants and actions

- Raised inflation assumptions in FY21 and 1H22 across a number of classes
- Premium rate increases generally remain at or above observed claims inflation
- Recent exposure growth driven by classes with premium indexation to inflation
- Strong risk margin supporting PoA of 91.7%

### Risks and uncertainties

- Wage and medical inflation have some translation through a number of long tail lines.
- Persistency of inflation a key risk, particularly for longer tail classes
- CPI / wage inflation potential to impact social inflation a key uncertainty



## GWP

**\$4,701M**

↑24% from 1H21

## COR

**95.6%**

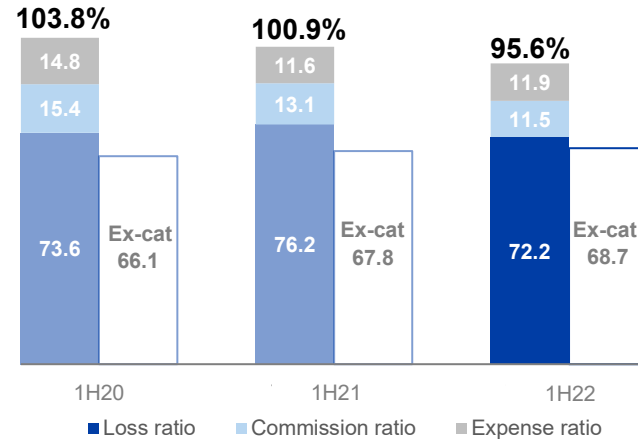
1H21 100.9%

Ex-cat  
claims ratio

**68.7%**

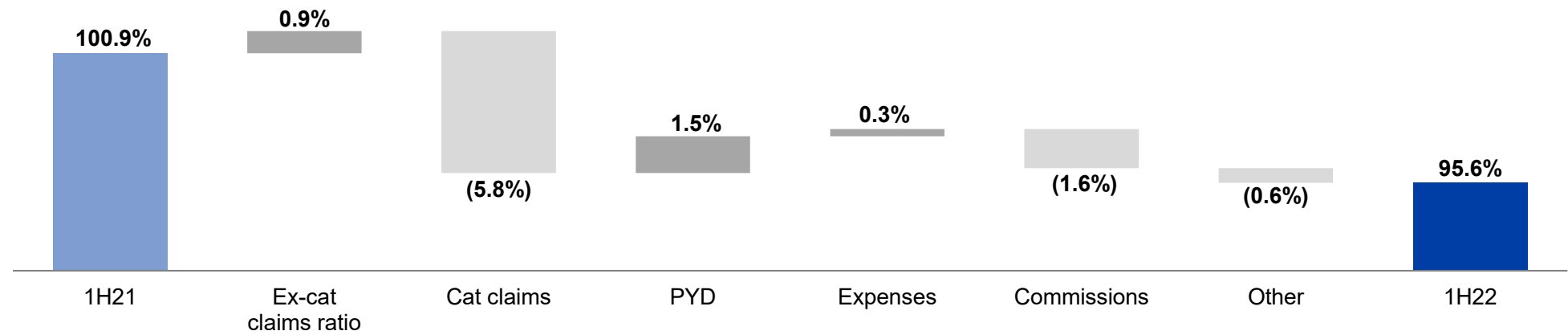
1H21 67.8%

## Combined operating ratio



- GWP growth of 24%, or 8% excluding Crop. Market conditions remain supportive for further targeted growth, with a focus on Commercial middle-market (Retail)
- Progressed initiatives to reduce property catastrophe exposure in our Programs business
- Encouraging return to profitability, with COR of 95.6%, or 97.3% including impact of the E&S LPT
- COR improvement driven by lower catastrophe costs and improved total acquisition costs

## Improved catastrophe experience



GWP

**\$4,391M**

↑19% from 1H21

COR

**91.0%**

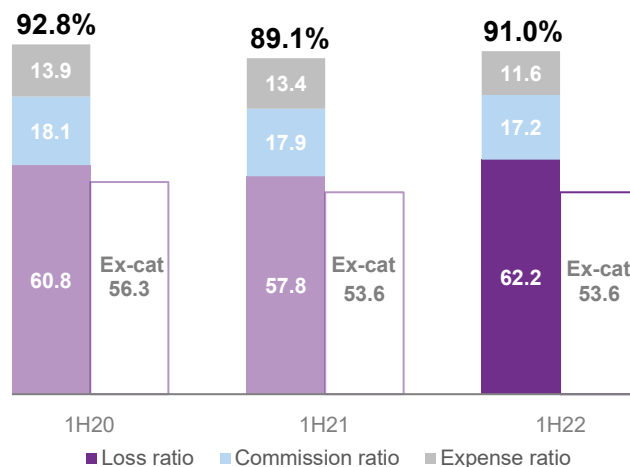
1H21 89.1%

Ex-cat  
claims ratio

**53.6%**

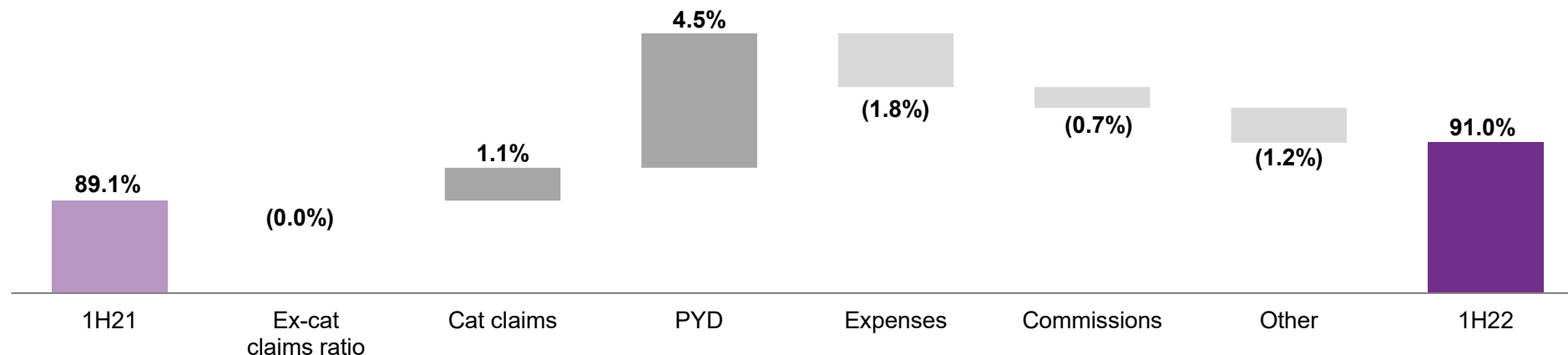
1H21 53.6%

## Combined operating ratio



- GWP growth of 19%, with ex-rate growth of 11.6% driven by growth in QBE Re and Continental European
- COR deterioration driven by Russia/Ukraine and PYD which was impacted by recent UK Business Interruption ruling
- Cat claims below 1H22 allowance excluding Russia/Ukraine
- Ex-cat claims trend impacted by higher inflation assumptions in current year, and higher frequency as economic activity returned to more normal levels

## COR impacted by reserve strengthening and Russia/Ukraine



GWP

**\$2,516M**

⬆ 6% from 1H21

COR

**90.0%**

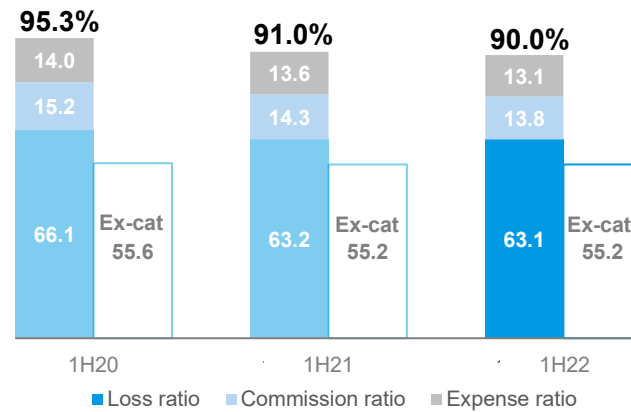
1H21 91.0%

Ex-cat  
claims ratio

**55.2%**

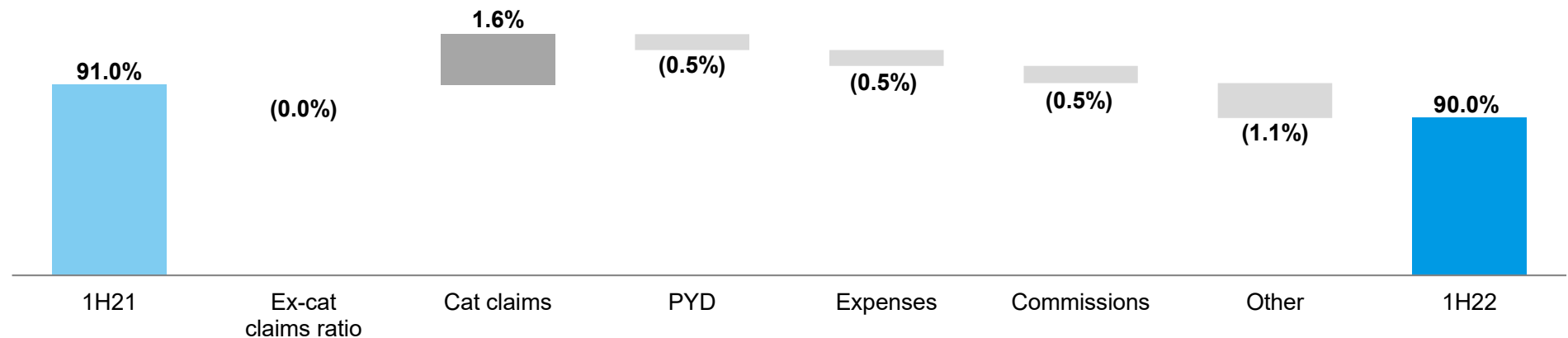
1H21 55.2%

## Combined operating ratio



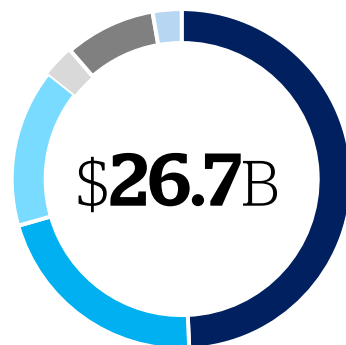
- GWP growth of 6%, with 0.5% ex-rate growth impacted by a notable reduction in LMI new business
- Premium rate increases averaged 9.1%, up from 7.7% in the prior period. Rate increases were broad based, though more pronounced in short-tail portfolios
- Catastrophe claims above allowance due to heavy flooding across the east coast of Australia, and an increased frequency of smaller storm and flood claims
- Ex-cat claims trend increased due to greater levels of non-cat weather related claims, and higher inflation particularly in short tail classes

## COR impacted by significant catastrophe experience



# Investment portfolio performance

## Investment portfolio



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

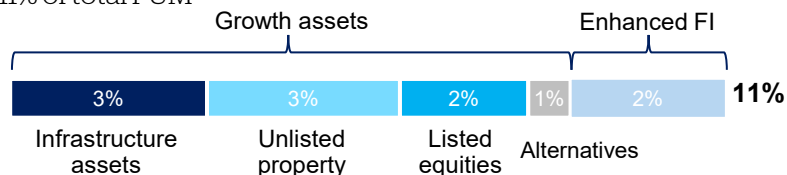
## Fixed income assets - S&P security grading

Fixed income and enhanced fixed income



## Risk assets

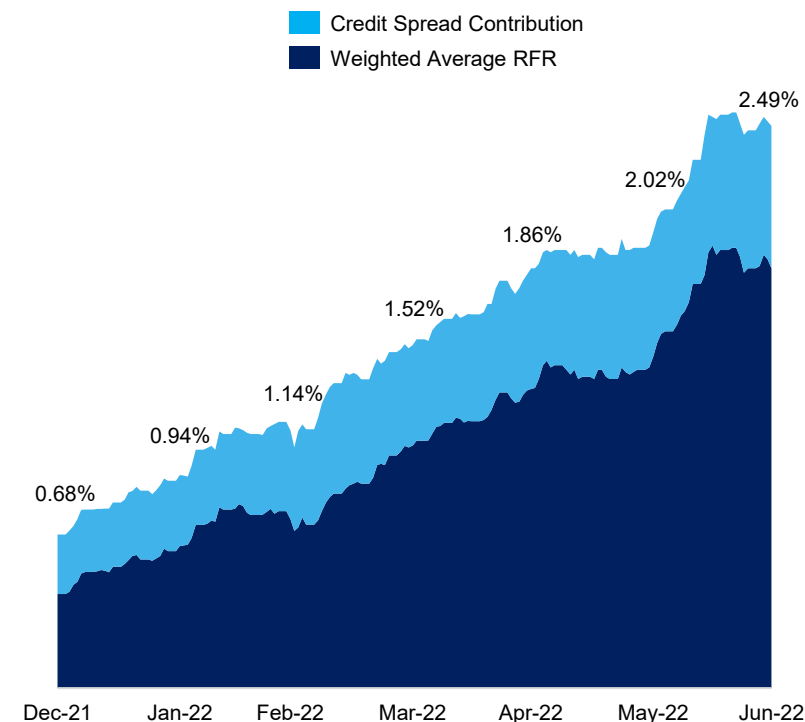
11% of total FUM



| 1H22 investment return                | \$M          | Half year return % |
|---------------------------------------|--------------|--------------------|
| FI yield (ex risk-free rate)          | 214          | 0.8                |
| Credit spreads MTM                    | (208)        | (0.8)              |
| Risk assets                           | (9)          | (0.4)              |
| Expenses and other                    | 17           | 0.1                |
| <b>Net return (ex risk-free rate)</b> | <b>14</b>    | <b>0.1</b>         |
| Asset risk-free rate impact           | (854)        | (3.1)              |
| <b>Net return</b>                     | <b>(840)</b> | <b>(3.0)</b>       |

- Duration 'economically' matched at 1.8 years
- Adverse risk-free rate mismatch of \$50M given beneficial underwriting impact of \$804M

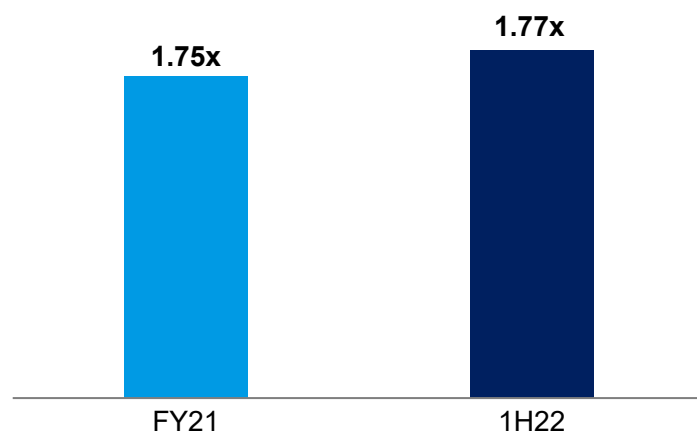
## Fixed income running yield



- The 1H22 exit running yield of 2.49% alongside QBE's expected risk asset return of ~5.5% would equate to a forward annualised total investment return of ~2.8%.



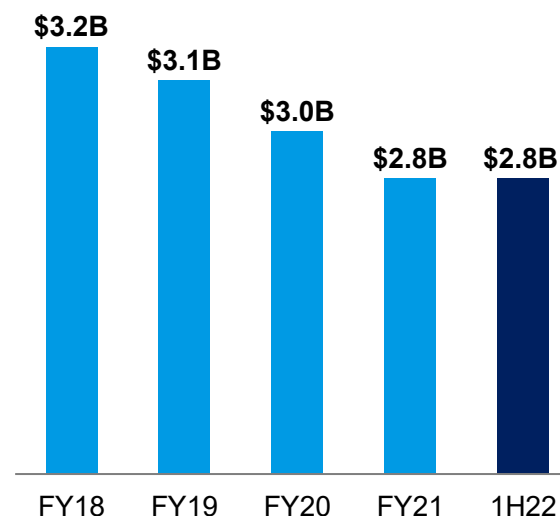
## APRA capital



- Regulatory capital at the top end of our 1.6x-1.8x target range
- Capital above S&P 'AA' level
- Westwood Insurance Agency transaction completed in May which added ~5pts to capital

## Borrowings

Debt to total capital target range:  
15 - 30%



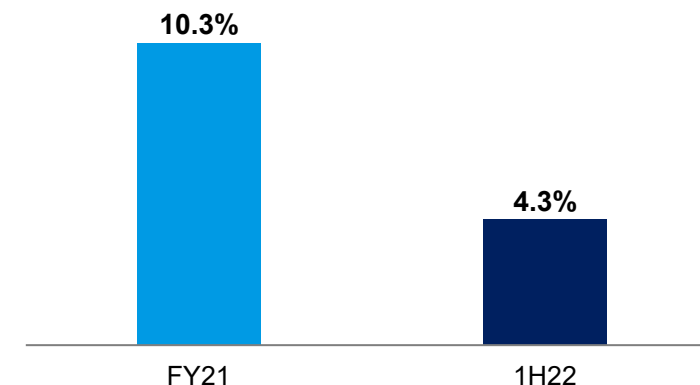
Debt to  
total  
capital

|      |      |      |      |      |
|------|------|------|------|------|
| 27.6 | 27.5 | 25.8 | 24.1 | 24.5 |
|------|------|------|------|------|

Debt to  
equity

|      |      |      |      |      |
|------|------|------|------|------|
| 38.0 | 38.0 | 34.8 | 31.8 | 32.4 |
|------|------|------|------|------|

## Adjusted cash return on equity



- Return on equity affected by adverse investment mark-to-market impacts, Russia/Ukraine, Australian remediation and adverse mismatch from risk-free rate movements
- Exit investment return and improved underwriting result support higher ROE outlook

# Andrew Horton

Group Chief Executive Officer



## Strategy and value drivers

### Specialised capabilities

Winning customer value proposition underpinned by solution oriented technical expertise. Product expertise augmented by modernised workflows.

### Market relevance

Refreshed distribution strategy and process improvement to support ability to win meaningful market share through deep and profitable trading relationships in a well understood and attractive market.

### Scale

Economies of scale to drive sustainable operating leverage and strengthen ability to compete. 6.5 point reduction in the P&C expense ratio over 5 years, targeting <30% P&C expense ratio over medium term

### Volatility

Business segments and portfolio optimised around a defined tolerance for volatility. Consistent and well diversified stream of earnings.

### Earnings quality

Stable footprint and earnings with strong risk adjusted returns. Division COR sustainably into the Group 90-95% target range.

## Business overview

### Crop GWP -\$3.3bn | NEP -\$1.3bn

Market leader providing robust customer value proposition for US farmers through superior technological offerings and well-established agent relationships.

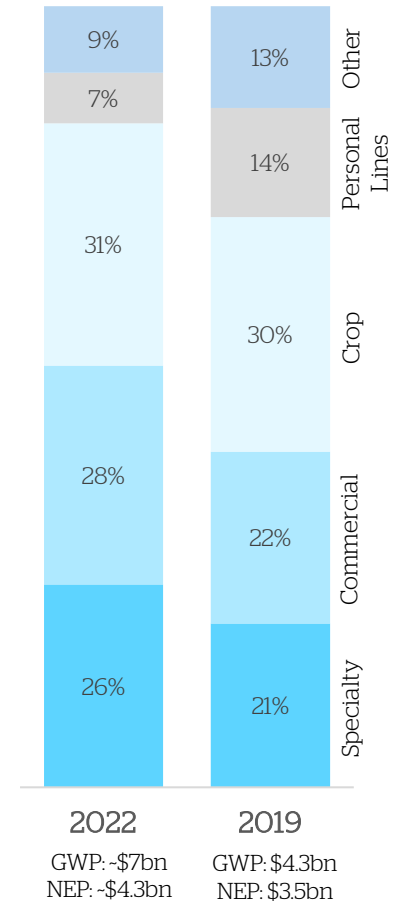
### Commercial GWP -\$1.5bn | NEP -\$1.2bn

Property & Casualty products marketed through limited and preferred distribution, including MGA relationships, contributing to portfolio balance and reduced volatility.

### Specialty GWP -\$1.5bn | NEP -\$1.1bn

Leading and relevant positions in niche, specialised segments underpinned by technical expertise and deep trading relationships (including MGA's).

### NEP mix



## Crop

|          |          |                |     |           |     |
|----------|----------|----------------|-----|-----------|-----|
| GWP FY22 | ~\$3.3bn | GWP CAGR 18-22 | 22% | COR 18-22 | 94% |
|----------|----------|----------------|-----|-----------|-----|

- Vision to “be the leader of risk management solutions for the American Farmer.”
- Organic growth three year CAGR of 30%, with recent growth focus around diversifying by state and commodity.
- QBE has achieved best-in-class combined ratios over the past 10 years. Improved scale and new external quota share drive improvement in sustainable COR, with greater confidence around plan.

## Specialty

|          |          |                |     |           |     |
|----------|----------|----------------|-----|-----------|-----|
| GWP FY22 | ~\$1.5bn | GWP CAGR 18-22 | 16% | COR 18-22 | 98% |
|----------|----------|----------------|-----|-----------|-----|

- **Financial Lines (~\$650M GWP):** Strong underwriting pedigree with deep trading relationships. Well diversified mix and short limit profile, strong reinsurance support. Build on market position where rate permits and leverage global footprint.
- **Accident & Health – A&H (~\$500 GWP):** Top 10 share in key medical stop loss product, long track record of growth and stable returns. Explore adjacent and more traditional A&H classes including captive solutions and fee for service models
- **Aviation (~\$150M GWP):** Significant market share and scale across specific niche segments in Hull. High level of technical expertise and business capability.

## Commercial

|          |          |                |     |           |      |
|----------|----------|----------------|-----|-----------|------|
| GWP FY22 | ~\$1.5bn | GWP CAGR 18-22 | 11% | COR 18-22 | 110% |
|----------|----------|----------------|-----|-----------|------|

### Property programs

**GWP FY22: ~\$700M COR 18-22: 113%**

- Deep relationships with longstanding and well-recognised monoline property MGAs. QBE to remain a meaningful participant in an increasingly relevant segment of the P&C industry.
- Exiting ~\$400M GWP of program business in 2022 which includes some property CAT, property package, and casualty. Plan to achieve target level of exposure and UW quality profile by 2023 following meaningful reduction in gulf wind exposure.

### Middle market (Retail)

**GWP FY22: ~\$450M COR 18-22: 125%**

- Middle-market ‘retail’ or ‘admitted’ commercial insurance within largest global insurance market. Strategy for continued growth to add broader diversification to US platform, and is grounded in targeted and defined appetite, limited and preferred distribution supported by upgraded underwriting tools and technology.
- Segment supported by infrastructure suitable for a business with around \$200-300m of additional GWP. Need to build premium base to reach scale necessary to deliver sustainable target return.

### Commercial programs

**GWP FY22: ~\$300M COR 18-22: 91%**

- Represents workers comp and casualty. Workers comp portfolio generates stable performance consistently generating low 90s combined ratio. Currently have limited casualty offering with plans to expand capability to enhance current middle market proposition.

Note: COR represents the go-forward portfolio, excluding some terminated and/or closed books of business

## GWP

FY22 constant currency GWP growth  
expected at around 10%

- Premium rate increases expected to continue, albeit at moderating levels
- Market conditions remain conducive to organic growth

## Combined operating ratio

Consistent low to mid 90s COR through-cycle  
Improve on FY21 'exit' COR of ~94% in FY22

- Strategy remains focussed on building a platform with:
  - more consistent performance
  - greater resilience
  - lower volatility

## Investment returns

1H22 exit running yield supports exit total  
investment return of ~2.8%

- The 1H22 exit running yield of 2.49% alongside QBE's expected risk asset return of ~5.5% equates to an exit total investment return of ~2.8%
- Re-risking to take place opportunistically over next 12 months



# Questions and answers



## **Basis of presentation** (unless otherwise stated)

1. All figures are in US dollars
2. Combined operating ratios (COR) and underwriting results exclude the impact of changes in risk-free rates used to discount net outstanding claims
3. Premium growth rates are quoted on a constant currency basis
4. Premium rate change excludes North America Crop and/or Australian compulsory third party motor (CTP)
5. Adjusted net cash profit after tax adjusts statutory net profit for Additional Tier 1 capital coupon accruals, as well as any gains on disposal, amortisation or restructuring costs
6. 2022 figures exclude transaction to reinsure North America Excess & Surplus (E&S) liabilities and charge in relation to the Australian pricing promise review
7. 2021 balance sheet metrics and PCA on a pro forma basis adjust for GBP327 million pre-funded May 2022 debt repayment
8. Prior periods are presented on an adjusted basis as presented in prior reports
9. 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
10. Insurance Financial Strength rating (FSR) reflects ability of an insurer to meet its obligations and claims. FSR is applicable to operating insurance entities
11. Issuer Credit Rating (ICR) reflects ability of the company to pay the security holder's interest in addition to principal repayment
12. For capital markets issuances, the date to first call is subject to APRA approval

The information in this presentation provides an overview of the results for the half year ended 30 June 2022.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange (“ASX”). Copies of those lodgments are available from either the ASX website [www.asx.com.au](http://www.asx.com.au) or QBE’s website [www.qbe.com](http://www.qbe.com).

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

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Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ

materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and QBE assumes no obligation to update such information.

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

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



# Appendices



# Key metrics summary

|                                                      |            | Group        |              |              | North America |              |              | International |              |              | Australia Pacific |              |              |
|------------------------------------------------------|------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------|--------------|-------------------|--------------|--------------|
|                                                      |            | HY20         | HY21         | HY22         | HY20          | HY21         | HY22         | HY20          | HY21         | HY22         | HY20              | HY21         | HY22         |
| Gross written premium                                | \$M        | 8,041        | 10,203       | 11,609       | 2,892         | 3,776        | 4,701        | 3,339         | 3,899        | 4,391        | 1,829             | 2,545        | 2,516        |
| Net earned premium (ex Crop & LMI)                   | \$M        | 5,132        | 5,934        | 6,573        | 1,190         | 1,333        | 1,482        | 2,321         | 2,612        | 2,950        | 1,624             | 1,986        | 2,142        |
| <b>Net earned premium</b>                            | <b>\$M</b> | <b>5,556</b> | <b>6,571</b> | <b>7,232</b> | <b>1,542</b>  | <b>1,882</b> | <b>2,059</b> | <b>2,321</b>  | <b>2,612</b> | <b>2,950</b> | <b>1,696</b>      | <b>2,075</b> | <b>2,223</b> |
| Net claims expense                                   | \$M        | (4,041)      | (4,023)      | (3,978)      | (1,247)       | (1,388)      | (1,306)      | (1,602)       | (1,372)      | (1,361)      | (1,151)           | (1,290)      | (1,254)      |
| Net commission                                       | \$M        | (911)        | (1,009)      | (1,051)      | (237)         | (246)        | (238)        | (421)         | (465)        | (506)        | (256)             | (296)        | (306)        |
| Underwriting and other expenses                      | \$M        | (793)        | (897)        | (887)        | (229)         | (219)        | (244)        | (323)         | (351)        | (342)        | (237)             | (283)        | (291)        |
| <b>Underwriting result</b>                           | <b>\$M</b> | <b>(189)</b> | <b>642</b>   | <b>1,316</b> | <b>(171)</b>  | <b>29</b>    | <b>271</b>   | <b>(25)</b>   | <b>424</b>   | <b>741</b>   | <b>52</b>         | <b>206</b>   | <b>372</b>   |
| Impact of change in risk-free rates                  | \$M        | (335)        | 205          | 804          | (111)         | 46           | 182          | (193)         | 139          | 474          | (30)              | 20           | 149          |
| <b>Underwriting result (ex risk-free rate)</b>       | <b>\$M</b> | <b>146</b>   | <b>437</b>   | <b>512</b>   | <b>(59)</b>   | <b>(17)</b>  | <b>89</b>    | <b>167</b>    | <b>285</b>   | <b>267</b>   | <b>82</b>         | <b>186</b>   | <b>223</b>   |
| Ex-cat claims ratio (ex Crop & LMI)                  | %          | 57.2         | 55.3         | 55.5         | 59.3          | 58.0         | 58.4         | 56.3          | 53.6         | 53.6         | 56.4              | 55.9         | 56.0         |
| Ex-cat claims ratio                                  | %          | 58.9         | 58.1         | 58.4         | 66.1          | 67.8         | 68.7         | 56.3          | 53.6         | 53.6         | 55.6              | 55.2         | 55.2         |
| Catastrophe claims                                   | %          | 5.5          | 7.0          | 6.3          | 2.9           | 8.8          | 3.0          | 2.9           | 4.8          | 5.9          | 11.6              | 8.2          | 9.8          |
| Prior accident year claims development               | %          | 1.8          | (1.1)        | 0.9          | 6.2           | (0.8)        | 0.7          | 1.4           | (1.5)        | 3.0          | (1.0)             | (1.2)        | (1.7)        |
| Movement in risk margins                             | %          | 0.4          | 0.3          | 0.5          | (1.6)         | 0.4          | (0.2)        | 0.2           | 0.8          | (0.3)        | -                 | 0.9          | (0.2)        |
| Net claims ratio (ex risk-free rates)                | %          | 66.7         | 64.3         | 66.1         | 73.7          | 76.2         | 72.2         | 60.7          | 57.8         | 62.2         | 66.1              | 63.1         | 63.1         |
| Impact of change in risk-free rates                  | %          | 6.0          | (3.1)        | (11.1)       | 7.2           | (2.4)        | (8.8)        | 8.3           | (5.3)        | (16.1)       | 1.8               | (0.9)        | (6.7)        |
| Net claims ratio                                     | %          | 72.7         | 61.2         | 55.0         | 80.8          | 73.8         | 63.4         | 69.1          | 52.5         | 46.1         | 67.9              | 62.2         | 56.4         |
| Net commission ratio                                 | %          | 16.4         | 15.3         | 14.5         | 15.4          | 13.1         | 11.5         | 18.1          | 17.9         | 17.2         | 15.2              | 14.3         | 13.8         |
| Expense ratio                                        | %          | 14.3         | 13.7         | 12.3         | 14.8          | 11.6         | 11.9         | 13.9          | 13.4         | 11.6         | 14.0              | 13.6         | 13.1         |
| Combined operating ratio                             | %          | 103.4        | 90.2         | 81.8         | 111.0         | 98.5         | 86.8         | 101.1         | 83.8         | 74.9         | 97.1              | 90.1         | 83.3         |
| <b>Combined operating ratio (ex risk-free rates)</b> | <b>%</b>   | <b>97.4</b>  | <b>93.3</b>  | <b>92.9</b>  | <b>103.8</b>  | <b>100.9</b> | <b>95.6</b>  | <b>92.8</b>   | <b>89.1</b>  | <b>91.0</b>  | <b>95.3</b>       | <b>91.0</b>  | <b>90.0</b>  |



# Key metrics summary

| <b>Underwriting result</b>                    |            | <b>1H21</b>    | <b>1H22</b>    |
|-----------------------------------------------|------------|----------------|----------------|
| <b>Statutory Underwriting result</b>          | <b>\$M</b> | <b>642</b>     | <b>1,191</b>   |
| Adjustments – Aust PPR & E&S LPT              | \$M        | -              | (125)          |
| <b>Adjusted underwriting result</b>           | <b>\$M</b> | <b>642</b>     | <b>1,316</b>   |
| Combined operating ratio                      | %          | 90.2           | 81.8           |
| Combined operating ratio (ex risk-free rates) | %          | 93.3           | 92.9           |
|                                               |            |                |                |
| Ex-cat claims                                 | \$M        | (3,821)        | (4,227)        |
| Catastrophe claims                            | \$M        | (462)          | (454)          |
| <i>Catastrophe claims allowance</i>           | <i>\$M</i> | <i>(310)</i>   | <i>(442)</i>   |
| Prior accident year claims development        | \$M        | 73             | (63)           |
| Movement in risk margins                      | \$M        | (18)           | (38)           |
| Impact of change in risk-free rates           | \$M        | 205            | 804            |
| <b>Net claims incurred</b>                    | <b>\$M</b> | <b>(4,023)</b> | <b>(3,978)</b> |
|                                               |            |                |                |
| Ex-cat claims                                 | %          | 58.1           | 58.4           |
| Catastrophe claims                            | %          | 7.0            | 6.3            |
| <i>Catastrophe claims allowance</i>           | <i>%</i>   | <i>5.4</i>     | <i>6.3</i>     |
| Prior accident year claims development        | %          | (1.1)          | 0.9            |
| Movement in risk margins                      | %          | 0.3            | 0.5            |
| Impact of change in risk-free rates           | %          | (3.1)          | (11.1)         |
| <b>Net claims incurred</b>                    | <b>%</b>   | <b>61.2</b>    | <b>55.0</b>    |

| <b>Investment result</b>                    |            | <b>1H21</b>   | <b>1H22</b>   |
|---------------------------------------------|------------|---------------|---------------|
| Fixed income                                | \$M        | 25,879        | 23,759        |
| Risk assets                                 | \$M        | 1,985         | 2,990         |
| Total cash and investments – closing        | \$M        | 27,864        | 26,749        |
| Fixed income                                | \$M        | 25,775        | 25,472        |
| Risk assets                                 | \$M        | 2,025         | 2,386         |
| <b>Total cash and investments – average</b> | <b>\$M</b> | <b>27,800</b> | <b>27,858</b> |
|                                             |            |               |               |
| Fixed income                                | \$M        | 17,456        | 15,566        |
| Risk assets                                 | \$M        | 1,340         | 1,959         |
| Technical reserves – closing                | \$M        | 18,796        | 17,525        |
| Fixed income                                | \$M        | 17,454        | 16,860        |
| Risk assets                                 | \$M        | 1,372         | 1,575         |
| <b>Technical reserves – average</b>         | <b>\$M</b> | <b>18,826</b> | <b>18,435</b> |
|                                             |            |               |               |
| Fixed income yield                          | \$M        | 66            | 214           |
| Credit spreads MTM                          | \$M        | 26            | (208)         |
| Risk assets                                 | \$M        | 119           | (9)           |
| Expenses and other                          | \$M        | (21)          | 17            |
| <b>Net return (ex risk-free rates)</b>      | <b>\$M</b> | <b>190</b>    | <b>14</b>     |
| Asset risk-free rates impact                | \$M        | (132)         | (854)         |
| <b>Net return – Total investments</b>       | <b>\$M</b> | <b>58</b>     | <b>(840)</b>  |
|                                             |            |               |               |
| Fixed income yield                          | \$M        | 45            | 140           |
| Credit spreads MTM                          | \$M        | 18            | (136)         |
| Risk assets                                 | \$M        | 80            | (6)           |
| Expenses and other                          | \$M        | (14)          | 11            |
| <b>Net return (ex risk-free rates)</b>      | <b>\$M</b> | <b>129</b>    | <b>9</b>      |
| Asset risk-free rates impact                | \$M        | (89)          | (559)         |
| <b>Net return - Technical reserves</b>      | <b>\$M</b> | <b>40</b>     | <b>(550)</b>  |

# Key metrics summary

|                                                                     |                 | 1H21         | 1H22         |
|---------------------------------------------------------------------|-----------------|--------------|--------------|
| <b>Net profit (loss) after tax</b>                                  | <b>\$M</b>      | <b>441</b>   | <b>151</b>   |
| Amortisation and impairment of intangibles after tax                | \$M             | 26           | 30           |
| Write-off of deferred tax assets                                    | \$M             | -            | -            |
| Write-off of capitalised IT assets                                  | \$M             | -            | -            |
| Net cash profit (loss) after tax                                    | \$M             | 467          | 181          |
| Restructuring and related expenses after tax                        | \$M             | 21           | 49           |
| Net gain or loss on disposals after tax                             | \$M             | -            | (36)         |
| Additional Tier 1 capital coupon accrual                            | \$M             | (25)         | (25)         |
| <b>Adjusted net profit (loss) after tax</b>                         | <b>\$M</b>      | <b>463</b>   | <b>169</b>   |
| Ordinary shares                                                     | M               | 1,475        | 1,483        |
| Weighted average shares                                             | M               | 1,473        | 1,480        |
| Weighted average shares - diluted                                   | M               | 1,480        | 1,489        |
| Basic earnings per share – Statutory                                | US cents        | 28.2         | 8.5          |
| Diluted earnings per share – Statutory                              | US cents        | 28.1         | 8.5          |
| Basic earnings per share – Adjusted cash basis                      | US cents        | 31.4         | 11.4         |
| Diluted earnings per share – Adjusted cash basis                    | US cents        | 31.3         | 11.4         |
| <b>Dividend per share</b>                                           | <b>Au cents</b> | <b>11</b>    | <b>9</b>     |
| Dividend payout ratio (percentage of adjusted cash profit)          | %               | 27           | 57           |
| Dividend franking                                                   | %               | 10           | 10           |
| Shareholders' equity – Closing                                      | \$M             | 8,839        | 8,512        |
| Shareholders' equity - Average                                      | \$M             | 8,666        | 8,697        |
| Adjusted shareholders' equity (for AT1) - Average                   | \$M             | 7,780        | 7,811        |
| Return on average shareholders' equity – Statutory                  | %               | 10.2         | 3.5          |
| <b>Return on average shareholders' equity – Adjusted cash basis</b> | <b>%</b>        | <b>11.9</b>  | <b>4.3</b>   |
| Debt to total capital                                               | %               | 23.7         | 24.5         |
| Probability of adequacy                                             | %               | 92.3         | 91.7         |
| <b>PCA multiple</b>                                                 |                 | <b>1.73x</b> | <b>1.77x</b> |

| <b>GWP by currency</b> | <b>1H21 \$M</b> | <b>%</b>   | <b>1H22 \$M</b> | <b>%</b>   |
|------------------------|-----------------|------------|-----------------|------------|
| US dollar              | 5,126           | 50         | <b>6,576</b>    | <b>57</b>  |
| Australian dollar      | 2,365           | 23         | <b>2,352</b>    | <b>20</b>  |
| Sterling               | 910             | 9          | <b>958</b>      | <b>8</b>   |
| Euro                   | 957             | 9          | <b>955</b>      | <b>8</b>   |
| New Zealand dollar     | 187             | 2          | <b>185</b>      | <b>2</b>   |
| Canadian dollar        | 185             | 2          | <b>177</b>      | <b>2</b>   |
| Hong Kong dollar       | 109             | 1          | <b>100</b>      | <b>1</b>   |
| Singapore dollar       | 91              | 1          | <b>98</b>       | <b>1</b>   |
| Other                  | 273             | 3          | <b>151</b>      | <b>1</b>   |
| <b>Total</b>           | <b>10,203</b>   | <b>100</b> | <b>11,552</b>   | <b>100</b> |

| <b>Investments by currency</b> | <b>1H21 \$M</b> | <b>%</b>   | <b>1H22 \$M</b> | <b>%</b>   |
|--------------------------------|-----------------|------------|-----------------|------------|
| US dollar                      | 8,909           | 32         | <b>8,771</b>    | <b>33</b>  |
| Australian dollar              | 7,604           | 27         | <b>7,180</b>    | <b>27</b>  |
| Sterling                       | 4,836           | 17         | <b>4,611</b>    | <b>17</b>  |
| Euro                           | 3,738           | 14         | <b>3,433</b>    | <b>13</b>  |
| Canadian dollar                | 1,426           | 5          | <b>1,386</b>    | <b>5</b>   |
| New Zealand dollar             | 458             | 2          | <b>491</b>      | <b>2</b>   |
| Hong Kong dollar               | 376             | 1          | <b>384</b>      | <b>1</b>   |
| Singapore dollar               | 192             | 1          | <b>187</b>      | <b>1</b>   |
| Other                          | 325             | 1          | <b>307</b>      | <b>1</b>   |
| <b>Total</b>                   | <b>27,864</b>   | <b>100</b> | <b>26,749</b>   | <b>100</b> |

| APRA PCA calculation (\$M)                               | 31 DEC 2021  | 30 JUN 2022   |
|----------------------------------------------------------|--------------|---------------|
| Ordinary share capital and reserves                      | 7,996        | 7,627         |
| Net surplus relating to insurance liabilities            | 1,251        | 1,400         |
| Regulatory adjustments to Common Equity Tier 1 Capital   | (3,006)      | (2,591)       |
| <b>Common Equity Tier 1 Capital</b>                      | <b>6,241</b> | <b>6,436</b>  |
| Additional Tier 1 Capital – Capital securities           | 886          | 886           |
| <b>Total Tier 1 Capital</b>                              | <b>7,127</b> | <b>7,322</b>  |
| Tier 2 Capital – Subordinated debt and hybrid securities | 2,820        | 2,749         |
| <b>Total capital base</b>                                | <b>9,947</b> | <b>10,071</b> |
| Insurance risk charge                                    | 3,487        | 3,349         |
| Insurance concentration risk charge                      | 591          | 692           |
| Asset risk charge                                        | 2,309        | 2,358         |
| Operational risk charge                                  | 621          | 599           |
| Less: Aggregation benefit                                | (1,309)      | (1,323)       |
| <b>APRA Prescribed Capital Amount (PCA)</b>              | <b>5,699</b> | <b>5,675</b>  |
| <b>PCA multiple</b>                                      | <b>1.75x</b> | <b>1.77x</b>  |
| <b>CET1 ratio (APRA requirement &gt;60%)</b>             | <b>110%</b>  | <b>113%</b>   |

## APRA Tiers of Capital Requirement



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

### APRA: Point of non-viability loss absorption

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

### Classification of QBE as an IAIG

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

# Balance sheet and ratings

## Summary balance sheet (\$M)

|                             | 31 DEC 2021   | 30 JUN 2022   |
|-----------------------------|---------------|---------------|
| Investments and cash        | 28,967        | 26,749        |
| Trade and other receivables | 7,109         | 9,609         |
| Intangibles                 | 2,449         | 2,014         |
| Other assets                | 1,324         | 1,364         |
| <b>Assets</b>               | <b>39,849</b> | <b>39,736</b> |
| Insurance liabilities, net  | 23,465        | 23,622        |
| Borrowings                  | 3,268         | 2,755         |
| Other liabilities           | 4,234         | 4,846         |
| <b>Liabilities</b>          | <b>30,967</b> | <b>31,223</b> |
| <b>Net assets</b>           | <b>8,882</b>  | <b>8,513</b>  |
| Shareholders' funds         | 7,995         | 7,626         |
| Capital notes               | 886           | 886           |
| Non-controlling interests   | 1             | 1             |
| <b>Total equity</b>         | <b>8,882</b>  | <b>8,513</b>  |

## Reserving

- PYD unfavourable \$68M (1H21 \$71M favourable) excludes \$5M of favourable PYD in North America and International matched by premium
- Risk margin strengthening \$38M
- \$804M favourable risk-free rate impact (HY21 \$205M favourable)
- Probability of adequacy unchanged at 91.7%

## Capital and borrowings

- Repaid \$412 million of Tier 2 subordinated debt in May
- Debt to total capital ratio 24.5% (FY21 24.1%)

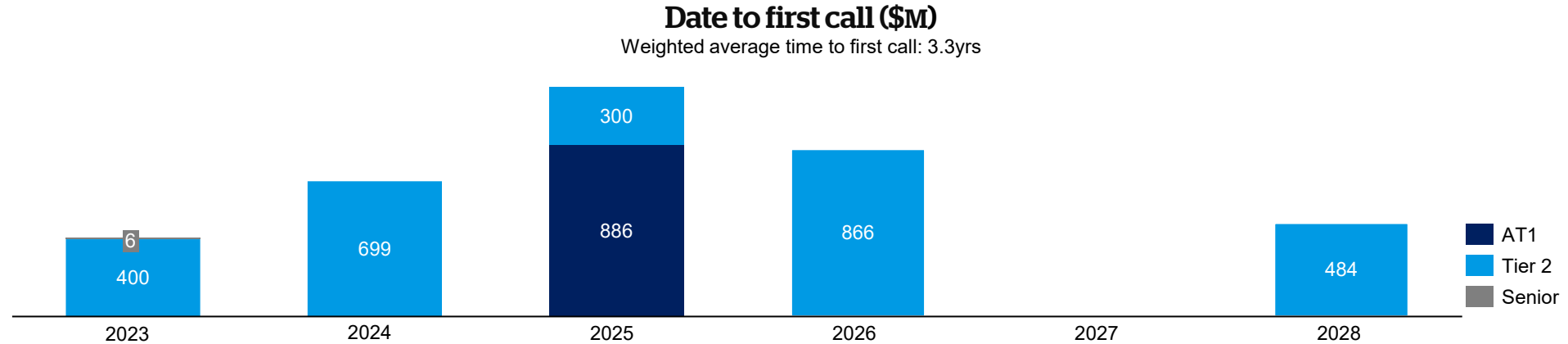
## Credit Ratings

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

|                                                                                                        | Long-term FSR | Debt issue ICR | Outlook | Effective date |
|--------------------------------------------------------------------------------------------------------|---------------|----------------|---------|----------------|
|  S&P Global Ratings | A+            | A-             | Stable  | May 2022       |
|  Moody's          | A1            | A3             | Stable  | June 2022      |
|  Fitch Ratings    | A+            | A-             | Stable  | December 2021  |
|  iBEST            | A             | -              | Stable  | April 2022     |

# Capital markets issuance profile

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



|                   |                         | Issued instruments | Issue date | Currency | Nominal value local currency | First call date | Coupon          | Maturity date | Balance sheet value (\$M) |
|-------------------|-------------------------|--------------------|------------|----------|------------------------------|-----------------|-----------------|---------------|---------------------------|
| Equity accounted  | Additional Tier 1 (AT1) | Capital Notes      | Nov-17     | USD      | 400                          | May-25          | 5.250%          | Perp          | 393                       |
|                   |                         | Capital Notes      | May-20     | USD      | 500                          | May-25          | 5.875%          | Perp          | 493                       |
|                   |                         | AT1 subtotal       |            |          |                              |                 |                 |               | 886                       |
| Debt accounted    | Tier 2                  | 16NC6              | Aug-20     | AUD      | 500                          | Aug-26          | 3M BBSW + 2.75% | Aug-36        | 344                       |
|                   |                         | 17NC7              | Sept-21    | GBP      | 400                          | Mar - Sept 28   | 2.500%          | Sept -38      | 484                       |
|                   |                         | 27NC7              | Nov-16     | USD      | 400                          | Nov-23          | 7.500%          | Nov-43        | 400                       |
|                   |                         | 30NC10             | Dec-14     | USD      | 700                          | Dec-24          | 6.750%          | Dec-44        | 699                       |
|                   |                         | 30NC10             | Nov-15     | USD      | 300                          | Nov-25          | 6.100%          | Nov-45        | 300                       |
|                   |                         | 30NC10             | Jun-16     | USD      | 524                          | Jun-26          | 5.875%          | Jun-46        | 522                       |
|                   |                         | Tier 2 subtotal    |            |          |                              |                 |                 |               | 2,749                     |
|                   | Senior                  | 2023 Senior        | Sep-17     | USD      | 6                            | –               | 3.000%          | May-23        | 6                         |
| Total instruments |                         |                    |            |          |                              |                 |                 |               | 3,641                     |



# Our sustainability commitments include:



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

- 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
- Set intermediate targets for our underwriting portfolio as per Net-Zero Insurance Alliance target-setting protocol by August 2023, subject to regulatory approval and data quality. Subsequently we will commence formal engagement with priority commercial customers.

## Enable a sustainable and resilient workforce

- 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

## Partner for growth through innovative, sustainable and impactful solutions

- 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 Sustainable Development Goals.

*Enabling a more resilient future*

