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10 August 2023

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

Dear Sir/Madam

**Market Release for the half year ended 30 June 2023**

Further to the announcement today of our results for the half year ended 30 June 2023, please find attached a market release in relation to those results.

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 dot at the end.

Carolyn Scobie  
**Company Secretary**

Attachment

# 2023 half year result

“While underwriting performance was challenged by catastrophe events, we are encouraged by our ongoing business momentum and remain confident in the outlook. I’m pleased with the progress we’ve made across our strategic priorities, and with our efforts concentrated around building a more resilient business.”

**Andrew Horton • Group CEO**

QBE announced 1H23 net profit after tax of \$400 million, compared with \$48 million in 1H22. Adjusted cash profit after tax increased to \$405 million from \$66 million in the prior period, resulting in an adjusted cash return on equity of 10.1%, compared to 1.7% in the prior period.

Strong premium growth continued, with Group-wide renewal rate increases of 10.2% in 1H23, which supported gross written premium growth of 13%. The combined operating ratio increased to 98.8% from 94.9% in the prior period, reflecting the impact of catastrophe costs which exceeded the first half allowance, and largely catastrophe related prior year development. This includes the upfront cost of the \$1.9 billion reserve transaction of \$98 million, which impacted the combined operating ratio by 1.2%.

QBE’s indicative regulatory capital Prescribed Capital Amount (PCA) multiple improved to 1.80x from 1.79x at 31 December 2022, and remains at the upper end of the Group’s 1.6-1.8x target range. The Board has declared an interim dividend of 14 Australian cents per share, compared with the 2022 interim dividend of 9 Australian cents per share. The interim dividend payout ratio of 35% of adjusted cash profit reflects the current strength of the Group’s capital position, and what remains a favourable outlook for continued growth.

## Summary income statement and underwriting performance

FOR THE HALF YEAR ENDED 30 JUNE		MANAGEMENT	
		2023	RESTATED 2022
Gross written premium	US\$M	12,803	11,576
Net insurance revenue	US\$M	7,977	7,328
Net claims ratio	%	69.0	65.5
Net commission ratio	%	18.1	17.7
Expense ratio	%	11.7	11.7
<b>Combined operating ratio</b>	%	<b>98.8</b>	94.9
Net insurance finance income	US\$M	149	784
Fixed income losses from changes in risk-free rates	US\$M	(201)	(854)
Net investment income (loss)	US\$M	662	(20)
Net investment return	%	2.4	(0.1)
Tax rate	%	30.8	16.4
<b>Net profit after income tax</b>	<b>US\$M</b>	<b>400</b>	48
Adjusted net cash profit after income tax	US\$M	405	66
Debt to total capital	%	24.7	23.7
PCA multiple		1.80x	1.79x
<b>Return on average shareholders’ equity – adjusted cash basis</b>	%	<b>10.1</b>	1.7
Basic earnings per share – adjusted cash basis	US cents	27.2	4.5
Dividend payout ratio (percentage of adjusted cash profit)	%	35	NA
<b>Dividend per share</b>	<b>A cents</b>	<b>14</b>	9

# Underwriting performance

QBE's combined operating ratio increased to 98.8% from 94.9% in the prior period, reflecting the impact of both current and prior year catastrophe costs, partially offset by the benefit of strong rate increases and improved ex-cat claims trends.

## Gross written premium (US\$M)

**12,803**

⬆️ 13% from 2022

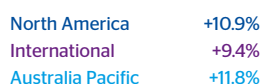


Momentum continues, with constant currency growth of 13%, or 14% excluding Crop, supported by ex-rate growth of 7%. Particularly strong growth of 18% was achieved in Australia Pacific and International, with growth of 6% in North America.

## Average renewal premium rate increase

Group

**+10.2%**



Group-wide premium rate increases averaged 10.2% during the first half compared with 8.1% in the prior period. The strength of rate increases was consistent across each division, and underscored by a re-acceleration in property classes.

## Ex-cat claims ratio

**60.6%**

2022 61.6%

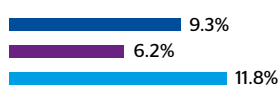


The ex-cat claims ratio decreased by 1.0% during the first half, or 0.3% excluding the impact from current year risk adjustment. This reflected inflation challenges in Australia Pacific, broadly offset by better results in International and North America.

## Catastrophe claims ratio

**8.7%**

2022 6.2%



The net cost of catastrophe claims increased to \$699 million or 8.7% of net insurance revenue compared with 6.2% in the prior period. Catastrophe costs were underscored by the February events in New Zealand and material convective storm activity in North America.

## Prior accident year claims development (US\$M)

**30**

2022 169

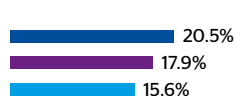


The result included adverse central estimate development of \$177 million, which largely reflected catastrophes from late 2022. This was more than offset by favourable development of \$207 million related to the unwind of risk adjustment resulting in favourable prior year claims development of \$30 million.

## Net commission ratio

**18.1%**

2022 17.7%

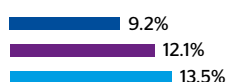


The net commission ratio increased to 18.1% from 17.7% in the prior period, primarily due to business mix changes, principally within International where growth in QBE Re attracts a higher level of commission expense.

## Expense ratio

**11.7%**

2022 11.7%



The expense ratio of 11.7% was unchanged from the prior period, where inflationary pressures and ongoing investment across modernisation projects was offset by further positive operating leverage.

## Combined operating ratio

**98.8%**



The combined operating ratio increased to 98.8% from 94.9% in the prior period. This reflected the impact from catastrophes on both the current and prior year, alongside the benefit of favourable rate increases, growth and supportive ex-cat trends.

● Group ● North America ● International ● Australia Pacific

# Investment portfolio performance

Total investment income for the period was \$662 million or 2.4%, compared with a loss of \$20 million or (0.1)% for the prior period, reflecting the significant increase in interest rates over the period and a gain of \$52 million from tighter credit spreads.

The core fixed income portfolio delivered strong returns. The running yield for the core fixed income portfolio continued to trend higher through the period, exiting the half at 4.9%, around 80 basis points higher than at 31 December 2022.

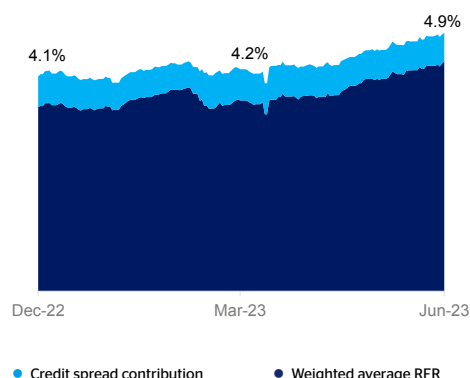
Risk asset performance improved meaningfully compared to the prior period, and was broadly in line with our long term target return for the portfolio. During the period equities, enhanced fixed income and infrastructure assets delivered strong returns which helped to offset negative performance in the unlisted property portfolio due to lower property valuations.

Funds under management decreased to \$27.4 billion from \$28.2 billion at 31 December 2022, reflecting the impact of the \$1.9 billion reserve transaction announced in February 2023, partially offset by continued growth. Portfolio mix continued to evolve over the half, with the allocation to risk assets increasing to 13% from 11%, leaving the core fixed income portfolio representing 87% of total investments.

## HY23 investment return

	\$M	%
FI yield (ex risk-free rate)	531	2.1
Credit spreads (mark to market)	52	0.2
Risk assets	87	2.7
Expenses and other	(8)	(0.0)
<b>Net return</b>	<b>662</b>	<b>2.4</b>

## Core fixed income running yield



# Balance sheet and capital management

## APRA PCA multiple

**1.80x**



QBE's indicative PCA multiple improved to 1.80x at 30 June 2023 from 1.79x at 31 December 2022. Allowing for the payment of the 2023 interim dividend of 14 Australian cents, the pro-forma PCA multiple would decline to 1.78x at 30 June 2023.

## Debt to total capital

**24.7%**



Total borrowings were \$3.0 billion, an increase of \$0.3 billion from \$2.7 billion at 31 December 2022 reflecting the issuance of A\$300 million of subordinated Tier 2 notes in June 2023. As a result, debt to total capital was 24.7%, slightly higher than 23.7% at 31 December 2022.

## Adjusted cash return on equity

**10.1%**



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

# Strategic priorities

QBE Group CEO, Andrew Horton, said; “Challenges from catastrophe events over the period serve to reinforce our focus and aspiration to build a more resilient and consistent business. While I’m pleased with the progress we’ve made across our strategic priorities, our performance this half highlights there is more work to be done.”

“We’ve continued to make pleasing progress on each of our six strategic priorities, which are the key foundations to support our vision of being the most consistent and innovative risk partner. Our efforts over the near term will continue to concentrate around resilience and reducing volatility, which should drive more consistent outcomes for our people, customers and stakeholders”

“Our strategy to improve balance and returns in North America remains the primary focus for the Board and management. While our core business in North America is now in better balance, we remain focussed on portfolio quality, further reducing catastrophe exposure and better managing volatility.”

“We are pleased to announce the appointment of Peter Burton to the role of Group Chief Underwriting Officer. Peter has been with QBE for over 15 years, currently leads our International Markets segment and has had a long and distinguished career as an underwriter and leader across multiple classes of business.”



**Portfolio optimisation**



**Bring the enterprise together**



**Our people**



**Sustainable growth**



**Modernise our business**



**Our culture**

## Outlook

**Gross written premium**

2023 constant currency GWP growth of ~10%

**Combined operating ratio**

Combined operating ratio of ~94.5%, which excludes the upfront cost of the \$1.9 billion reserve transaction

**Investment returns**

1H23 exit running yield of 4.9%

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# Result presentation

Group CEO, Andrew Horton, and Group CFO, Inder Singh, will host a result briefing today (Thursday 10 August 2023) at 9:30am (AEST). Access details are below.

## Webcast and conference call

The briefing will be available for viewing as a live webcast and conference call. **All participants need to register** to access the webcast or conference call using the links below. Registration is now open.

Register for this briefing:

Webcast (watch or listen only): <https://edge.media-server.com/mmc/p/77wp64bt>

Teleconference (Q&A participation): <https://register.vevent.com/register/BI5c613fd9fa464a2db46fc67b1d62c691>

**Questions will only be open to analysts and investors who join via the teleconference.**

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# Contact details

For further information, please contact:

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## Basis of presentation (unless otherwise stated)

1. All figures are in US dollars.
2. Premium growth rates are quoted on a constant currency basis.
3. Premium rate changes exclude North America Crop and/or Australian compulsory third party motor (CTP).
4. Core fixed income excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit.
5. Funds under management comprise cash and cash equivalents, investments and investment properties.
6. 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.
7. APRA PCA calculations at 30 June 2023 are indicative. Prior period calculation has been updated to be consistent with APRA returns finalised subsequent to year end.

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## Disclaimer

The information in this announcement provides an overview of the results for the period ended 30 June 2023.

This announcement should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange ('ASX'). Copies of those lodgements 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.

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

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE

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

Any forward-looking statements assume no material variation in catastrophe claims or premium rates relative to 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 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 announcement.

This announcement does not constitute an offer or invitation for the sale or purchase of securities. In particular, this announcement 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.