QBE

2023 Half Year Result

QBE INSURANCE GROUP LIMITED

Enabling a more resilient future

Important information

Disclaimer

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

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

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Any forward-looking statements assume ex-cat claims 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 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.

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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 change excludes North America Crop and/or Australian compulsory third party motor (CTP)
4. 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
5. 2021 and prior periods are presented on an adjusted AASB 1023 basis as presented in prior reports
6. 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

Andrew Horton

Group Chief Executive Officer

Key messages

Result overview

Growth remains a highlight
13% GWP growth supported by 10.2% premium rate increase and ex-rate growth of 7%

Catastrophe costs impact underwriting result
COR of 98.8%, or 97.6% excluding reserve transaction announced in February

FY23 outlook maintained
Group COR ~94.5%, GWP growth ~10%.

Strategic progress

North America strategic execution
Enterprise wide focus on NA strategy and ambition for improved returns

Completion of major reserve transaction
~$1.9B of long tail reserves successfully de-risked

People and culture
More engaged, and building connection to our purpose, enabling a more resilient future

Strategic priorities: Progress and focus

Portfolio optimisation
Deepening volatility focus, ongoing refinement of property CAT exposure

Bring the enterprise together
Structured collaboration, alignment around new enterprise operating principles

Our people
Voice surveys remain encouraging, launch of employee share purchase plan

Our strategic priorities

Sustainable growth
Progressed a number of global growth opportunities

Modernise
Continue to prosecute potential for standardisation, sharing or common sourcing

Our culture
Launch of QGiving, QBE’s employee fundraising and volunteering platform

Sustainability

Our areas of sustainability focus

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

1H23 Highlights

Continued progress against our sustainability strategy

- Commenced formal engagement with priority commercial customers and large suppliers
- Green Insurer of the Year, 4th year in a row

- Gender equality: top 100 globally (Equileap) and maintained in Bloomberg's Gender Equality Index
- QShare launch, QBE's new employee share purchase plan, contributing to the financial resilience of our people

- QGiving launched to deepen the engagement of our people with community partners by matching employee donations and reward volunteer hours to eligible causes of their choice

Performance update

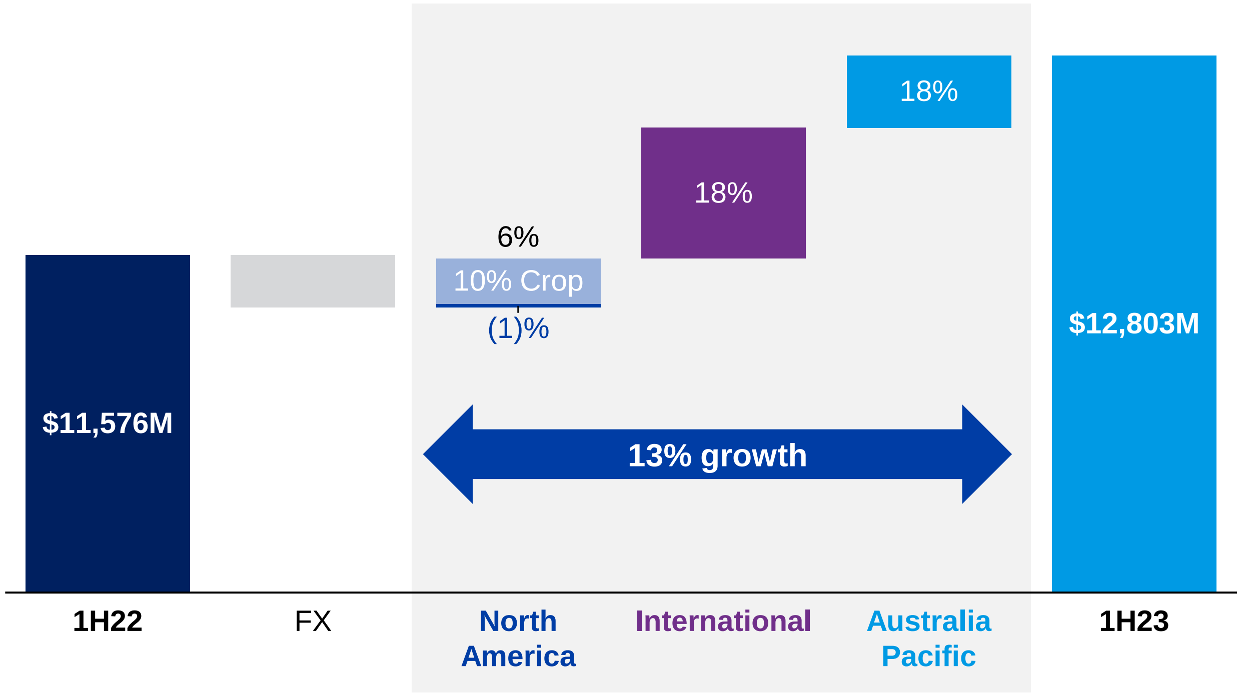
Growth	Underwriting result	Investment result	Balance sheet	Dividend
+13%	**98.8%**	**4.8%**	**1.80x**	**14c**
Gross written premium	**Combined operating ratio**	**Annualised investment return**	**Regulatory capital**	**Interim dividend** (AUD)
Average rate increase +10.2%	Cat claims 8.7%	Total investment income of $662M	Capital above S&P 'AA' level	35% interim payout ratio
Ex-rate growth +7%	Includes 1.2% impact from reserve transaction	4.9% exit running yield	Debt to total capital 24.7%	10% franked

Gross written premium

Organic growth continues across key focus areas, partially offset by exposure reduction in property lines

Gross written premium

Growth (ex-rate) 7%



Premium growth metrics

1H23	GWP growth	GWP growth (ex-rate)	Net insurance revenue growth
North America	6%	3%	5%
NA (ex Crop)	(1%)	(7%)	6%
International	18%	10%	16%
Australia Pacific	18%	9%	13%
Group	**13%**	**7%**	**12%**

Portfolio evolution

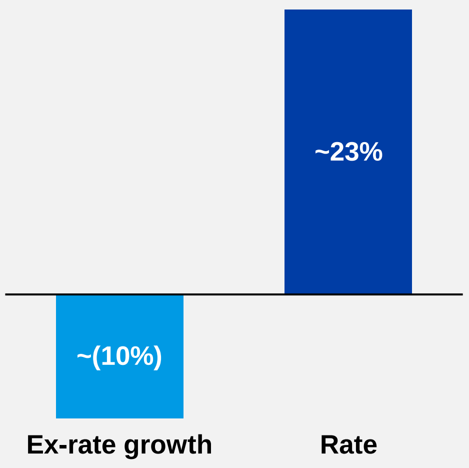
Portfolio optimisation

Property exposure remains a key focus

- Catastrophes from secondary perils continue to challenge industry returns
- Focus on challenging return assumptions, enhancing models and tools, and reducing standalone property exposure
- Favourable backdrop to improve property rating, quality and balance. Standalone property cells saw average 1H23 rate increase of ~23%, with ex-rate growth down ~10%

Standalone property cells

Average growth and rate change



Sustainable growth

Broad pipeline of multi-year growth opportunities

Deepen core franchises

Further organic growth across AUS/UK SME and Middle market, Lloyd's, Crop, NA accident & health

Expand footprint in focus areas

Favourable markets for QBE Re, steady build across Continental Europe

Explore and innovate across new opportunities

Cyber, Lloyd's facilities and renewable energies

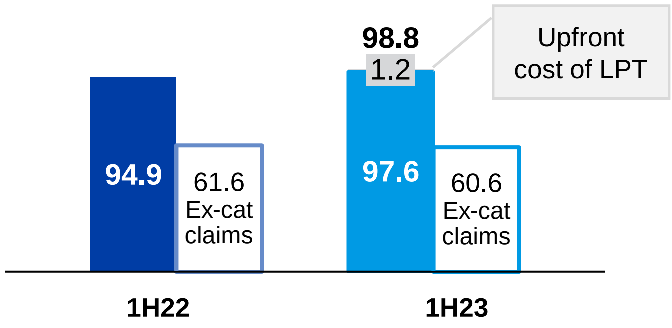
Inder Singh

Group Chief Financial Officer

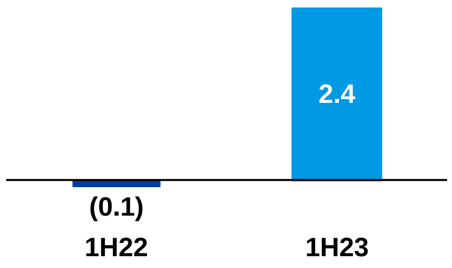
Result snapshot

Strong investment returns served to mitigate the headwind from current and prior year catastrophes

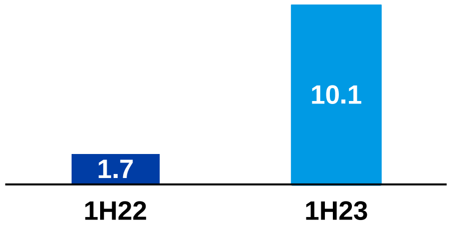
Combined operating ratio (%)



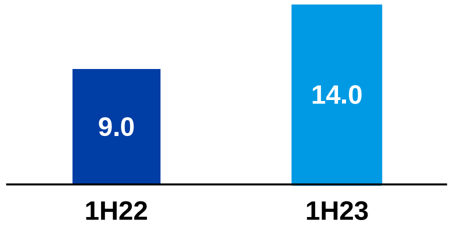
Investment yield (%)



Adjusted cash ROE (%)



Dividends per share (A$ cps)



		Restated 1H22	1H23
Gross written premium	$M	11,576	12,803
Net insurance revenue	$M	7,328	7,977
Net claims ratio	%	65.5	69.0
Net commission ratio	%	17.7	18.1
Expense ratio	%	11.7	11.7
Combined operating ratio	**%**	**94.9**	**98.8**
Insurance operating result	**$M**	**375**	**95**
Net insurance finance income	$M	784	149
Investment losses from risk-free rate movements	$M	(854)	(201)
Net investment (loss) income	$M	(20)	662
Net profit after income tax	$M	48	400
Adjusted cash profit after income tax	$M	66	405
Adjusted cash return on equity	**%**	**1.7**	**10.1**

AASB 17: Reminder of notable changes

Notable changes to key metrics under AASB 17 management reporting framework

Net insurance revenue	↑	Quota share income now recorded in reinsurance income. In 1H23 the $98M net upfront cost of the reserve transaction is recorded in reinsurance expenses
Ex-cat claims	↑	Includes strain from the establishment of current accident year risk adjustment, plus any impacts from onerous contracts (onerous contract provision held broadly steady in 1H23)
Prior year development	↓	Includes the benefit of prior year risk adjustment unwind
Commission expense	↑	Ceding commission income moves to net insurance revenue
Risk free rate impacts	↔	Impact from changes in risk free rates on both assets and liabilities now reported across standalone P&L line items, and outside underwriting and investment results

Group underwriting performance

QBE

Group-wide premium rate increases

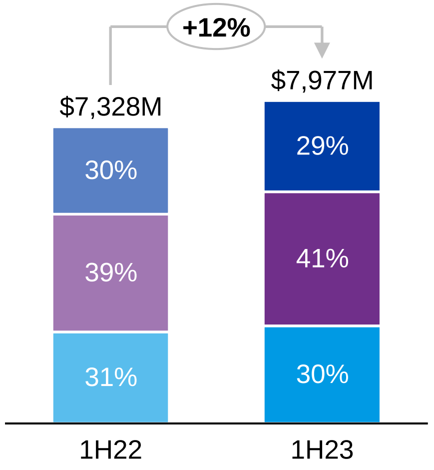
Improvement to +10.2%

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
North America +10.9%	10.4%		8.1%		10.9%	
	9.9%	11.0%	9.1%	6.7%	10.6%	11.5%
	73%	73%	74%	74%	68%	66%
Int'l +9.4%	7.0%		5.5%		9.4%	
	7.1%	6.9%	6.3%	4.9%	9.2%	9.5%
	85%	88%	87%	87%	84%	85%
AusPac +11.8%	9.1%		9.9%		11.8%	
	8.6%	9.4%	9.4%	10.4%	11.3%	12.2%
	87%	86%	87%	87%	90%	88%
Group +10.2%	8.1%		7.7%		10.2%	
	7.9%	8.2%	8.4%	7.1%	10.0%	10.5%
	83%	85%	84%	84%	82%	82%

YTD premium retention

Net insurance revenue

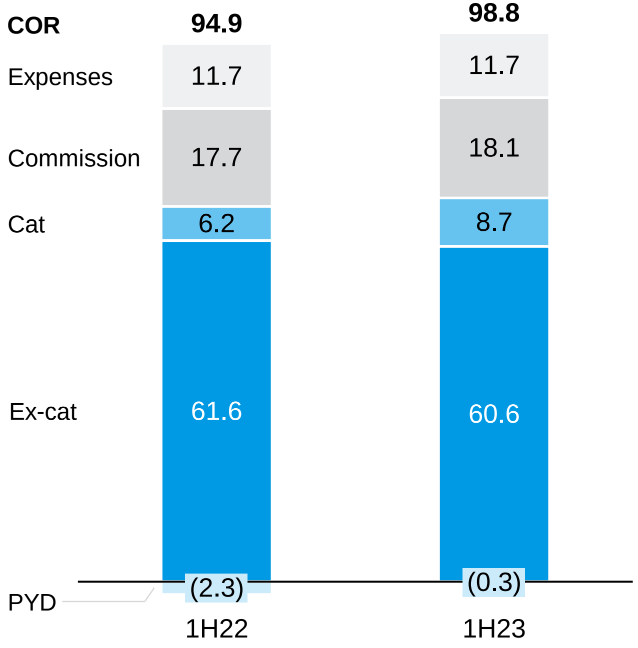
Strong growth led by International



1H23	Growth
North America	5%
International	16%
Australia Pacific	13%

Combined operating ratio (%)

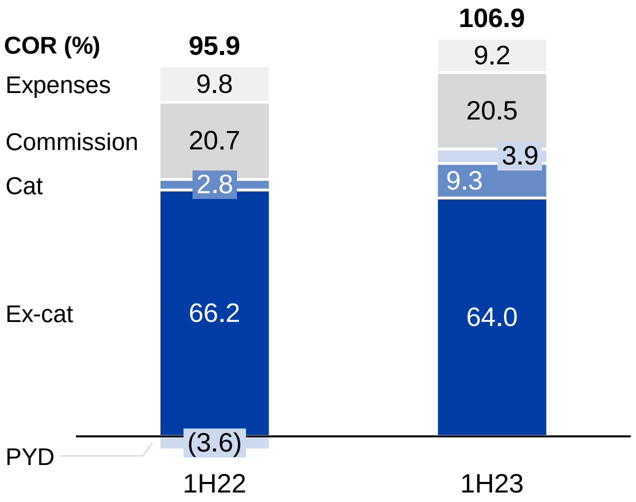
Impacted by current and prior year catastrophes



Divisional underwriting highlights

North America

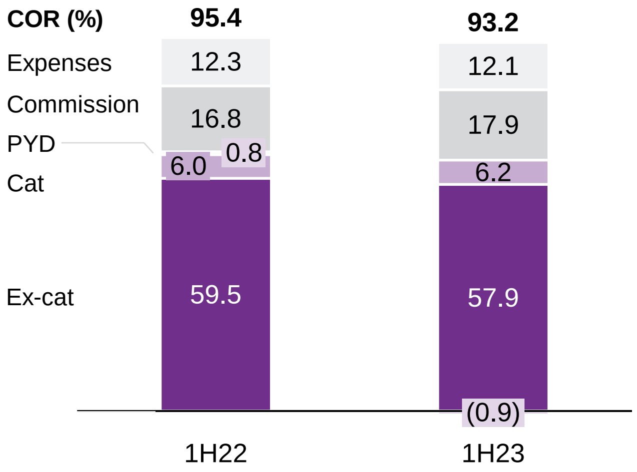
Impacted by catastrophe costs in both the current and prior year



- Catastrophes materially above allowance and prior period
- Prior year strengthening for winter storm Elliott and Crop

International

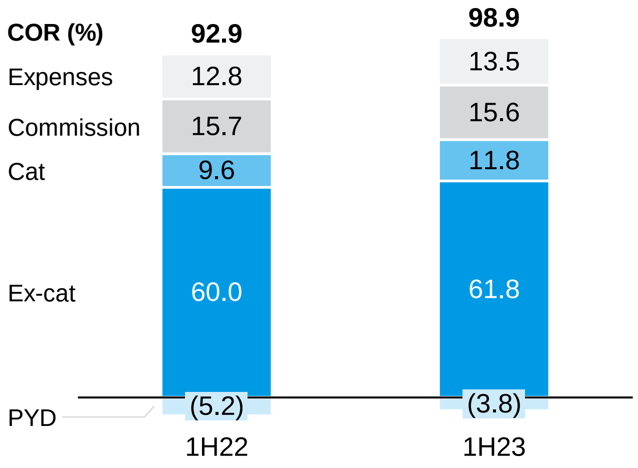
Improvement in underwriting result alongside targeted growth



- Favourable prior year development and supportive ex-cat trends
- Continued benefit from operating leverage and expense management

Australia Pacific

Elevated inflation in property and motor combined with NZ cat events



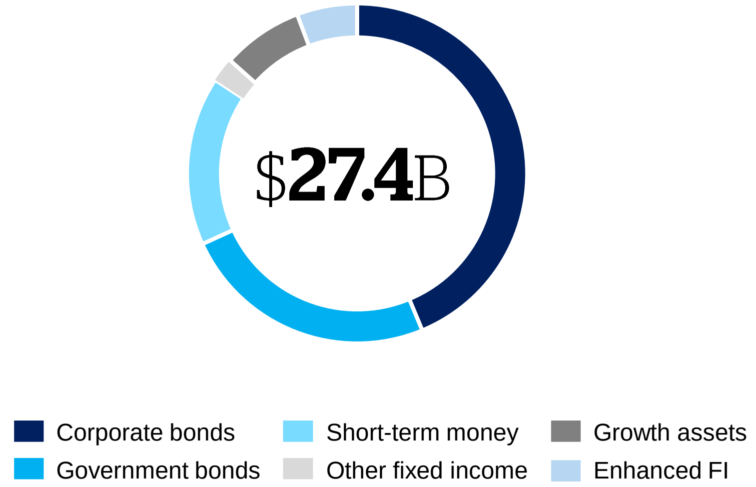
- Catastrophes underscored by NZ events in February
- Improvement in short tail rate increases to support outlook

Investment portfolio performance

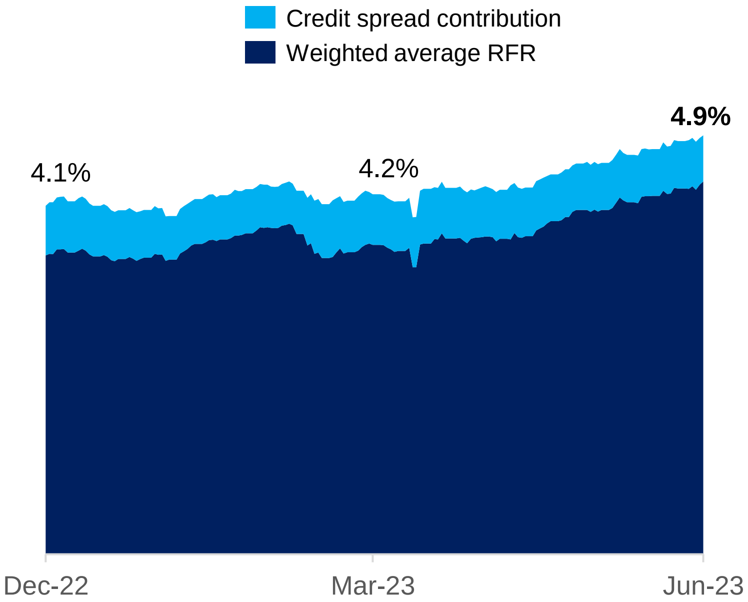
1H23 investment return	$M	%
FI yield (ex risk-free rate)	531	2.1
Credit spreads MTM	52	0.2
Risk assets	87	2.7
Expenses and other	(8)	(0.0)
Net return	**662**	**2.4**

- Further improvement in fixed income running yield, exiting 1H23 at 4.9%
- Duration 'economically' matched at 1.8 years

Investment portfolio

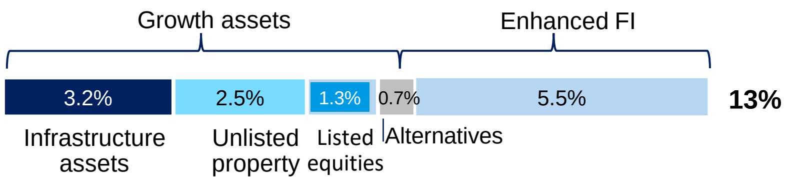


Fixed income running yield



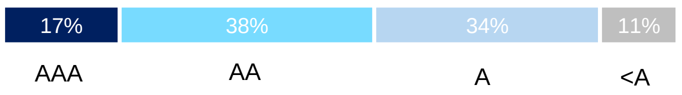
Risk assets

13% of total FUM



Fixed income assets - S&P security grading

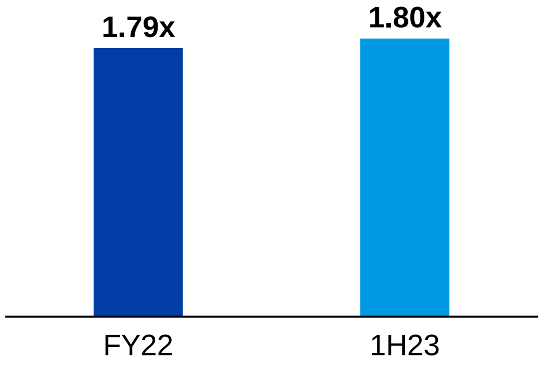
Fixed income and enhanced fixed income



Balance sheet and capital management

APRA capital

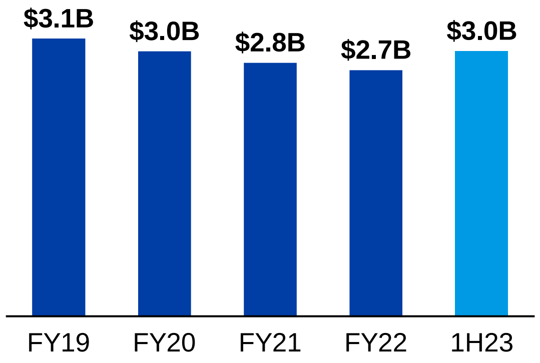
PCA multiple



- Regulatory capital at the top end of our 1.6x-1.8x target range
- Includes ~3pt impact from June debt issue and ~6pt impact from reserve transaction
- 1H23 dividend expected to be ~2pt impact
- Capital above S&P 'AA' level

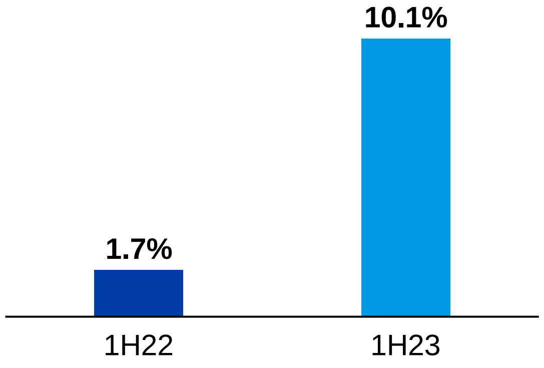
Borrowings

Debt to total capital target range: 15-30%



	FY19	FY20	FY21	FY22	1H23
Debt to total capital	27.5	25.8	24.1	23.7	24.7
Debt to equity	38.0	34.8	31.8	31.0	32.8

Adjusted cash return on equity



- Encouraging resilience and improvement in ROE despite challenging period for underwriting profitability

Andrew Horton

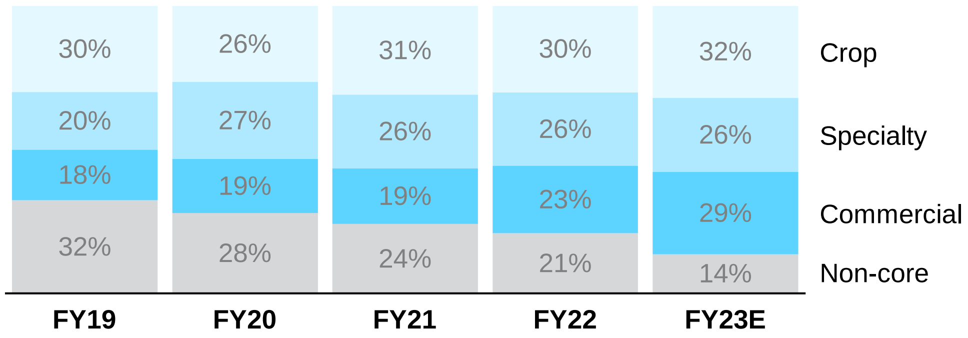
Group Chief Executive Officer

North America business update

Progress on portfolio balance and profitability

Net earned premium (AASB 1023)

Mix increasingly shifting toward target state



- Run-off of non-core lines will continue over the next two years, and largely represents homeowners and commercial programs
- 'Go-forward' business mix continues to evolve toward more balanced target profile

Key segment underwriting performance

'Go-forward' core segment underwriting results

COR[1]	FY18-22 Avg AASB 1023	FY22 AASB 1023	FY22 AASB 17	1H23 AASB 17
Crop	96%	96%	96%	99%
Specialty	98%	96%	96%	94%
Commercial	106%	94%	96%	109%

- Specialty segment continues to demonstrate improvement, underpinned by A&H and Financial Lines
- Commercial segment performance remains challenging, and impacted by current and prior year catastrophes in 1H23

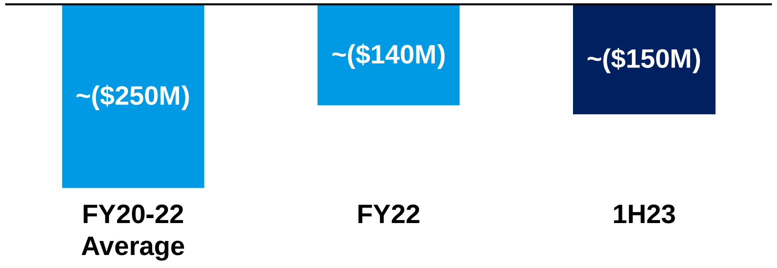
Note:
1. COR represents the go-forward portfolio, excluding non-core lines

North America business update

Drag from non-core lines to moderate meaningfully into FY24

Non-core underwriting result[1]

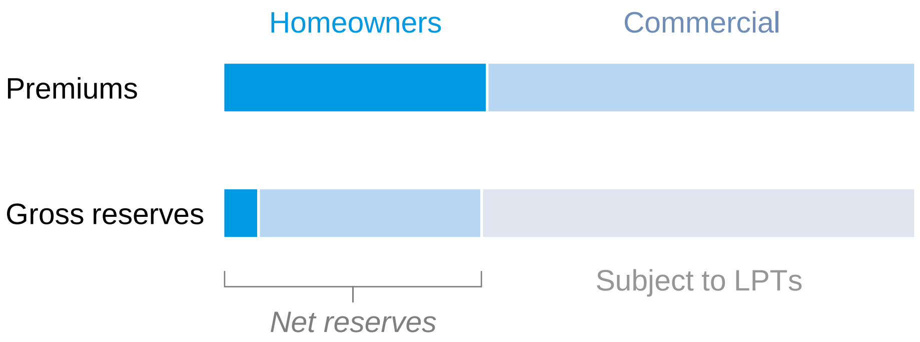
1H23 impacted by elevated Cat and PYD



- Unprofitable non-core lines further impacted by current and prior year catastrophes in 1H23
- Expect drag from non-core lines to moderate meaningfully into FY24

Non-core business mix

Non-core reserve risk mitigated via recent LPTs



- Approximately half of the net reserves reflect short tail property classes
- Majority of legacy long tail reserves have been reinsured across several loss portfolio transfers

Note:
1. AASB 1023 basis

Outlook

Gross written premium	• Expected 2023 constant currency GWP growth of ~10%	• Premium rate increases expected to remain supportive • Market conditions to remain conducive for further targeted organic growth
Combined operating ratio	• Consistent low-to-mid 90s COR through-cycle • 2023 COR of ~94.5%	• COR outlook continues to exclude upfront impact of reserve transaction announced in February • COR outlook includes a revised catastrophe budget of ~$1.3B
Investment returns	• 1H23 exit running yield of 4.9%	• Continue to rebalance the portfolio toward our 15% target risk asset allocation • QBE to provide 3Q23 performance update on 27 November

Questions and answers

Key metrics summary[1]

		Group		North America		International		Australia Pacific	
		1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23
Gross written premium	$M	11,576	12,803	4,708	4,967	4,367	5,072	2,503	2,771
Insurance revenue	$M	8,942	9,911	3,208	3,508	3,281	3,793	2,448	2,600
Net insurance revenue	**$M**	**7,328**	**7,977**	**2,170**	**2,285**	**2,890**	**3,278**	**2,255**	**2,393**
NIR (ex Crop and LMI)	$M	6,544	7,211	1,487	1,599	2,890	3,278	2,155	2,314
Net claims expense	$M	(4,799)	(5,505)	(1,420)	(1,763)	(1,916)	(2,072)	(1,453)	(1,671)
Net commission	$M	(1,296)	(1,442)	(450)	(469)	(487)	(588)	(355)	(374)
Expenses and other income	$M	(858)	(935)	(212)	(211)	(355)	(395)	(288)	(322)
Insurance operating result	**$M**	**375**	**95**	**88**	**(158)**	**132**	**223**	**159**	**26**
Ex-cat (ex Crop, LMI, RA)	%	55.2	55.2	55.7	54.1	54.3	54.2	56.3	58.0
Ex-cat (ex RA)	%	56.9	56.6	62.3	60.3	54.3	54.2	55.0	57.2
Ex-cat claims ratio	%	61.6	60.6	66.2	64.0	59.5	57.9	60.0	61.8
Catastrophe claims	%	6.2	8.7	2.8	9.3	6.0	6.2	9.6	11.8
Prior year development	%	(2.3)	(0.3)	(3.6)	3.9	0.8	(0.9)	(5.2)	(3.8)
Net claims ratio	**%**	**65.5**	**69.0**	**65.4**	**77.2**	**66.3**	**63.2**	**64.4**	**69.8**
Net claims ratio	%	65.5	69.0	65.4	77.2	66.3	63.2	64.4	69.8
Net commission ratio	%	17.7	18.1	20.7	20.5	16.8	17.9	15.7	15.6
Expense ratio	%	11.7	11.7	9.8	9.2	12.3	12.1	12.8	13.5
Combined operating ratio	%	**94.9**	**98.8**	**95.9**	**106.9**	**95.4**	**93.2**	**92.9**	**98.9**

		Group		North America		International		Australia Pacific	
		1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23
Ex-cat claims	$M	(4,514)	(4,836)	(1,436)	(1,463)	(1,719)	(1,897)	(1,353)	(1,479)
- CAY risk adjustment	$M	(348)	(316)	(85)	(84)	(151)	(123)	(112)	(110)
Catastrophe claims	$M	(454)	(699)	(61)	(213)	(175)	(204)	(218)	(282)
Prior year development	$M	169	30	77	(87)	(22)	29	118	90
- PYD (Central estimate)	$M	(52)	(177)	(28)	(169)	(75)	(33)	52	19
- PYD (Risk adjustment)	$M	221	207	105	82	53	62	66	71
Net claims incurred	**$M**	**(4,799)**	**(5,505)**	**(1,420)**	**(1,763)**	**(1,916)**	**(2,072)**	**(1,453)**	**(1,671)**
Ex-cat claims	%	61.6	60.6	66.2	64.0	59.5	57.9	60.0	61.8
- CAY risk adjustment	%	4.7	4.0	3.9	3.7	5.2	3.7	5.0	4.6
Catastrophe claims	%	6.2	8.7	2.8	9.3	6.0	6.2	9.6	11.8
Prior year development	%	(2.3)	(0.3)	(3.6)	3.9	0.8	(0.9)	(5.2)	(3.8)
- PYD (Central estimate)	%	0.7	2.3	1.2	7.5	2.6	1.0	(2.3)	(0.8)
- PYD (Risk adjustment)	%	(3.0)	(2.6)	(4.8)	(3.6)	(1.8)	(1.9)	(2.9)	(3.0)
Net claims ratio	**%**	**65.5**	**69.0**	**65.4**	**77.2**	**66.3**	**63.2**	**64.4**	**69.8**

Note:
1. 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*

Enabling a more resilient future

QBE