Enabling a more resilient future

# 2023 Investor Report

QBE INSURANCE GROUP LIMITED

## Important information

### Basis of presentation (unless otherwise stated)

This Investor Report should be read in conjunction with QBE's 2023 Annual Report. Unless otherwise stated, discussion of financial performance is on a management basis. A detailed reconciliation between the statutory income statement and the management basis result is provided on page 36.

Unless otherwise stated, references in this report to 'QBE', 'the Group', 'we', 'us' and 'our' refer to the QBE Insurance Group Limited. Any references in this report to a 'year' or 'period' refer to the 12 months ended 31 December.

Management basis financial information in this report has not been audited or reviewed by QBE's external auditor.

QBE adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period (excluding premium growth rates and premium rate changes). The impacts of adoption are detailed in note 8.1.1 of the consolidated financial statements in the 2023 Annual Report. Further information was also provided in the AASB 17 transition update released on 30 May 2023 with a subsequent update on 8 August 2023.

Definitions of key insurance terms and ratios are provided in the glossary on page 42.

All figures are expressed in US dollars unless otherwise stated.

Premium growth rates are quoted on a constant currency basis.

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

Funds under management (Total cash and investments) comprise cash and cash equivalents, investments in equities, properties and infrastructure, and investment properties.

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

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

APRA PCA calculations at 31 December 2023 are indicative. Prior year calculation has been updated to be consistent with APRA returns finalised subsequent to year end.

Analysis of the Group by division excludes the Corporate & Other segment.

**QBE Insurance Group Limited**
ABN 28 008 485 014

# Contents

# 2023 reporting suite

This report forms part of our annual reporting suite which brings together information on the Group's financial and sustainability performance for the year, and other disclosures.

## Annual Report

Our primary disclosure document containing the operating and financial review, remuneration report, financial statements and key governance disclosures.

## Investor Report

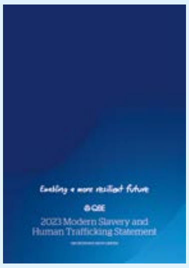
Provides performance highlights and supplementary management commentary on the Group's strategic and financial performance for the convenience of analysts and institutional investors.

## Sustainability Report

Contains discussion of QBE's sustainability performance and progress, and discloses sustainability topics that affect QBE and our impacts on society and the environment.

## Sustainability Data Book

Provides data for key sustainability metrics and trends.



## Modern Slavery and Human Trafficking Statement

Describes how we identify, assess and address modern slavery risks within our operations and supply chains.

## Corporate Governance Statement

Describes our corporate governance framework, including key policies and practices.

## Where to find

| | ANNUAL REPORT | INVESTOR REPORT | SUSTAINABILITY REPORT | SUSTAINABILITY DATA BOOK | MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT | CORPORATE GOVERNANCE STATEMENT |
|---|---|---|---|---|---|---|
| Business strategy and strategic priorities | ● | ● | | | | |
| Risk management | ● | ○ | | | | |
| Corporate governance framework, policies and practices | ○ | | | | | ● |
| Board membership, skills and experience | ● | | | | | ● |
| Financial performance | ● | ● | | | | |
| Climate-related risks and opportunities | ● | | | | | |
| Sustainability strategy | ○ | ○ | ● | | | |
| Sustainability governance | ○ | | ● | | ○ | |
| Sustainability performance | ○ | ○ | ● | ● | ● | |

**Key:** ○ Key messages ● Comprehensive

# About QBE

**QBE is an international insurer which holds leading franchises across commercial and specialty markets, organised across our three divisions. QBE is headquartered in Sydney, and listed on the Australian Securities Exchange.**

## Our purpose

Enabling a more resilient future

## Business overview

**3**
Divisions

**27**
Countries of operation

**13,479**
People

## Our business divisions

### North America

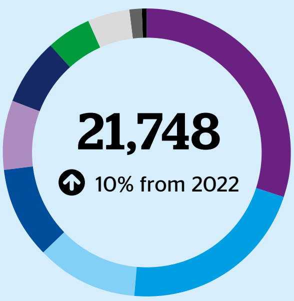
Our North America division is organised around our three segments of Crop, Specialty and Commercial

**35%**

of gross written premium

### Gross written premium by class of business

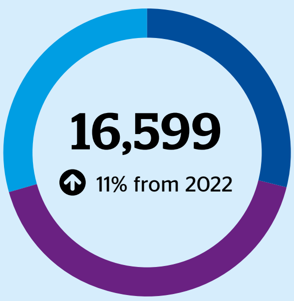
(US$M)




| | 2023 % |
|---|---|
| Commercial & domestic property | 30.3 |
| Agriculture | 21.2 |
| Public/product liability | 11.4 |
| Motor & motor casualty | 10.5 |
| Professional indemnity | 7.7 |
| Marine, energy & aviation | 7.4 |
| Workers' compensation | 5.2 |
| Accident & health | 4.5 |
| Financial & credit | 1.4 |
| Other | 0.4 |

### Net insurance revenue by business division

(US$M)




| | 2023 % |
|---|---|
| North America | 28.9 |
| International | 41.7 |
| Australia Pacific | 29.4 |

## Sustainability focus areas

**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

### Net-zero commitment

Committed to net-zero emissions across our underwriting and investment portfolios by 2050, and our own operations by 2030

### Employee Share Program

Helping employees share in our future and success

### Partner for growth

Targeting $2.0 billion invested in Premiums4Good

For more information see our 2023 Sustainability Report.

## International

Our International division encompasses our Lloyd's franchise, UK and European commercial segments, reinsurance business (QBE Re), and Asian operations

**40%**
of gross written premium

## Australia and Pacific

In our home market we offer a broad range of commercial, specialty, credit and personal insurance products

**25%**
of gross written premium

## Shareholder highlights

| Group adjusted cash ROE (%) | Dividend per share (AU¢) | Total shareholder return (%) |
|---|---|---|
| 16.0 | 62 | 14.8 |
| ↑ from 8.3% 2022 | ↑ from 39 2022 | ↓ from 16.0% 2022 |

## Our strategy

### Portfolio optimisation

Active management of portfolio mix and volatility

### Sustainable growth

Achieve consistent growth

### Bring the enterprise together

Better leverage our global footprint and scale

### Modernise our business

Make things easier for our customers, partners and people

### Our people

Become an employer of choice in our key markets

### Our culture

Be a purpose-led organisation. Strengthen alignment, trust and collaboration

For more information see our 2023 Annual Report.

# Financial snapshot

| FOR THE YEAR ENDED 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Insurance revenue | **20,825** | 18,834 |
| Insurance service expenses | **(19,362)** | (18,134) |
| Reinsurance expenses | **(4,226)** | (3,746) |
| Reinsurance income | **3,747** | 3,812 |
| **Insurance service result** | **984** | 766 |
| Other expenses | **(250)** | (226) |
| Other income | **62** | 74 |
| **Insurance operating result** | **796** | 614 |
| **Analysed as** | | |
| *Gross written premium* | **21,748** | 19,993 |
| *Insurance revenue* | **20,825** | 18,834 |
| *Reinsurance expenses* | **(4,226)** | (3,746) |
| ***Net insurance revenue*** | **16,599** | 15,088 |
| *Net claims expense* | **(10,805)** | (9,964) |
| *Net commission* | **(3,044)** | (2,741) |
| *Expenses and other income* | **(1,954)** | (1,769) |
| **Insurance operating result** | **796** | 614 |
| Net insurance finance (expense) income | **(60)** | 1,242 |
| Fixed income losses from changes in risk-free rates | **(5)** | (1,343) |
| Net investment income on policyholders' funds | **886** | 390 |
| **Insurance profit** | **1,617** | 903 |
| Net investment income on shareholders' funds | **488** | 180 |
| Financing and other costs | **(232)** | (230) |
| Gain on sale of entities and businesses | **2** | 38 |
| Share of net loss of associates | **(2)** | (7) |
| Restructuring and related expenses | **–** | (106) |
| Impairment of owner occupied property | **(25)** | – |
| Amortisation and impairment of intangibles | **(11)** | (27) |
| Remediation | **–** | (75) |
| **Profit before income tax** | **1,837** | 676 |
| Income tax expense | **(473)** | (81) |
| **Profit after income tax** | **1,364** | 595 |
| Non-controlling interests | **(9)** | (8) |
| Net profit after income tax | **1,355** | 587 |

## Management result

Combined operating ratio

**95.2%**

2022 95.9%

Net profit after income tax (US$M)

**1,355**

2022 587

## Statutory result

Insurance operating result (US$M)

**1,315**

2022 759

Net profit after income tax (US$M)

**1,355**

2022 587

Unless otherwise stated, the Group and business commentary following are based on the management result.

Detailed statutory to management result reconciliation is included on page 36 of this report.

## Underwriting metrics

| FOR THE YEAR ENDED 31 DECEMBER | 2023 % | RESTATED 2022 % |
|---|---|---|
| Gross written premium growth | **10** | 13 |
| – North America | **4** | 16 |
| – International | **17** | 14 |
| – Australia Pacific | **8** | 9 |
| Ex-rate growth | **4** | 8 |
| Average renewal premium rate increases | **9.7** | 7.9 |
| – North America | **10.5** | 9.2 |
| – International | **7.8** | 6.5 |
| – Australia Pacific | **12.5** | 9.5 |
| Retention | **81** | 84 |
| Net insurance revenue growth | **11** | N/A |
| Net claims ratio | **65.1** | 66.0 |
| – Ex-cat claims ratio | **59.1** | 60.5 |
| – Catastrophe claims ratio | **6.6** | 7.0 |
| – Prior accident year claims development | **(0.6)** | (1.5) |
| Net commission ratio | **18.3** | 18.2 |
| Expense ratio | **11.8** | 11.7 |
| Combined operating ratio | **95.2** | 95.9 |
| – North America | **103.7** | 99.5 |
| – International | **89.5** | 94.8 |
| – Australia Pacific | **93.6** | 92.8 |
| Insurance profit margin | **9.7** | 6.0 |

## Investment metrics

| FOR THE YEAR ENDED 31 DECEMBER | 2023 % | RESTATED 2022 % |
|---|---|---|
| Net investment return | **4.7** | 2.0 |
| – Core fixed income return | **4.8** | 2.1 |
| – Risk asset return | **5.7** | 1.2 |

| AS AT | | 31 DECEMBER 2023 | 31 DECEMBER 2022 |
|---|---|---|---|
| Closing – Funds under management | US$M | **30,064** | 28,167 |
| Average – Funds under management | US$M | **29,116** | 28,567 |
| Risk asset allocation | % | **12** | 11 |
| Core fixed income allocation | % | **88** | 89 |
| Core fixed income exit running yield | % | **4.6** | 4.1 |
| Core fixed income investment duration | Years | **1.7** | 1.6 |

## Profitability and balance sheet metrics

| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 |
|---|---|---|---|
| Basic earnings per share – Adjusted cash basis | US¢ | **91.4** | 44.8 |
| Dividend per share | A¢ | **62** | 39 |
| Dividend payout ratio (percentage of adjusted cash profit) | % | **45** | 60 |
| Dividend franking | % | **10** | 10 |
| Tax rate | % | **25.7** | 12.0 |
| Adjusted cash return on equity | % | **16.0** | 8.3 |

| AS AT | | 31 DECEMBER 2023 | RESTATED 31 DECEMBER 2022 |
|---|---|---|---|
| Average shareholders' equity – Adjusted for AT1 | US$M | **8,517** | 8,005 |
| Prescribed capital amount (PCA) multiple | | **1.82x** | 1.79x |
| Debt to total capital | % | **21.9** | 23.7 |
| Risk adjustment % of central estimate | % | **8** | 8 |

# Demonstrating resilience in a complex environment

The operating environment has remained dynamic in 2023, given the complex geopolitical landscape and challenges relating to inflation. Against this backdrop I am pleased with the improved resilience in the business, as we remain focused on building greater consistency.

### Focused on our strategic priorities

Our vision is to be the most consistent and innovative risk partner

Actively managing our portfolio mix to reduce volatility

Sustainability focus areas will help us to deliver on our purpose of enabling a more resilient future

Recent years have demanded the need for organisations to respond and steer through complex circumstances. Our QBE teams around the world continue to demonstrate their commitment to our customers, and I am incredibly proud of their enthusiasm in our purpose of enabling a more resilient future.

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. We remain focused on delivering better performance in North America; and despite an unsatisfactory result this period, we have made the business simpler, terminated poorer performing property relationships, and performance is expected to improve with the run-off of non-core lines.

I am pleased with our internal appointments to the Group Executive Committee during the year. In September 2023, Peter Burton, who has over 15 years with QBE in underwriting and management, was appointed as Group Chief Underwriting Officer; and Julie Wood was appointed Chief Executive Officer, North America.

## Business performance

Financial performance improved in the period, and QBE is demonstrating greater consistency and resilience. Our Group adjusted cash return on equity of 16.0% improved materially from the prior year.

Our combined operating ratio of 95.2% improved from 95.9% in the prior year; however this missed our original plan, largely due to short-tail prior year reserve deterioration, and inflationary pressure across a small group of portfolios.

Reducing volatility remains a primary focus, and we have made good progress this year. Our property catastrophe exposure has undergone a dramatic recalibration, and will benefit from recent portfolio terminations plus material improvement in rate and terms.

Markets remain attractive, and we achieved gross written premium growth of 10%, driven by premium rate increases of 9.7%, which continue to compound.

We take comfort from the general stability in long-tail reserves in the year, with the reserve transaction completed in 1H23, a key milestone in reducing potential reserve volatility. With global insured losses of around $120 billion, it is encouraging to see our catastrophe costs land below allowance for the year.

Our North America division delivered a combined operating ratio of 103.7%. While performance will improve with the run-off of non-core lines, we remain focused on driving incremental performance improvement in our core segments.

Higher interest rates have supported a strong investment result for the period, and continue to suggest a positive outlook for returns in 2024.

For detailed discussion of Group and divisional performance, please refer to pages 18 to 35 of this report.

## Strategy in action

Our six strategic priorities remain consistent. We are focused on having the right capabilities, people and technology to deliver our strategy, drive competitive advantage and support our customers. Pages 8 and 9 of this report detail our progress and achievements against these priorities, along with future focus areas.

Our strategy to improve performance in North America remains a primary focus for the Board and management, and we are tasked to build a business which delivers performance that is consistent with our Group targets. We have renewed our focus on building and strengthening relationships with our major trading partners, and are confident we can successfully manage our priorities for the division. This includes the run-off of non-core lines, improvement in middle-market performance, driving growth in adjacent specialties and achieving better balance across our three core insurance segments of Crop, Specialty and Commercial.

Portfolio Optimisation and Sustainable Growth priorities play a critical role in our ambition to deliver a consistent Group combined operating ratio in the low to mid 90s. Our Portfolio Optimisation initiatives in 2023 focused on our property portfolio, where we have improved balance across the Group and reduced potential earnings volatility.

We want to accelerate QBE's data-centric capabilities and expand our ability to support customer resilience through new technologies, such as artificial intelligence (AI). We will continue to leverage technology to deliver better outcomes for customers through our Modernisation strategic priority and QBE Ventures initiatives.

Delivering against the strategic priorities outlined at the beginning of 2022 is uniting our enterprise and we have made good progress. We enter 2024 with a consistent set of strategic priorities and strong momentum across the enterprise.

## Supporting our customers, communities and people

People are at the heart of our business, and it is the actions we take to support our customers, communities and people that underline this commitment. As a global insurer, QBE's portfolio is broad and diverse, helping customers recover from a range of unexpected events. We are proud of our dedicated people, who are experts in their fields across our business, and are there for our customers and partners around the world.

QBE has been there for families, businesses and communities who have been impacted by extreme weather events. This year there were a number of natural catastrophe events globally, including the flooding and cyclone events in New Zealand, earthquakes in Turkey and Syria and a series of powerful convective storms across the United States and Europe.

I am encouraged by the progress we are making on our sustainability agenda and integrating sustainability into our business. Importantly, from 2024 our long-term incentive target will have an element directly tied to our sustainability performance. We continue to progress against our three sustainability focus areas and further details can be found in our Sustainability Report, Sustainability Data Book and pages 12 to 15 of this report. In October 2023, the QBE Foundation was recognised at the Australian Workplace Giving Awards and received three Runners Up Awards for Best Corporate and Charity Partnership for our Global Disaster Relief and Resilience Partnership, Best Grants Program and Best Innovation for QGiving (an employee fundraising and volunteering platform).

## Outlook

Over the last two years, QBE has been focused on delivering greater resilience and consistency. I see meaningful progress across the business, and I am confident that we can drive further progress against our strategic priorities in 2024.

The alignment and connectivity across the enterprise has improved considerably in my time at QBE and we are motivated to deliver on our plan, better leverage our unique global platform and ultimately realise our potential.

We expect trading conditions to remain favourable in the year ahead. Challenges associated with inflation, geopolitics and climate should encourage further discipline, and we expect premium rates should remain supportive.

Against this backdrop, we forecast constant currency gross written premium growth in the mid-single digits for 2024, and a Group combined operating ratio of around 93.5%. Elevated interest rates should continue to support strong investment returns.

**Andrew Horton**
**Group Chief Executive Officer**

# Our strategic priorities building momentum

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

## Portfolio optimisation

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

## Sustainable growth

Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill-set across the enterprise

## Bring the enterprise together

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

## Modernise our business

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

## Our people

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

## Our culture

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

| What we achieved in 2023 | Future focus |
|---|---|
| • Considerable improvement in property portfolio quality driven by portfolio exits, improved terms and targeted rate increases in excess of 20% across standalone property<br>• Completion of transformational reserve transaction which de-risked the Group's exposure to long-tail reserves totalling ~$1.9 billion | • Continue to execute against medium-term portfolio mix targets, and drive incremental reduction in potential volatility<br>• Incorporate evolving view of insurance-associated emissions into medium-term portfolio mix targets |
| • Strong momentum across a number of growth focus areas including reinsurance, global specialty and QBE's UK commercial business<br>• Progressed a number of growth opportunities including cyber, and added capability in adjacent specialties in North America | • Become an easier partner to do business with and build deeper distribution relationships around our growth focus areas<br>• Focus investment in target growth segments to build and enhance capability |
| • Improved enterprise alignment has supported the pace of property initiatives, the aforementioned reserve transaction, and a global approach to new growth opportunities<br>• Commenced a new corporate branding project to build on the deep relationships and strong presence cultivated in our markets over the past 130+ years | • Continue to identify enterprise opportunities unlocked through better sharing of knowledge and relationships<br>• Further expand our underwriting capabilities to create a globally consistent approach that supports the resilience of our customers in an increasingly complex risk environment |
| • Commenced a review to assess opportunities for simplification and operational efficiency to ensure QBE is future fit, and investment spend is optimised<br>• Deepened application of AI across underwriting and operations, with numerous additional future use cases identified | • Further progress against data strategy including acceleration of AI integration will be a key focus for 2024<br>• Support sustainable growth agenda through continued enhancement of underwriting tools, process and data capability |
| • QShare, QBE's new employee share plan, successfully launched, with 27% of eligible employees enrolling<br>• Launched innovative new targets focused on equal sense of belonging across the dimensions of gender, ethnicity, disability status and LGBTIQ+ identification | • Modernise approach to workforce planning through improved global workforce processes and integrated tools<br>• Increase the diversity of our workforce in line with targets including increasing representation of women in all leadership roles |
| • Successful launch of QGiving, QBE's employee fundraising and volunteering platform that brings our people together with our community partners<br>• Launched QBE's Safety to Speak Up Playbook, equipping all employees to build psychological safety in support of participation and innovation | • Continue to embed our purpose through decision-making and team exploration activities<br>• Strengthen and further embed Safety to Speak Up practices in how work gets done at QBE |

# Our underwriting *activities*

Average renewal premium rate increase (%)

**9.7**

from 7.9% 2022

Insurance operating result (US$M)

**796**

182 from 2022

Group COR (%)

**95.2**

2022 95.9

Our focus on underwriting quality resulted in a continuation of more resilient and consistent performance in 2023. Markets generally remained disciplined in light of numerous challenges associated with inflation, geopolitical tensions and catastrophe activity. This backdrop supported our ambition to drive growth and deepen relationships across focus areas, whilst improving underwriting quality.

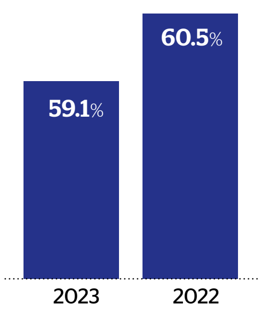
We've made pleasing progress in our strive for greater consistency, along with our vision to foster an innovative and modern underwriting culture. Looking ahead, we remain confident in our primary ambition for QBE to achieve a consistent combined operating ratio in the low to mid 90s.

Inflationary pressures have remained a considerable challenge for the industry. Whilst inflation has proven more persistent than expected across a number of portfolios, inflation observations have generally trended in line with expectations; and rate increases remain at or above observed inflation across most classes.

Efforts to reduce property catastrophe volatility were a primary focus in 2023. QBE terminated a number of property underwriting relationships, whilst material improvement in rate and terms was achieved across the portfolio. Against this backdrop, it was encouraging to see the net cost of catastrophe claims track slightly better than our allowance – in what was another challenging year for the industry, marked by significant secondary peril activity.

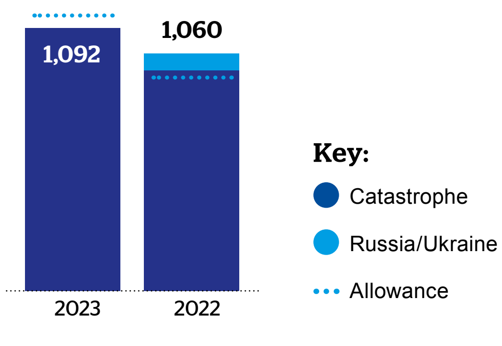
Ex-cat claims ratio

**59.1%**




Catastrophe claims (US$M)

**1,092**



# 2023 focus areas

## Portfolio optimisation: building resilience

Portfolio optimisation initiatives centred around volatility, mix and growth continued. Property classes were a key focus in 2023, where improvement in portfolio quality was achieved.

QBE entered the year with the goal of maintaining a broadly stable exposure mix to property classes, despite the material increase in premium rates. We achieved meaningful portfolio improvement, having shed ~$400M of underperforming property premium, alongside improved terms and standalone property rate increases in excess of 20%. Our property underwriting is more consistent, with pricing now calibrated to our global property pricing tool, reinforcing greater enterprise alignment around risk appetite and volatility.

### Looking ahead

Our strive for greater consistency will continue. We see scope to further enhance our tools and data to better manage volatility and drive consistency. Property performance will benefit from the continued run-off of recently terminated programs, and we expect profitable growth opportunities should remain across many classes.

## Claims management: inflation challenges to persist

Claims inflation remained elevated and challenging in 2023. Whilst some moderation is present in certain lines, we expect inflation to remain persistent in the year ahead.

While economic inflation is moderating across many regions, claims inflation remains high across several classes, particularly property and motor. Despite these challenges, our response and performance has been encouraging. Our global inflation working group continues to play a key role in assessing and responding to the dynamic operating backdrop, and we have embedded higher inflation assumptions across several classes to reflect uncertainty around the emergence and persistency of inflation.

### Looking ahead

We enter 2024 expecting strong rate increases across classes where inflation headwinds remain most acute.

We remain focused on maintaining dynamic feedback loops between claims, pricing and underwriting teams, and ensuring exposure and rating remains commensurate with inflation.

## Sustainability: emissions measurement

Our desire is for QBE to be a successful and sustainable insurer. Our focus on integrating environmental and social considerations into our underwriting platform continued in 2023.

Our underwriting emissions measurement and modelling capability has improved over the year, despite significant data challenges, particularly relating to our smaller business customer orientation. As we evaluate influences on portfolio planning, we have established formal engagement with at least 50 commercial relationships in higher emitting sectors, to assess their net zero ambitions, and ultimately seek to work more closely with our customers to support their transition.

### Looking ahead

Our emission measurement capability continues to mature. These insights are being evaluated from a transition risk perspective. We are also seeking a deeper understanding of transition technologies. This understanding may influence our future climate actions including portfolio mix, business planning decisions and product innovation.

## Future fit: an innovative underwriting culture

We want to foster an innovative and modern underwriting culture, both in how we leverage data and technology to drive improved risk insights, and through product innovation.

In 2023 we launched a new standalone cyber strategy, which will operate as one of QBE's truly global products. We have made progress on a new portfolio services opportunity, for multiple lines of business. Work to modernise our underwriting workbench, and recent efforts to better organise our data, position us well to leverage generative AI. Given significant levels of unstructured data associated with our underwriting activities, we see meaningful opportunities surrounding generative AI to improve efficiency and risk selection.

### Looking ahead

QBE has an underwriting platform that continues to attract top talent, and is known in our key markets for being innovative and dynamic.

The benefit of material positive operating leverage in recent periods has allowed for the opportunity to invest in further data analytics capability and tools to ensure we can maintain and build on our leading reputation.

Our sustainability focus

# Sustainability update

In 2023 we have continued our integrated approach to sustainability, organised around our three focus areas, to ultimately support our purpose of enabling a more resilient future.

QBE continues to focus on embedding sustainability into our business activities and culture. Our sustainability strategy focuses on the environmental and social challenges most relevant to our business, and delivering on our purpose of enabling a more resilient future.

QBE has made net-zero commitments for our own operations by 2030, and our investment and underwriting portfolios by 2050. Through these commitments we seek to contribute to the reduction of real world emissions to mitigate the level of warming this century, and the most severe risks to our customers, society, economy and environment. New Sustainability-linked measures are being included in the 2024 long-term incentive plan which will further drive accountability.

Further progress was achieved in 2023 against the three focus areas underpinning our sustainability strategy.

We continue to refine our approach to how we foster an orderly and inclusive transition, including through our 'Net zero in Underwriting' strategy which focused on three important areas in 2023: customer engagement and insights, innovative products and services, and emissions modelling and tracking.

Our work is ongoing, as emissions data coverage and quality is expected to continue to improve globally, driven predominantly by growth in sustainability reporting regulations.

The culture and capability of our people are drivers of value for QBE, and our second focus area looks to enable a sustainable and resilient workforce. In 2023 we made further progress against our existing diversity targets, and introduced innovative new targets focused on fostering an equal sense of belonging across the dimensions of gender, ethnicity, disability status, and LGBTIQ+ identification.

Our third focus area looks at how 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. We continued to support communities through the QBE Foundation partnerships with community organisations, focusing on climate resilience and inclusion. Investing in communities globally, our QBE Foundation operates locally across our divisions.

## 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

**QBE's sustainability disclosure is comprehensively covered in the 2023 Sustainability Report, Sustainability Data Book and 2023 Annual Report. For more detail on specific issues and disclosure, please see these reports.**

# Focus Area 1.

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

## Underwriting

We're taking an outside-in approach – by putting customers' needs first – as we progress our net-zero in underwriting strategy with focus on three important areas:

1. Customer engagement and insights: understanding our priority customers' net-zero ambitions and plans.
2. Innovative products and services: exploring opportunities to further expand our offerings in support of the transition.
3. Emissions modelling and tracking: understanding and tracking the emissions of our underwriting portfolio and how we can identify and address material data gaps.

QBE's success in reducing real-world emissions in our underwriting portfolio is reliant on many factors, including development of new technologies and methodologies to support emissions reduction and removal, government action, and continuous improvement and access to quality emissions data. It will also rely on the collective progress made by individuals, businesses and economies to transition to net-zero.

### Our 2023 achievements and progress

- Set a formal engagement target for underwriting to engage at least 50 priority customers on a regular basis through to 2030. Customer insights are invaluable in refining our net-zero underwriting approach.
- Leveraging the expertise in our International Sustainable Energies Unit in Europe we launched 'cradle to grave' insurance for Australian renewable energy projects, which offers coverage across a project's life cycle.
- QBE progressed its 'Build Back Better' initiative in Europe, which aims to reduce the carbon impact of commercial property insurance repairs. After a six-month pilot program, we implemented actions that saw around 440kg $CO_2$e reduction on a completed £40,000 claim and we anticipate a 60–70% reduction in the rebuild of an industrial building.

## Investments

QBE seeks to responsibly invest our premium income across the globe. We factor sustainability considerations into our investment decision-making processes, with a continued focus on climate change transition and emissions reduction, as we look to transition our investment portfolio to a net-zero economy.

Ensuring our investment decisions are aligned with our broader climate strategy and our commitment to impact and responsible investments, QBE became a member of the Net Zero Asset Owners Alliance (NZAOA) in 2020, joining a growing group of institutional investors committed to transitioning their investment portfolios to net-zero emissions by 2050.

To deliver on our commitment to transition our investment portfolio to net-zero by 2050, we set our initial 2025 intermediate targets in 2021.

### Our 2023 achievements and progress

- Engagement continues to be a critical component of our net-zero approach. In 2023 we engaged with all external managers across our investment portfolio, and the 20 highest emitters in our investment grade corporate credit portfolio.
- We continued to invest in climate solutions through an addition of $117 million in green bonds in our portfolio, bringing our climate solutions exposure to 4.6% of assets under management (AUM), relative to our target of 5% of AUM by 2025.
- Further progress was made in efforts to reduce our developed market equities carbon intensity, in line with our target for a 25% reduction in Scope 1 and 2 emissions by 2025.
- Our Scope 1 and 2 weighted average carbon intensity of our investment grade corporate credit portfolio of 11.45 ($tCO_2$e/$m sales) remains significantly below the MSCI USD Investment Grade Corporate Bond Index of 124.4 ($tCO_2$e/$m sales).

For more detail see our Sustainability Report pages 4 to 7 and our Annual Report, pages 20 to 33.

Focus Area **1.** **Foster an orderly and inclusive transition to a net-zero economy**

# Operations

In 2023, we progressed our commitment to be net zero by 2030 for our global operations. Across each of our divisions, we formed working groups to identify further initiatives to reduce our operational emissions. These are summarised in our net-zero operational roadmap, which will continue to evolve over time.

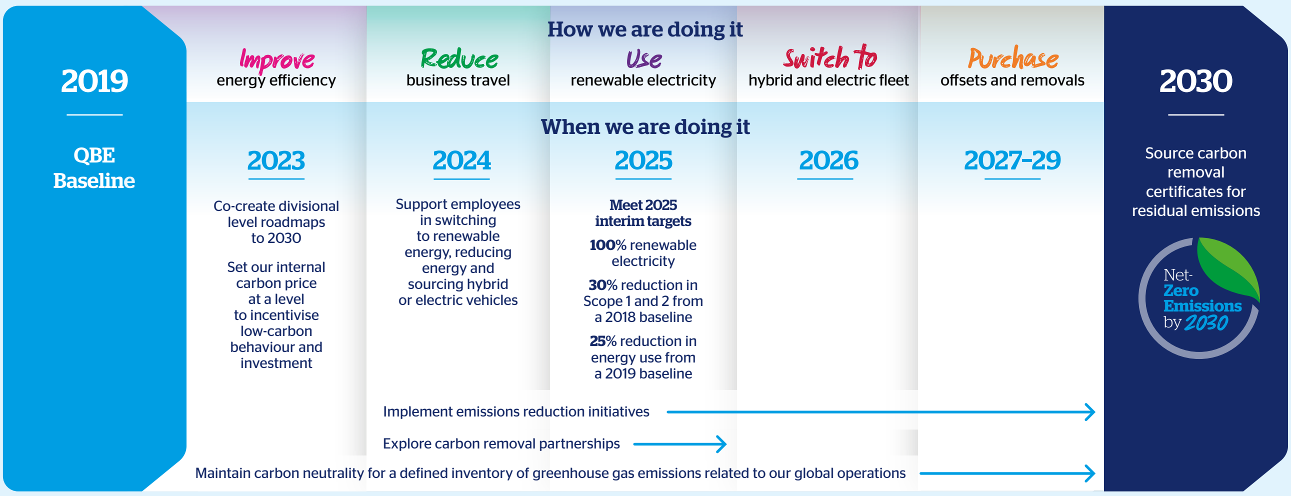
We continue to further embed climate considerations into operational decision making, and have set an internal carbon price to be used to support internal investment in emission reduction initiatives, as well as any expenditure required to maintain our environmental commitments.

## Our 2023 achievements and progress

- We have achieved a 75% reduction of Scope 1 and 2 carbon emissions since 2018, exceeding our target of a 30% reduction by 2025.
- We recorded a 24% reduction in energy use from 2019 levels, consistent with our target of a 25% reduction by 2025.
- 100% of our electricity use across QBE's offices (excluding Bermuda and the Pacific Islands) was certified as renewable[1], meeting our RE100 target for the third year, ahead of our 2025 commitment.
- To further embed climate considerations into operational decision making, we have set our internal carbon price at $65 per metric tonne of carbon dioxide equivalent for 2024.

1 Based on the RE100 Climate Group's materiality threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity via any credible sourcing options. We meet our RE100 commitment through a combination of contracts with electricity suppliers and purchasing unbundled energy attribute certificates.

## Net-zero operational roadmap



# Focus Area **2.**

**Enable a sustainable and resilient workforce**

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

## Our 2023 achievements and progress

- QBE achieved its target of 40% women on the Group Board by 2025, with 40% female representation in 2023. Further, with 55% women on the Group Executive Committee, we also achieved our 40:40:20 commitment set for 2023.
- With 40% Women in Leadership, as defined as the next three tiers below the Group Executive Committee, QBE has achieved its 2025 target of 40%.
- We introduced innovative new targets focused on fostering an equal sense of belonging across the dimensions of gender, ethnicity, disability status, and LGBTIQ+ identification.
- We launched QShare, an employee share purchase and matching plan, with 27% of eligible employees enrolling.
- Introducing new global Inclusive Recruitment Principles setting out best practice for how we design roles, source candidates, short-list, interview and make selection decisions that support diverse candidates.
- Focus on empowering our employees with a Safety to Speak Up Playbook as a guide to help all our people foster a safe environment and understand where to raise suggestions, challenges or concerns.

**For more detail see the Sustainability Report, pages 8 to 15.**

# Focus Area **3.**

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

Our landscape is changing, presenting opportunities to innovate and partner on impactful solutions through our investments, supplier and broker relationships, the QBE Foundation and QBE Ventures. 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.

## Our 2023 achievements and progress

- The market value of our Premiums4Good investments was $1.6 billion in 2023, representing 108 securities. This compares to our target of $2 billion by 2025, and is consistent with $1.6 billion in 2022.
- We launched our QGiving program, which allows employees to give their way, through personal contributions, fundraising and/or volunteering, with donations for eligible causes automatically matched by the QBE Foundation.
- Continued active involvement in industry groups including the Insurance Council of Australia (ICA) and Hazards Insurance Partnership, which are focused on a number of issues including insurance affordability and availability, emissions reduction and improving Australia's resilience to natural hazards.
- In Australia, we continue to develop strategies to assist our financially vulnerable customers, and embarked on a second iteration of our Financial Inclusion Action Plan.
- In Australia, we launched the 2023–2025 QBE Reconciliation Action Plan.
- We began climate-related discussions with strategic suppliers across our global supply chain, centred around climate risks, opportunities, and measuring and reducing emissions.

**For more detail see the Sustainability Report, pages 16 to 27.**

# Our risk *focus*

QBE is focused on building a strong risk culture which will serve to help the business prepare for and manage risks, and continue to provide support to our customers. Challenges from catastrophe events, inflation and geopolitical tensions over the period serve to reinforce our aspiration to build a more resilient business.

## Strategic priorities:

- Portfolio optimisation
- Sustainable growth
- Bring the enterprise together
- Modernise our business
- Our people
- Our culture

For more detailed information on our top risks see our 2023 Annual Report pages 17 to 18.

## Economic, social and environment

**Top risks:**

- Geopolitical
- Economic uncertainty
- Failure to meet expectations on ESG

**Strategic priorities:**

## Technological

**Top risks:**

- Cyber
- Technology
- Data
- Artificial Intelligence

**Strategic priorities:**

## Operational

**Top risks:**

- Attracting and retaining talent
- Operational disruption from the transformation agenda
- Growth in regulatory obligations and intervention

**Strategic priorities:**

## Underwriting

**Top risks:**

- Insurance accumulations
- Reserves
- Reinsurance risk

**Strategic priorities:**

## Overview

QBE's strategic priorities and business objectives need to be both adaptable and resilient to risk associated with emerging economic, social and environmental issues. In the current operating environment we are acutely focused on potential impacts to our business, and the broader insurance landscape, from increasing geopolitical tension, international conflict, the impact to economies from higher interest rates; and regulatory changes, including within the ESG space.

## Management actions

We are proactive in our approach to economic, social and environmental risk management. Our approach involves monitoring rapid changes in economic variables, international relations, and complying with regulatory requirements including sanctions and ESG reporting.

We undertake scenario testing to consider the potential impact of changes in variables and risks.

## Overview

QBE operates in a dynamic industry, with rapidly evolving risks and opportunities surrounding technology. This requires continual reassessment and optimisation of our operations and strategy. Technological factors that can cause an increased risk to QBE include negative business outcomes from material unplanned failures, misuse or loss of data, or risks associated with the adoption of new technology such as generative AI.

## Management actions

We actively monitor the cyber threat landscape, undertaking regular reviews of the control environment, allowing a more accurate assessment of the residual risk positions.

We are progressively transitioning applications to the cloud, with interim steps being taken to address end-of-life systems.

## Overview

In our strive to be a more consistent organisation, we are focused on measures to attract and retain high performing talent. Across modernisation initiatives, there is material focus on delivery scope, delays and budget management, which can all have an impact on our customers and employees.

## Management actions

We are proactively building greater career development opportunities and deeper succession pools.

Strong governance has been established on the delivery of modernisation projects.

We aim to build strong and collaborative relationships with our regulators, to ensure readiness for future developments.

## Overview

Key to QBE's success is the considered management of underwriting risks, including insurance accumulations, actuarial assumptions and reinsurance counter-party risk. An insurance accumulation risk arises from the potential concentration of policies or exposure within our portfolio. Both economic and social inflation contribute to claims costs, which drive uncertainty around reserves.

## Management actions

To effectively manage underwriting risks, we undertake planning and reviews of risk appetite, pricing, risk selection, reserve risk, and our reinsurance strategy (both prospective and retrospective).

Our diversification efforts help enable us to mitigate the adverse effects of insurance accumulations.

# Financial performance *review*

The improved underwriting result and return on equity reflect our focus on building greater resilience and delivering more consistent financial performance. The outlook remains favourable, underpinned by supportive market conditions and strong business momentum in our key markets.

**Embedding our strategic priorities**

Building a more resilient and efficient business

Improving tools and capability to manage volatility

Medium-term performance and growth agenda supported by modernisation initiatives

## Financial performance

QBE reported net profit after tax of $1,355 million compared with $587 million in the prior year.

Adjusted cash profit after tax increased to $1,362 million from $664 million in the prior year, equating to an adjusted cash return on equity of 16.0%.

Unless otherwise stated, all discussion of performance within this Investor Report is on a management basis, and should be read in conjunction with the statutory income statement and management result reconciliation on page 36 of this report. 2022 figures within this report are on an adjusted basis, restated for AASB 17.

Gross written premium increased 10% as a result of strong premium rate increases and targeted new business growth, partially offset by deliberate property portfolio exits in North America and Australia, and reduced exposure across other property lines.

Underwriting profitability was lower than expected primarily due to unfavourable reserve development on catastrophe claims relating to multiple events at the end of 2022. The combined operating ratio improved to 95.2% from 95.9% in the prior year, which includes a 0.6% impact from the upfront cost of the $1.9 billion reserve transaction announced in February 2023.

This transaction has meaningfully reduced the Group's reserve volatility, with around $1.9 billion, or roughly 15% of our long-tail reserves successfully reinsured. The transaction reduced both the net outstanding claims liability and investment funds under management by around $1.9 billion in the period.

In a year marked by significant secondary peril activity, current year catastrophe costs of $1,092 million trended favourably relative to the catastrophe allowance of $1,175 million, a pleasing outcome given recent efforts to build greater resilience.

Total investment income was $1,374 million or a return of 4.7%, compared with $570 million or 2.0% in the prior year. The significant improvement was supported by higher interest rates across the core fixed income portfolio, where the 31 December 2023 exit running yield improved to 4.6%. Risk asset returns were broadly in line with our long-term return expectations, a strong outcome given weaker unlisted property performance. The broader result also included a $25 million impairment of QBE's North American owner occupied office premises.

During the year there was an adverse impact from asset liability management activities of around $36 million, which represents the net impact from changes in risk-free rates on the balance sheet.

The effective tax rate in the period increased to 25.7%, from 12.0% in the prior year, reflecting the mix of corporate tax rates across QBE's key regions.

QBE's balance sheet remains strong. The indicative APRA PCA multiple increased to 1.82x from 1.79x at 31 December 2022, and is at the upper end of our 1.6–1.8x target range. Capital released from the $1.9 billion reserve transaction added around 6 points to the PCA multiple, and supported growth in the period.

Debt to total capital of 21.9% improved from 23.7% in the prior year, and remained within the 15–30% target range.

## Summary income statement and underwriting performance

| FOR THE YEAR ENDED 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Insurance revenue | **20,825** | 18,834 |
| Insurance service expenses | **(19,362)** | (18,134) |
| Reinsurance expenses | **(4,226)** | (3,746) |
| Reinsurance income | **3,747** | 3,812 |
| **Insurance service result** | **984** | 766 |
| Other expenses | **(250)** | (226) |
| Other income | **62** | 74 |
| **Insurance operating result** | **796** | 614 |
| **Analysed as** | | |
| *Gross written premium* | **21,748** | 19,993 |
| *Insurance revenue* | **20,825** | 18,834 |
| *Reinsurance expenses* | **(4,226)** | (3,746) |
| ***Net insurance revenue*** | **16,599** | 15,088 |
| *Net claims expense* | **(10,805)** | (9,964) |
| *Net commission* | **(3,044)** | (2,741) |
| *Expenses and other income* | **(1,954)** | (1,769) |
| **Insurance operating result** | **796** | 614 |
| Net insurance finance (expense) income | **(60)** | 1,242 |
| Fixed income losses from changes in risk-free rates | **(5)** | (1,343) |
| Net investment income on policyholders' funds | **886** | 390 |
| **Insurance profit** | **1,617** | 903 |
| Net investment income on shareholders' funds | **488** | 180 |
| Financing and other costs | **(232)** | (230) |
| Gain on sale of entities and businesses | **2** | 38 |
| Share of net loss of associates | **(2)** | (7) |
| Restructuring and related expenses | **–** | (106) |
| Impairment of owner occupied property | **(25)** | – |
| Amortisation and impairment of intangibles | **(11)** | (27) |
| Remediation | **–** | (75) |
| **Profit before income tax** | **1,837** | 676 |
| Income tax expense | **(473)** | (81) |
| **Profit after income tax** | **1,364** | 595 |
| Non-controlling interests | **(9)** | (8) |
| **Net profit after income tax** | **1,355** | 587 |

| | % | % |
|---|---|---|
| Ex-cat claims ratio | **59.1** | 60.5 |
| Catastrophe claims ratio | **6.6** | 7.0 |
| Prior accident year claims development | **(0.6)** | (1.5) |
| Net claims ratio | **65.1** | 66.0 |
| Net commission ratio | **18.3** | 18.2 |
| Expense ratio | **11.8** | 11.7 |
| **Combined operating ratio** | **95.2** | 95.9 |
| Insurance profit margin | **9.7** | 6.0 |

# Premium income and pricing

**Gross written premium**
(US$M)

**21,748**

10% from 2022

**Net insurance revenue**
(US$M)

**16,599**

11% from 2022

Gross written premium increased 9% on a headline basis to $21,748 million from $19,993 million in the prior year.

On a constant currency basis, gross written premium increased 10% reflecting continued rate increases and organic growth, partially offset by largely property related portfolio exits. Excluding Crop, gross written premium growth was 9% on the same basis.

The Group achieved an average renewal premium rate increase of 9.7% compared with 7.9% in the prior year. The result was led by strong rate increases in property classes and favourable markets for QBE Re, alongside softening rates in financial lines. Growth excluding premium rate increases was 4% for the year, or 2% excluding Crop.

Retention reduced to 81% from 84% in the prior year, reflecting the termination of a number of North American programs, portfolio exits in Australian consumer lines and broader measures to reduce standalone property exposure.

## Reinsurance expenses

Headline reinsurance expenses increased 13% to $4,226 million from $3,746 million in the prior year.

Much of the increase relates to Crop, where the majority of growth in the portfolio was ceded to the Federal reinsurance scheme, in an effort to manage net retention and earnings volatility.

The expense associated with the Group catastrophe and risk reinsurance was broadly consistent with the prior year, given significantly reduced spend on catastrophe aggregate and drop down programs.

Reinsurance expenses also included a charge of $101 million, representing the upfront cost of the $1.9 billion reserve transaction completed in the first half of 2023.

## Net insurance revenue

Group net insurance revenue increased 11% on a constant currency basis, slightly higher than the growth in gross written premium. This largely reflects the earn-through of strong premium rate increases in recent periods.

The upfront cost associated with the aforementioned reserve transaction was incurred in our North America and International business segments.

### Gross written premium mix by product

| | GROUP | NORTH AMERICA | INTERNATIONAL | AUSTRALIA PACIFIC |
|---|---|---|---|---|
| Commercial & domestic property | 30.3 | 18.7 | 29.3 | 43.4 |
| Agriculture | 21.2 | 53.4 | 0.0 | 9.4 |
| Public/product liability | 11.4 | 3.5 | 23.0 | 8.1 |
| Motor & motor casualty | 10.5 | 0.6 | 12.4 | 22.6 |
| Professional indemnity | 7.7 | 7.8 | 11.2 | 2.0 |
| Marine, energy & aviation | 7.4 | 1.6 | 14.9 | 3.0 |
| Workers' compensation | 5.2 | 5.9 | 3.6 | 6.8 |
| Accident & health | 4.5 | 8.4 | 3.6 | 1.5 |
| Financial & credit | 1.4 | 0.1 | 1.4 | 3.2 |
| Other | 0.4 | 0.0 | 0.6 | 0.0 |

### Key premium metrics

| FOR THE YEAR ENDED 31 DECEMBER | | GROUP 2023 | GROUP RESTATED 2022 | NORTH AMERICA 2023 | NORTH AMERICA RESTATED 2022 | INTERNATIONAL 2023 | INTERNATIONAL RESTATED 2022 | AUSTRALIA PACIFIC 2023 | AUSTRALIA PACIFIC RESTATED 2022 |
|---|---|---|---|---|---|---|---|---|---|
| Gross written premium | US$M | **21,748** | 19,993 | **7,555** | 7,280 | **8,802** | 7,502 | **5,392** | 5,219 |
| Gross written premium – Crop and LMI | US$M | **4,142** | 3,692 | **4,045** | 3,525 | **–** | – | **97** | 167 |
| Gross written premium growth | % | **10** | 13 | **4** | 16 | **17** | 14 | **8** | 9 |
| Ex-rate growth | % | **4** | 8 | **1** | 13 | **10** | 9 | **(1)** | 2 |
| Average renewal premium rate increases | % | **9.7** | 7.9 | **10.5** | 9.2 | **7.8** | 6.5 | **12.5** | 9.5 |
| Retention | % | **81** | 84 | **64** | 74 | **85** | 87 | **83** | 87 |
| Net insurance revenue | US$M | **16,599** | 15,088 | **4,790** | 4,641 | **6,921** | 5,871 | **4,881** | 4,585 |
| Net insurance revenue – Crop and LMI | US$M | **1,815** | 1,721 | **1,654** | 1,539 | **–** | – | **161** | 182 |
| Net insurance revenue growth | % | **11** | N/A | **3** | N/A | **17** | N/A | **11** | N/A |

## North America

### Gross written premium (US$M)

**7,555**

4% from 2022

Gross written premium increased by 4% to $7,555 million, with strong premium rate increases and targeted organic growth partially offset by the run-off of non-core lines. Excluding Crop, gross written premium declined by 7%.

Net insurance revenue increased by 3% to $4,790 million.

Average premium rate increases of 10.5% improved from 9.2% in the prior year, and were driven by strong rate increases in property lines, Accident & Health and middle-market. This helped to offset lower rate increases across financial lines, where competition has increased, most notably in management liability classes.

Crop gross written premium growth of 15% was primarily driven by organic growth. Net insurance revenue growth of 7% was lower, due to increased cessions to the Federal reinsurance scheme. The moderation of commodity prices during the second half of the year suggests recent growth in Crop gross written premium is unlikely to be sustained in 2024.

Excluding premium rate increases and Crop, premium declined by 12%. Momentum across key focus areas was more than offset by the run-off of non-core lines, amounting to roughly $500 million in the period. Excluding rate increases, Crop, and this drag, premium growth was 4%.

### Net insurance revenue by business segment

| | 2023 % |
|---|---|
| Crop | 35.0 |
| Commercial | 32.8 |
| Specialty | 32.2 |

## International

### Gross written premium (US$M)

**8,802**

17% from 2022

Gross written premium increased by 17% in constant currency to $8,802 million, reflecting an acceleration in rate increases for property and reinsurance lines, and continued execution against a number of multi-year growth opportunities.

On a constant currency basis, net insurance revenue increased by 17% to $6,921 million.

Average premium rate increases of 7.8% improved from 6.5% in the prior year. This reflected strong rate increases for QBE Re and property lines, where renewals are generally weighted to the first half, contrasted against declining rates in financial lines.

Growth excluding premium rate increases was 10%, compared to 9% in the prior year, with positive ex-rate growth achieved across most business segments.

Supportive reinsurance market conditions provided an opportunity for QBE Re to deliver high quality and complementary growth, while building a balanced portfolio across property, casualty and specialty lines.

The International Markets segment, which largely represents QBE's Lloyd's franchise, delivered meaningful premium growth. This was a function of broad based premium rate increases, strong ex-rate growth, and the successful launch of a new portfolio services facility with a major trading partner.

### Net insurance revenue by business segment

| | 2023 % |
|---|---|
| International markets | 31.3 |
| QBE Re | 27.0 |
| UK | 23.0 |
| Continental Europe | 12.9 |
| Asia | 5.8 |

## Australia Pacific

### Gross written premium (US$M)

**5,392**

8% from 2022

Continued premium rate increases and targeted growth supported constant currency growth in gross written premium of 8% to $5,392 million.

On a constant currency basis, net insurance revenue increased by 11% to $4,881 million.

Premium rate increases averaged 12.5%, and steadily built momentum through the year, representing a notable improvement from 9.5% in the prior year.

Rate increases were most pronounced in short-tail classes, particularly in homeowners and motor, where claims inflation has been more persistent and catastrophe activity continues to disrupt supply chains.

Excluding premium rate increases, gross written premium reduced by 1% compared to the prior year. The exit of two consumer portfolios, in line with our focus on reducing property catastrophe volatility was largely offset by organic growth in Australian commercial lines, CTP and in New Zealand.

LMI gross written premium declined 39% to $97 million, driven by reduced housing market activity and new government initiatives to support first home buyers.

### Net insurance revenue by business segment

| | 2023 % |
|---|---|
| Commercial | 61.8 |
| Consumer | 30.3 |
| NZ and Pacific | 7.9 |

# Claims

### Net claims ratio

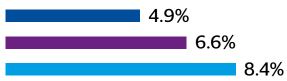
**65.1%**


### Ex-cat claims ratio

**59.1%**


### Catastrophe claims ratio

**6.6%**




- North America
- International
- Australia Pacific

The net claims ratio decreased to 65.1% from 66.0% in 2022. The result was driven by improvement in the ex-cat claims ratio, partially offset by largely catastrophe related adverse prior year development.

Current year catastrophe costs trended favourably relative to allowance, following more benign experience through the second half.

## Ex-cat claims

The ex-cat claims ratio decreased to 59.1% from 60.5% in the prior year.

The result included the current year risk adjustment of $518 million, compared to $591 million in the prior year. Excluding risk adjustment, the ex-cat claims ratio reduced to 56.0% from 56.6% in the prior year.

The industry continues to exhibit good discipline in response to elevated inflation, where rate increases remained at or above observed inflation across most lines.

While inflation is easing in some lines, it remains more persistent across a small number of portfolios including Australia Pacific personal lines, and North America non-core lines and Accident & Health.

While evidence of higher claims inflation across many longer tail classes is limited, QBE remains attuned to the potential for lags and persistency of inflation in these lines, alongside the risks posed by social inflation.

## Catastrophe claims

The net cost of catastrophe claims increased marginally to $1,092 million or 6.6% of net insurance revenue, from $1,060 million or 7.0% in the prior year. The result was below the Group's catastrophe allowance of $1,175 million.

Natural catastrophe costs were driven by significant secondary peril activity, including the New Zealand floods, a series of North American convective storm events through the first half, and meaningful storm and flood activity in Europe and Australia in the second half.

## Prior accident year claims development

QBE strengthened the central estimate of outstanding claims by $225 million, which largely reflected adverse development on short-tail lines. This compares to $141 million adverse in the prior year.

The outcome was driven by late development on end-2022 catastrophe events including winter storm Elliott in North America and floods in Australia.

In addition, the North America result was impacted by adverse development of $30 million in Crop. These impacts were partially offset by favourable development in LMI and CTP in Australia Pacific, and QBE Re.

The aforementioned reserve strengthening was more than offset by favourable development of $320 million related to the unwind of risk adjustment from prior accident years, a decrease from $369 million in the prior year.

This resulted in favourable prior accident year claims development of $95 million or 0.6% of net insurance revenue, decreasing from $228 million or 1.5% in the prior year.

## Key claims metrics

| | | GROUP | | NORTH AMERICA | | INTERNATIONAL | | AUSTRALIA PACIFIC | |
|---|---|---|---|---|---|---|---|---|---|
| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 |
| Ex-cat claims ratio | % | **59.1** | 60.5 | **65.7** | 65.9 | **54.3** | 57.3 | **58.2** | 59.3 |
| Catastrophe claims ratio | % | **6.6** | 7.0 | **4.9** | 5.4 | **6.6** | 7.5 | **8.4** | 8.1 |
| Prior accident year claims development | % | **(0.6)** | (1.5) | **2.4** | (2.4) | **(0.9)** | 0.3 | **(2.6)** | (3.2) |
| Net claims ratio | % | **65.1** | 66.0 | **73.0** | 68.9 | **60.0** | 65.1 | **64.0** | 64.2 |
| Net insurance revenue | US$M | **16,599** | 15,088 | **4,790** | 4,641 | **6,921** | 5,871 | **4,881** | 4,585 |

## North America

### Net claims ratio

**73.0%**

2022 68.9%

The net claims ratio increased to 73.0% from 68.9% in the prior year, driven by the impact of adverse prior year development.

The ex-cat claims ratio improved by 0.2% to 65.7%, or increased by 0.2% excluding risk adjustment. This reflected inflationary pressures observed in Accident & Health, alongside challenges in non-core lines, partially offset by improvement in middle-market and property classes.

Net catastrophe claims of $234 million or 4.9% of net insurance revenue compared to 5.4% in the prior year, and were driven by convective storm and flood events in the first half of 2023. Catastrophe experience was more benign through the second half.

Adverse prior year central estimate development of $200 million or 4.2% compared with 0.9% in the prior year, and was driven predominantly by short-tail lines, including adverse development on winter storm Elliott from late-2022, and $30 million in Crop.

The current accident year Crop combined operating ratio was 96.6%, slightly higher than expectations primarily due to lower commodity prices and drought across several States.

## International

### Net claims ratio

**60.0%**

2022 65.1%

International recorded improvement in its net claims ratio to 60.0% from 65.1% in the prior year, underscored by a reduction in adverse prior year development and improved ex-cat claim trends.

The ex-cat claims ratio improved by 3.0% to 54.3%, or 1.6% excluding risk adjustment. This strong result reflects the benefit from aggregate rate increases which continue to track at or above inflation, and benign large claims experience.

Net catastrophe claims of $449 million or 6.6% were lower than expected, and improved from 7.5% in the prior year. Catastrophe costs in the year included reinsurance exposure to the Turkey earthquake and Hawaiian wildfires, alongside insurance impacts from a number of storm and flood events in western Europe and the UK.

Adverse prior year central estimate development of $57 million or 0.8%, improved from 2.4% in the prior year. Adverse experience in marine and International liability was partially offset by releases in QBE Re.

## Australia Pacific

### Net claims ratio

**64.0%**

2022 64.2%

The net claims ratio of 64.0% was a slight improvement from the prior year, with the impacts of persistent inflation mitigated by favourable prior year development.

The ex-cat claims ratio reduced by 1.1% to 58.2%, or 0.4% excluding risk adjustment. Persistent short-tail claims inflation, particularly in personal lines, has been an ongoing challenge; however the continued improvement in short-tail premium rate increases should support a more favourable outlook for underwriting margins.

Net catastrophe claims of $409 million, or 8.4% of net insurance revenue, increased slightly compared to 8.1% in the prior year, and were broadly in line with allowance. Catastrophe costs in the period were driven by the storm and flood events in New Zealand, and Australian east coast storms in the final weeks of the year. Reducing property catastrophe volatility has been a key focus in 2023.

Favourable prior year central estimate development of $20 million or 0.4% reduced from $44 million or 0.9% in the prior year. Favourable experience in LMI and CTP more than offset catastrophe and inflation-related strengthening in short-tail classes, and higher wage growth assumptions in liability lines.

### Comparison of ex-cat claims ratio by division

| | North America | International | Australia Pacific |
|---|---|---|---|
| 2023 | 65.7% | 54.3% | 58.2% |
| 2022 | 65.9% | 57.3% | 59.3% |

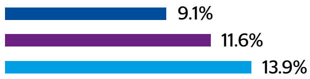
# Commission, expenses and other income

### Net commission ratio

**18.3%**


### Expense ratio

**11.8%**




- North America
- International
- Australia Pacific

## Net commission

The net commission ratio increased to 18.3% from 18.2% in the prior year, primarily due to business mix changes, where the impact from quota share reinsurance ceding commissions is now recorded within reinsurance income under AASB 17.

North America's net commission ratio increased to 21.6% from 21.4% in the prior year. The progressive run-off of non-core lines should support the commission ratio in coming periods, given the predominantly third party nature of the underwriting in this segment.

The net commission ratio in International of 17.9% was consistent with the prior year, reflecting broadly stable commission ratios across most segments, alongside a neutral impact from changes in portfolio mix.

Australia Pacific's net commission ratio increased slightly to 15.7% from 15.5% in the prior year. This primarily reflected business mix changes, given growth in certain commercial lines segments, combined with ongoing reduction in LMI premium.

## Expenses and other income

The Group's expense ratio of 11.8% was a slight increase from 11.7% last year. This reflected constant currency expense growth of 12%, which was balanced by strong net revenue growth.

Elevated expense growth reflected investment in our modernisation program, the cost of targeted growth initiatives and the impact of elevated inflation across the broader expense base.

During the period, investment was concentrated around foundational data and technology initiatives, improved tools to support underwriters, process simplification and QBE's sustainable growth agenda.

Modernisation investment was balanced by disciplined expense management, and ongoing operating leverage as a result of strong premium growth.

## Key commission and expenses metrics

| | | GROUP | | NORTH AMERICA | | INTERNATIONAL | | AUSTRALIA PACIFIC | |
|---|---|---|---|---|---|---|---|---|---|
| **FOR THE YEAR ENDED 31 DECEMBER** | | **2023** | **RESTATED 2022** | **2023** | **RESTATED 2022** | **2023** | **RESTATED 2022** | **2023** | **RESTATED 2022** |
| Net commission | US$M | **3,044** | 2,741 | **1,037** | 995 | **1,241** | 1,053 | **761** | 714 |
| Net commission ratio | % | **18.3** | 18.2 | **21.6** | 21.4 | **17.9** | 17.9 | **15.7** | 15.5 |
| Expenses and other income | US$M | **1,954** | 1,769 | **436** | 428 | **803** | 690 | **679** | 599 |
| Expense ratio | % | **11.8** | 11.7 | **9.1** | 9.2 | **11.6** | 11.8 | **13.9** | 13.1 |
| Net insurance revenue | US$M | **16,599** | 15,088 | **4,790** | 4,641 | **6,921** | 5,871 | **4,881** | 4,585 |

# Underwriting performance and outlook

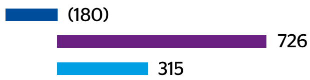
### Combined operating ratio

**95.2%**


### Insurance operating result

(US$M)

**796**




- North America
- International
- Australia Pacific

## Underwriting performance

The Group reported a combined operating ratio of 95.2% which improved from 95.9% in the prior year, and includes a 0.6% impact from the upfront cost of the $1.9 billion reserve transaction.

The result was supported by attractive premium rate increases, which accelerated notably in property and reinsurance lines. As a result, aggregate rate increases trended at or above inflation across most lines, resulting in further ex-cat claims ratio improvement.

The year was characterised by a significant reinsurance supply-demand imbalance, particularly for lower attaching catastrophe coverage. Associated challenges were compounded by record significant secondary peril activity with 2023 industry insured losses of around $120 billion.

Against this backdrop, it was pleasing to see current year catastrophe costs contained well within allowance. The result was however impacted by meaningful catastrophe related short-tail reserve strengthening, reflecting late-2022 events including winter storm Elliott and floods in Australia.

North America's combined operating ratio of 103.7% was disappointing, increasing from 99.5% in the prior year. The result included an underwriting loss from non-core lines of ~$245 million or ~5%. These non-core lines accounted for over half of North America's catastrophe costs and adverse prior year development.

Crop's combined operating ratio of 98.4% reflected a reduction in commodity prices and dry conditions in certain states, and adverse prior year reserve development of 1.8%.

The LMI result was characterised by further reduction in gross written premium, albeit a strong underwriting result, which was supported by favourable prior year development.

## Underwriting outlook

The outlook for premium rate increases remains favourable. While we expect some moderation from 2023 levels, the degree of uncertainty surrounding the path of inflation, geopolitical tensions and elevated catastrophe activity should serve to maintain market discipline.

We enter the year with a broad growth agenda and see good opportunity for further ex-rate growth. This will be tempered by the ongoing run-off of exited property portfolios in North America and Australia, which are collectively expected to represent a ~$300 million gross written premium headwind in 2024.

Executing on our strategy in North America remains a primary focus. The underwriting loss associated with non-core lines should reduce meaningfully into 2024, and then reduce further and broadly conclude in 2025.

Inflation challenges are expected to remain a feature for the foreseeable future. While we expect aggregate claims inflation to normalise slightly into 2024, recent experience highlights this is unlikely to occur uniformly across all regions and classes, and the operating backdrop remains dynamic.

We exit 2023 having executed multiple initiatives to reduce potential reserve volatility and build a more resilient property portfolio. Our portfolio optimisation focus will continue to centre around reducing volatility, with meaningful scope for further improvement.

Elevated investment will continue in 2024 as we progress our modernisation agenda. This will ultimately position QBE to grow our core franchises and become a more accessible and efficient partner.

| | GROSS WRITTEN PREMIUM | | NET INSURANCE REVENUE | | COMBINED OPERATING RATIO | | INSURANCE OPERATING RESULT | |
|---|---|---|---|---|---|---|---|---|
| FOR THE YEAR ENDED 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M | 2023 % | RESTATED 2022 % | 2023 US$M | RESTATED 2022 US$M |
| North America | **7,555** | 7,280 | **4,790** | 4,641 | **103.7** | 99.5 | **(180)** | 22 |
| International | **8,802** | 7,502 | **6,921** | 5,871 | **89.5** | 94.8 | **726** | 306 |
| Australia Pacific | **5,392** | 5,219 | **4,881** | 4,585 | **93.6** | 92.8 | **315** | 329 |
| Corporate & Other | **(1)** | (8) | **7** | (9) | **–** | – | **(65)** | (43) |
| Group | **21,748** | 19,993 | **16,599** | 15,088 | **95.2** | 95.9 | **796** | 614 |

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# Investment performance and strategy

**Total investment income**
(US$M)

**1,374**

804 from 2022

**Total investment return**

**4.7%**

2022 2.0%

**Core fixed income** Vs **Risk assets**

**4.8%** 2022 2.1%

**5.7%** 2022 1.2%

Total investment income for the year was $1,374 million, equating to a return of 4.7%. The result improved substantially from $570 million or 2.0% in the prior year, with higher interest rates supporting fixed income returns, which also included a favourable mark to market impact from tighter credit spreads.

Risk asset returns were broadly in line with our long-term return expectations, a pleasing outcome given valuation pressure in the unlisted property portfolio.

During the year we continue to reposition towards our target strategic asset allocation. Risk assets now account for 12% of total investments (and 14% on a committed basis), an increase from 11% at 31 December 2022. High quality fixed income securities account for the remaining 88% of the portfolio.

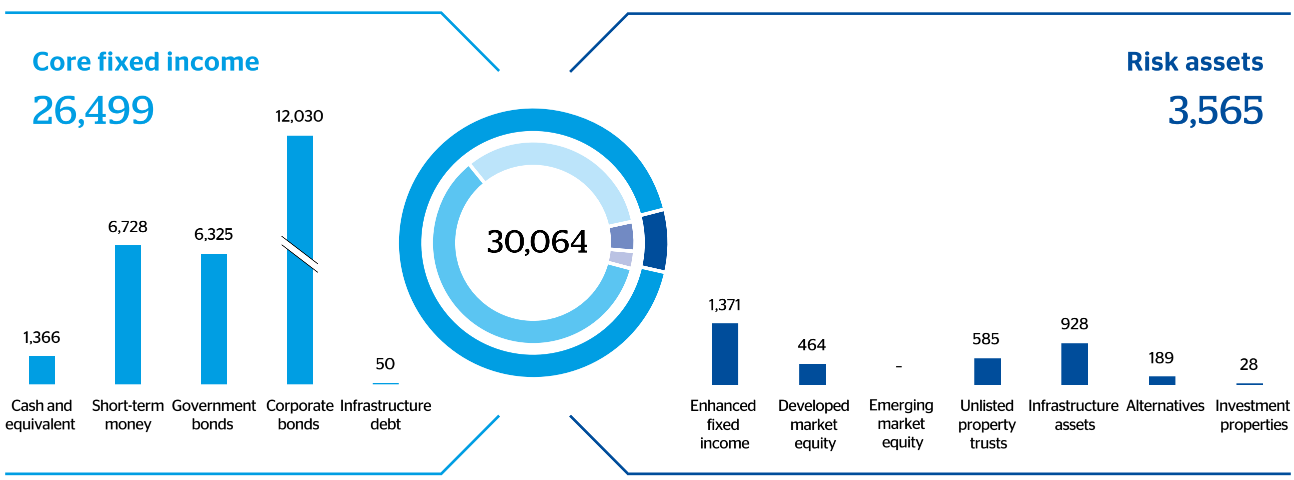
## Core fixed income

The core fixed income portfolio delivered a return of 4.8% or $1,247 million, a significant increase on $544 million in the prior year. The result included a $116 million benefit from tighter credit spreads, compared to an adverse impact of $128 million in the prior year.

The running yield on the core fixed income portfolio remained strong through the year, with the 31 December 2023 exit running yield of 4.6% around 50 basis points higher than at 31 December 2022.

In a period of heightened volatility, credit quality remains sound, and the corporate credit portfolio performed in line with broad market indices throughout the year. The portfolio remains conservatively positioned, and consists predominantly of high quality investment grade credit; with 91% rated A or higher, and an average A+ rating.

## Total cash and investments (US$M)




| | POLICYHOLDERS' FUNDS | SHAREHOLDERS' FUNDS |
|---|---|---|
| Cash and cash equivalents | 885 | 481 |
| Short-term money | 4,358 | 2,370 |
| Government bonds | 4,097 | 2,228 |
| Corporate bonds | 7,793 | 4,237 |
| Infrastructure debt | 32 | 18 |

**Fixed income**
- Policyholders' funds
- Shareholders' funds

**Risk assets**
- Policyholders' funds
- Shareholders' funds

| | POLICYHOLDERS' FUNDS | SHAREHOLDERS' FUNDS |
|---|---|---|
| Enhanced fixed income | 888 | 483 |
| Developed market equity | 301 | 163 |
| Emerging market equity | – | – |
| Unlisted property trusts | 379 | 206 |
| Infrastructure assets | 601 | 327 |
| Alternatives | 122 | 67 |
| Investment properties | 18 | 10 |

## Risk assets

Risk asset performance improved significantly compared to the prior year. Enhanced fixed income and infrastructure assets delivered strong returns, helping to offset weaker performance in the unlisted property portfolio, due to lower property valuations.

Despite negative unlisted property returns, the risk asset portfolio delivered a return of 5.7% or $190 million compared with 1.2% in the prior year.

Over the year, the mix of QBE's risk asset portfolio shifted toward enhanced fixed income, while exposure to unlisted property declined.

We expect challenging conditions for property classes are likely to persist into 2024.

## Funds under management

Funds under management of $30.1 billion increased by 7% compared to $28.2 billion at 31 December 2022, or 5% on a constant currency basis.

Strong investment returns and continued premium growth were offset by the material reduction in investment assets associated with the $1.9 billion reserve transaction, which was announced in February 2023.

Portfolio mix continued to trend toward our target strategic asset allocation in 2023. The allocation to risk assets increased to 12% (and 14% on a committed basis) from 11% at 31 December 2022. The core fixed income portfolio now represents 88% of total investments, and QBE continues to target a strategic asset allocation of ~85% core fixed income and ~15% risk assets.

## Asset allocation

### Core fixed income

**88%**

Target 85%

### Risk assets

**12%**

Target 15%

## Exit running yield

**4.6%**

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## Investment result

| FOR THE YEAR ENDED 31 DECEMBER | POLICYHOLDERS' FUNDS 2023 US$M | POLICYHOLDERS' FUNDS RESTATED 2022 US$M | SHAREHOLDERS' FUNDS 2023 US$M | SHAREHOLDERS' FUNDS RESTATED 2022 US$M | TOTAL 2023 US$M | TOTAL RESTATED 2022 US$M |
|---|---|---|---|---|---|---|
| Core fixed income yield (ex risk-free rate) | **739** | 447 | **392** | 225 | **1,131** | 672 |
| Credit spreads – Mark to market | **76** | (85) | **40** | (43) | **116** | (128) |
| Risk assets | **124** | 31 | **66** | 16 | **190** | 47 |
| Expenses and other | **(53)** | (3) | **(10)** | (18) | **(63)** | (21) |
| Net return | **886** | 390 | **488** | 180 | **1,374** | 570 |

## Total cash and investments

| AS AT | POLICYHOLDERS' FUNDS 31 DECEMBER 2023 US$M | POLICYHOLDERS' FUNDS 31 DECEMBER 2022 US$M | SHAREHOLDERS' FUNDS 31 DECEMBER 2023 US$M | SHAREHOLDERS' FUNDS 31 DECEMBER 2022 US$M | TOTAL FUNDS UNDER MANAGEMENT 31 DECEMBER 2023 US$M | TOTAL FUNDS UNDER MANAGEMENT 31 DECEMBER 2022 US$M |
|---|---|---|---|---|---|---|
| Core fixed income | **17,165** | 16,514 | **9,334** | 8,505 | **26,499** | 25,019 |
| Risk assets | **2,309** | 2,078 | **1,256** | 1,070 | **3,565** | 3,148 |
| Total cash and investments – closing | **19,474** | 18,592 | **10,590** | 9,575 | **30,064** | 28,167 |
| Average – Core fixed income | **16,840** | 17,334 | **8,920** | 8,768 | **25,759** | 26,102 |
| Average – Risk assets | **2,194** | 1,634 | **1,163** | 831 | **3,357** | 2,465 |
| Total cash and investments – average | **19,033** | 18,968 | **10,083** | 9,599 | **29,116** | 28,567 |

# Balance sheet and capital management

## Summary balance sheet

| AS AT 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| **Assets** | | |
| Cash, investments and investment properties | **30,064** | 28,167 |
| Reinsurance contract assets | **8,034** | 7,144 |
| Intangible assets | **2,112** | 2,018 |
| Other receivables | **519** | 423 |
| Deferred tax assets | **625** | 613 |
| Current tax assets | **30** | 45 |
| Other assets | **724** | 791 |
| **Total assets** | **42,108** | 39,201 |
| **Liabilities** | | |
| Insurance contract liabilities | **27,567** | 26,148 |
| Borrowings | **2,798** | 2,744 |
| Other payables | **432** | 347 |
| Deferred tax liabilities | **366** | 149 |
| Current tax liabilities | **127** | 39 |
| Other liabilities | **865** | 917 |
| **Total liabilities** | **32,155** | 30,344 |
| **Net assets** | **9,953** | 8,857 |
| **Equity** | | |
| Shareholders' funds | **9,064** | 7,969 |
| Capital notes | **886** | 886 |
| Non-controlling interests | **3** | 2 |
| **Total equity** | **9,953** | 8,857 |
| Closing shareholders' equity | **9,950** | 8,855 |
| Average shareholders' equity | **9,403** | 8,891 |
| Average shareholders' equity – Adjusted for AT1 | **8,517** | 8,005 |

## Key balance sheet and capitalisation metrics

| AS AT 31 DECEMBER | | BENCHMARK | 2023 | RESTATED 2022 |
|---|---|---|---|---|
| Net discounted central estimate | US$M | | **17,198** | 16,101 |
| Risk adjustment | US$M | | **1,379** | 1,289 |
| Net outstanding claims | US$M | | **18,577** | 17,390 |
| Net assets | US$M | | **9,953** | 8,857 |
| Less: intangible assets | US$M | | **2,112** | 2,018 |
| Net tangible assets | US$M | | **7,841** | 6,839 |
| Add: borrowings | US$M | | **2,798** | 2,744 |
| Total tangible capitalisation | US$M | | **10,639** | 9,583 |
| Risk adjustment to central estimate | % | 6–8 | **8.0** | 8.0 |
| Debt to total capital | % | 15–30 | **21.9** | 23.7 |
| Debt to equity | % | | **28.1** | 31.0 |
| QBE's regulatory capital base | US$M | | **11,276** | 10,373 |
| APRA's Prescribed Capital Amount (PCA) | US$M | | **6,179** | 5,797 |
| PCA multiple | | 1.6–1.8x | **1.82x** | 1.79x |
| Ordinary shares | | | **1,494** | 1,485 |
| Weighted average shares | | | **1,490** | 1,482 |
| Weighted average shares – diluted | | | **1,500** | 1,493 |

## Net outstanding claims

At 31 December 2023, the net discounted central estimate was $17.2 billion, which increased from $16.1 billion at 31 December 2022 due to organic growth and reserve strengthening, partially offset by the impact of the $1.9 billion reserve transaction and higher discount rates.

Excluding foreign exchange and the reserve transaction, the net discounted central estimate increased by $2.5 billion. This underlying growth primarily reflected new business growth, inflation and reserve strengthening in the period.

At 31 December 2023, the risk adjustment was $1.4 billion or 8.0% of the net discounted central estimate. As a proportion of the net discounted central estimate, this remains consistent with the 31 December 2022 position, and at the top end of our 6–8% target range.

## Borrowings

At 31 December 2023, total borrowings were $2.8 billion, increasing $0.1 billion from $2.7 billion at 31 December 2022.

The broadly stable outcome reflects Tier 2 funding activity in the period, including the issuance of A$300 million and A$330 million in June 2023 and October 2023 respectively, largely offsetting a $400 million redemption in November 2023.

Debt to total capital reduced to 21.9% at 31 December 2023, from 23.7% at 31 December 2022, reflecting continued growth across the business along with improved investment performance. At 31 December 2023, all the Group's borrowings count towards regulatory capital.

Gross interest expense on borrowings for the year was $169 million, an increase from $166 million in the prior year, reflecting the sequencing of funding activity in the period.

The average annualised cash cost of borrowings at 31 December 2023 was 5.9%, consistent with the prior year.

## Tax

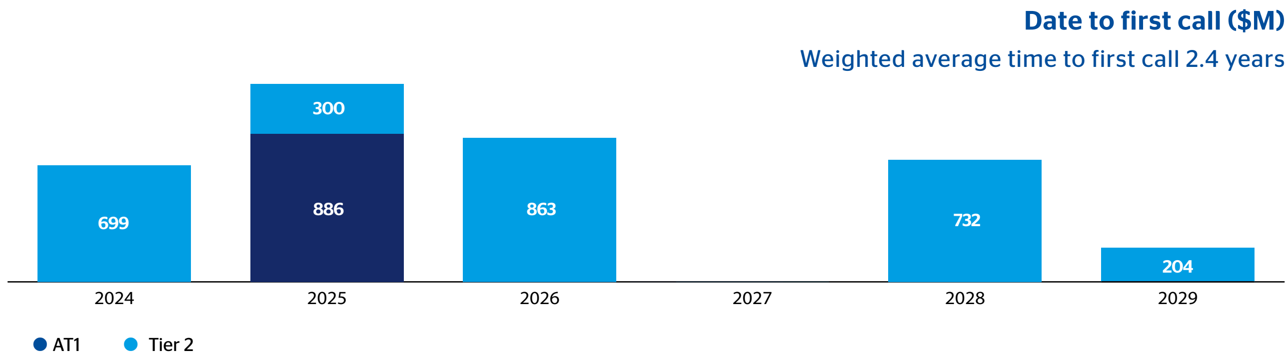
QBE's effective statutory tax rate was 25.7% compared with 12.0% in the prior year.

The effective tax rate reflects the mix of corporate tax rates across QBE's key regions. The 2022 effective tax rate was impacted by the recognition of previously unrecognised tax losses in the North American tax group.

During the year, QBE paid $138 million in corporate income tax globally. No tax payments were made by the Australian tax group for the year due to the utilisation of tax losses, which are now fully utilised. The Australian tax group is expected to pay taxes from 2024.

The balance of the franking account stood at A$46 million as at 31 December 2023. Having regard to QBE's franked AT1 distribution commitments and carry over tax losses, the dividend franking percentage is expected to remain around 10%.

## Capital markets issuance profile

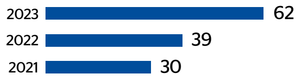



| | | ISSUED INSTRUMENTS | ISSUE DATE | CURRENCY | NOMINAL VALUE LOCAL CURRENCY | FIRST CALL DATE | COUPON | MATURITY DATE | CARRYING VALUE US$M |
|---|---|---|---|---|---|---|---|---|---|
| **Accounted for as equity** | **Additional Tier 1 (AT1)** | Capital Notes | May-20 | US$M | 500 | May-25 | 5.88% | Perp | 493 |
| | | Capital Notes | Jul-20 | US$M | 400 | May-25 | 5.25% | Perp | 393 |
| | **AT1 subtotal** | | | | | | | | **886** |
| **Accounted for as debt** | **Tier 2** | 16NC6 | Aug-20 | A$M | 500 | Aug-26 | 3M BBSW + 2.75% | Aug-36 | 340 |
| | | 17NC7 | Sep-21 | £M | 400 | Mar-28 | 2.50% | Sep-38 | 508 |
| | | 15NC5 | Oct-23 | A$M | 330 | Oct-28 | 3M BBSW + 2.55% | Oct-38 | 224 |
| | | 16NC6 | Jun-23 | A$M | 300 | Jun-29 | 3M BBSW + 3.10% | Jun-39 | 204 |
| | | 30NC10 | Dec-14 | US$M | 700 | Dec-24 | 6.75% | Dec-44 | 699 |
| | | 30NC10 | Nov-15 | US$M | 300 | Nov-25 | 6.10% | Nov-45 | 300 |
| | | 30NC10 | Jun-16 | US$M | 524 | Jun-26 | 5.88% | Jun-46 | 523 |
| | **Tier 2 subtotal** | | | | | | | | **2,798** |
| **Total instruments** | | | | | | | | | **3,684** |

# Capital and dividends

Dividend per share (A¢)

**62**




Dividend payout (A$M)

**926**

PCA multiple (US$M)

**1.82x**

## Capital

QBE's indicative PCA multiple improved to 1.82x at 31 December 2023 from 1.79x at 31 December 2022.

Allowing for the payment of the 2023 final dividend of 48 Australian cents, the pro-forma PCA multiple would decline to 1.74x at 31 December 2023.

Capital generation over the period was supported by strong profitability, alongside a 6 point benefit associated with the $1.9 billion reserve transaction.

This more than offset capital consumed through ongoing premium growth and the payment of dividends during the year.

QBE has $900 million of perpetual fixed rate resetting capital notes that are AT1 qualifying under APRA's capital adequacy framework. The notes are classified as equity, pay franked after-tax distributions and do not impact the weighted average number of shares for earnings per share calculations (since the notes are written off in whole or in part if APRA determines QBE is, or would become, non-viable).

The after-tax distribution on QBE's AT1 capital was $50 million, consistent with the prior year.

## Dividends

The Board declared a final dividend for 2023 of 48 Australian cents per share, which results in a full year dividend of 62 Australian cents per share, an increase from the 2022 full year dividend of 39 Australian cents per share.

This represents a full year dividend payout ratio of 45% of adjusted cash profit.

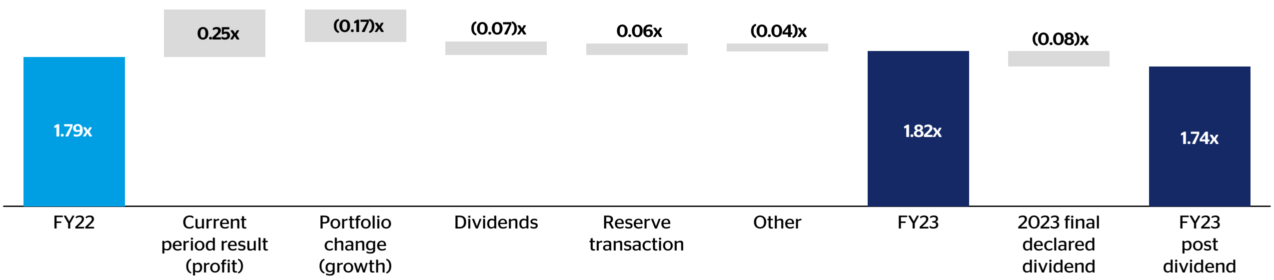
QBE's dividend policy is calibrated to a 40–60% payout of annual adjusted cash profit, which has been set at a level which can support the Group's growth ambitions and provide flexibility to manage the dynamics associated with the global insurance cycle.

The payout for the current period reflects the Board's confidence in the strength of the balance sheet and favourable outlook for returns, while retaining flexibility given the positive outlook for premium growth.

The full year dividend payout of A$926 million compares with A$580 million in 2022.

The final dividend will be 10% franked and is payable on 12 April 2024. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

### Prescribed Capital Amount



## Reconciliation of cash profit

| FOR THE YEAR ENDED 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| **Net profit after income tax** | **1,355** | 587 |
| Amortisation and impairment of intangibles after tax[1] | **59** | 71 |
| Write-off deferred tax assets | **–** | – |
| Write-off capitalised tax assets | **–** | – |
| **Net cash profit after income tax** | **1,414** | 658 |
| Restructuring and related expenses | **–** | 94 |
| Net gain on disposals after tax | **(2)** | (38) |
| Additional Tier 1 capital coupon | **(50)** | (50) |
| **Adjusted net cash profit after income tax** | **1,362** | 664 |
| Basic earnings per share – statutory (US cents) | **87.6** | 36.2 |
| Diluted earnings per share – statutory (US cents) | **87.0** | 36.0 |
| Basic earnings per share – adjusted cash basis (US cents) | **91.4** | 44.8 |
| Diluted earnings per share – adjusted cash basis (US cents) | **90.8** | 44.5 |
| Return on average shareholders' equity – adjusted cash basis (%) | **16.0** | 8.3 |
| Dividend payout ratio (percentage of adjusted cash profit)[2] | **45** | 60 |

1 $65 million of pre-tax amortisation expense is included in expenses and other income (2022 $63 million).
2 Dividend payout ratio is calculated as the total A$ dividend divided by adjusted cash profit converted to A$ at the period average rate of exchange.

## Prescribed Capital Amount

| AS AT | 31 DECEMBER 2023 US$M | 31 DECEMBER 2022 US$M |
|---|---|---|
| Ordinary share capital and reserves | **9,069** | 8,105 |
| Net surplus relating to insurance liabilities | **1,276** | 1,287 |
| Regulatory adjustments to Common Equity Tier 1 Capital | **(2,753)** | (2,643) |
| **Common Equity Tier 1 Capital** | **7,592** | **6,749** |
| Additional Tier 1 Capital – Capital securities | **886** | 886 |
| **Total Tier 1 Capital** | **8,478** | **7,635** |
| Tier 2 Capital – Sub debt and hybrid securities | **2,798** | 2,738 |
| **Total capital base** | **11,276** | **10,373** |
| Insurance risk charge | **3,701** | 3,465 |
| Insurance concentration risk charge | **749** | 788 |
| Asset risk charge | **2,505** | 2,243 |
| Operational risk charge | **649** | 602 |
| Less: Aggregation benefit | **(1,425)** | (1,301) |
| **APRA Prescribed Capital Amount (PCA)** | **6,179** | **5,797** |
| **PCA multiple** | **1.82x** | **1.79x** |
| **CET1 ratio (APRA requirement >60%)** | **123%** | **116%** |

# Divisional review

## North America

Gross written premium (US$M)

**7,555**

4% from 2022

Combined operating ratio

**103.7%**

2022 99.5%

While performance was challenged by prior year catastrophe-related costs, a below average Crop year and the drag from non-core lines, North America made progress to drive improved and more consistent returns across its core businesses. Following the recent leadership change our strategy remains consistent, and North America continues to see opportunities to meaningfully improve underwriting performance over the coming years, supported by the near-term run-off of non-core lines and ongoing momentum across the broader franchise.

## International

Gross written premium (US$M)

**8,802**

17% from 2022

Combined operating ratio

**89.5%**

2022 94.8%

International delivered exceptional results, underscored by recent portfolio optimisation initiatives, a growth agenda which spans multiple opportunities and supportive trading conditions. Gross written premium reached record levels, as further momentum to deepen core franchises was achieved, alongside particularly strong market conditions for QBE Re, allowing the business to reposition and expand its footprint. Inflation management remains a primary focus, and the $1.9 billion reserve transaction has reduced exposure to long tail reserve risk from older years.

## Australia Pacific

Gross written premium (US$M)

**5,392**

8% from 2022

Combined operating ratio

**93.6%**

2022 92.8%

2023 underwriting returns were marginally lower, in a market characterised by heightened inflation and continued natural peril activity. The industry remains disciplined, with pricing momentum building through the year, contributing to an improved margin outlook in the year ahead. There was pleasing progress against our strategic priorities, with meaningful reductions in property catastrophe volatility and new business growth across our commercial lines portfolios.

## Underwriting result

| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 |
|---|---|---|---|
| Gross written premium | US$M | **7,555** | 7,280 |
| Net insurance revenue | US$M | **4,790** | 4,641 |
| Net claims expense | US$M | **(3,497)** | (3,196) |
| Net commission | US$M | **(1,037)** | (995) |
| Expenses and other income | US$M | **(436)** | (428) |
| Insurance operating result | US$M | **(180)** | 22 |
| Net claims ratio | % | **73.0** | 68.9 |
| Net commission ratio | % | **21.6** | 21.4 |
| Expense ratio | % | **9.1** | 9.2 |
| **Combined operating ratio** | % | **103.7** | 99.5 |
| Insurance loss margin | % | **(0.8)** | 0.7 |

## Underwriting result

| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 |
|---|---|---|---|
| Gross written premium | US$M | **8,802** | 7,502 |
| Net insurance revenue | US$M | **6,921** | 5,871 |
| Net claims expense | US$M | **(4,151)** | (3,822) |
| Net commission | US$M | **(1,241)** | (1,053) |
| Expenses and other income | US$M | **(803)** | (690) |
| Insurance operating result | US$M | **726** | 306 |
| Net claims ratio | % | **60.0** | 65.1 |
| Net commission ratio | % | **17.9** | 17.9 |
| Expense ratio | % | **11.6** | 11.8 |
| **Combined operating ratio** | % | **89.5** | 94.8 |
| Insurance profit margin | % | **17.5** | 8.2 |

## Underwriting result

| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 |
|---|---|---|---|
| Gross written premium | US$M | **5,392** | 5,219 |
| Net insurance revenue | US$M | **4,881** | 4,585 |
| Net claims expense | US$M | **(3,126)** | (2,943) |
| Net commission | US$M | **(761)** | (714) |
| Expenses and other income | US$M | **(679)** | (599) |
| Insurance operating result | US$M | **315** | 329 |
| Net claims ratio | % | **64.0** | 64.2 |
| Net commission ratio | % | **15.7** | 15.5 |
| Expense ratio | % | **13.9** | 13.1 |
| **Combined operating ratio** | % | **93.6** | 92.8 |
| Insurance profit margin | % | **11.4** | 9.7 |

# Divisional review continued

## North America

### Operational review

North America reported a combined operating ratio of 103.7% for the year, which was significantly impacted by unfavourable prior year development relating to catastrophe costs and Crop. Gross written premium growth of 4% for the year was supported by strong premium rate increases of 10.5%, though ex-rate growth of 1% was tempered by the run-off of non-core lines and challenging markets in financial lines. Excluding rate increases, Crop, and this drag, premium growth was 4%.

The net cost of catastrophe claims was broadly in line with the catastrophe allowance for the year despite the impact of convective storms in the first half and large industry events in the third quarter. The significant impact from prior year catastrophes drove the majority of adverse prior year central estimate development of 4.2%, which was largely related to the elevated severity and complexity associated with winter storm Elliott which occurred in late 2022.

Crop gross written premium growth of 15% was supported by ongoing organic growth, which helped offset the impact from commodity price declines. Net insurance revenue was more stable given efforts to manage net retention and portfolio mix. The Crop combined operating ratio of 98.4% reflected the impact of weaker commodity prices, drought conditions across a number of states, and adverse prior year development which added further 1.8% to the combined operating ratio.

## International

### Operational review

International delivered a marked improvement in underwriting performance, achieving a combined operating ratio of 89.5% compared with 94.8% in the prior year. Strong underwriting profitability was delivered across each segment, driven by an ongoing focus on portfolio optimisation and leveraging supportive market conditions.

Revenue momentum was a highlight, where growth in gross written premium of 17% was underpinned by premium rate increases of 7.8%, and ex-rate growth of 10%. Growth was achieved across most segments, led by QBE Re and International Markets.

The result was supported by lower than planned catastrophe costs. Despite elevated global natural catastrophe losses in 2023, efforts to reduce property volatility, including a focus to reset attachment points higher in QBE Re, helped drive more resilient performance in the period. The ex-cat claims ratio improved by 3.0%, with rate increases continuing to track at or above claims inflation. Positive prior year development was a material improvement relative to the adverse development in the prior year, which was impacted by efforts to build resilience for elevated inflation, and an adverse COVID-19 business interruption court ruling.

## Australia Pacific

### Operational review

Australia Pacific reported a combined operating ratio of 93.6% compared with 92.8% in the prior year. The operating backdrop remains disciplined, in response to heightened inflation, persistent natural catastrophe activity and tighter reinsurance capacity in the region. As a result, revenue momentum continued, reflecting average premium rate increases of 12.5%, partially offset by selective portfolio exits, resulting in gross written premium growth of 8%.

While there are initial signs that claims inflation has begun to ease, it has proven more persistent than expected across a number of short-tail classes which impacted the ex-cat claims ratio during the year. The momentum in short-tail premium rate increases, which generally built through 2023, is expected to support underwriting margins in the year ahead.

Natural catastrophe claims were slightly above allowance in the period, reflecting New Zealand's record-breaking flood events in the first quarter and elevated storm and cyclone activity in Australia through the final months of the year.

## Strategy in action

North America remains focused on delivering improved and more consistent returns. Efforts to reduce property exposure continue, with a reduction of ~$300 million in property gross written premium through the year. A further reduction of non-core property premium amounting to ~$400 million is expected over the near term.

The run-off of non-core lines will improve portfolio balance and underwriting performance. These lines accounted for over half of North America's current year catastrophe costs, and a significant component of adverse prior year development for the division, ultimately contributing an underwriting loss of ~$245 million in 2023.

The underwriting loss associated with non-core lines should reduce meaningfully into 2024, and then reduce further and broadly conclude in 2025. On completion, North America will have a well balanced portfolio which is expected to perform consistently within the Group's 90–95% target COR range.

## Strategy in action

Performance improved in QBE Re, where favourable market conditions supported our focus on complementary growth, deepening customer relationships, and building a more resilient property portfolio.

The potential for reserve volatility was reduced significantly through the $1.9 billion long-tail reserve transaction completed in 1H23. Capital released from the transaction was redirected into growth opportunities, ultimately driving improved returns.

QBE made meaningful progress in expanding its core regional franchise in the UK. We have successfully increased capabilities and market presence beyond our traditional strengths in commercial motor and financial lines, with an emphasis on deepening distribution relationships and broadening our regional profile.

## Strategy in action

In 2023, portfolio optimisation was a key focus for Australia Pacific with a particular emphasis on managing volatility in property portfolios. Two consumer portfolios were exited in the period, while market conditions enabled further increases in rate and improved terms across a number of lines. In addition to the newly established cyclone reinsurance pool, recent actions are expected to reduce property catastrophe volatility going forward.

Growth initiatives were primarily focused on commercial lines including commercial packages and farm segments, where we achieved robust new business volumes. Attractive growth was also achieved in New Zealand and CTP.

Modernisation efforts continued, and were centred around improving ease of doing business, customer and partner experience and operational agility. These will ultimately position QBE to grow our core franchises and become a more accessible and efficient partner.

# Our strategic priorities

### Portfolio optimisation

Active management of portfolio mix and volatility

### Sustainable growth

Achieve consistent growth

### Bring the enterprise together

Better leverage our global footprint and scale

### Modernise our business

Make things easier for our customers, partners and people

### Our people

Become an employer of choice in our key markets

### Our culture

Be a purpose-led organisation. Strengthen alignment, trust and collaboration

# Statutory to management result reconciliation

| | STATUTORY | ADJUSTMENTS | | | | MANAGEMENT |
|---|---|---|---|---|---|---|
| | | DISCOUNT UNWIND | UNDERLYING PYD | LPT | INVESTMENT RFR | |
| FOR THE YEAR ENDED 31 DECEMBER 2023 | US$M | US$M | US$M | US$M | US$M | US$M |
| Insurance revenue | **20,826** | **–** | **(1)** | **–** | **–** | **20,825** |
| Insurance service expenses[1] | **(18,421)** | **(942)** | **1** | **–** | **–** | **(19,362)** |
| Reinsurance expenses | **(4,848)** | **–** | **(1)** | **623** | **–** | **(4,226)** |
| Reinsurance income[1] | **3,946** | **423** | **1** | **(623)** | **–** | **3,747** |
| Insurance service result | **1,503** | **(519)** | **–** | **–** | **–** | **984** |
| Other expenses[1] | **(250)** | **–** | **–** | **–** | **–** | **(250)** |
| Other income[1] | **62** | **–** | **–** | **–** | **–** | **62** |
| **Insurance operating result** | **1,315** | **(519)** | **–** | **–** | **–** | **796** |
| Net insurance finance (expense) income | **(579)** | **519** | **–** | **–** | **–** | **(60)** |
| Fixed income losses from changes in risk-free rates | **–** | **–** | **–** | **–** | **(5)** | **(5)** |
| Net investment income on policyholders' funds | **883** | **–** | **–** | **–** | **3** | **886** |
| **Insurance profit** | **1,619** | **–** | **–** | **–** | **(2)** | **1,617** |
| Net investment income on shareholders' funds | **486** | **–** | **–** | **–** | **2** | **488** |
| Financing and other costs | **(232)** | **–** | **–** | **–** | **–** | **(232)** |
| Gain on sale of entities and businesses | **2** | **–** | **–** | **–** | **–** | **2** |
| Share of net loss of associates | **(2)** | **–** | **–** | **–** | **–** | **(2)** |
| Impairment of owner occupied property | **(25)** | **–** | **–** | **–** | **–** | **(25)** |
| Amortisation of intangibles | **(11)** | **–** | **–** | **–** | **–** | **(11)** |
| **Profit before income tax** | **1,837** | **–** | **–** | **–** | **–** | **1,837** |
| Income tax expense | **(473)** | | | | | **(473)** |
| Profit after income tax | **1,364** | | | | | **1,364** |
| Non-controlling interests | **(9)** | | | | | **(9)** |
| **Net profit after income tax** | **1,355** | | | | | **1,355** |

| | STATUTORY | ADJUSTMENTS | | | | | MANAGEMENT |
|---|---|---|---|---|---|---|---|
| | | DISCOUNT UNWIND | UNDERLYING PYD | LPT | INVESTMENT RFR | APPR | |
| FOR THE YEAR ENDED 31 DECEMBER 2022[2] | US$M | US$M | US$M | US$M | US$M | US$M | US$M |
| Insurance revenue | 18,904 | – | (70) | – | – | – | 18,834 |
| Insurance service expenses[1] | (17,579) | (608) | 53 | – | – | – | (18,134) |
| Reinsurance expenses | (3,850) | – | 17 | 87 | – | – | (3,746) |
| Reinsurance income[1] | 3,496 | 403 | – | (87) | – | – | 3,812 |
| Insurance service result | 971 | (205) | – | – | – | – | 766 |
| Other expenses[1] | (286) | – | – | – | – | 60 | (226) |
| Other income[1] | 74 | – | – | – | – | – | 74 |
| **Insurance operating result** | 759 | (205) | – | – | – | 60 | 614 |
| Net insurance finance income | 1,037 | 205 | – | – | – | – | 1,242 |
| Fixed income losses from changes in risk-free rates | – | – | – | – | (1,343) | – | (1,343) |
| Net investment (loss) income on policyholders' funds | (501) | – | – | – | 891 | – | 390 |
| **Insurance profit** | 1,295 | – | – | – | (452) | 60 | 903 |
| Net investment (loss) income on shareholders' funds | (272) | – | – | – | 452 | – | 180 |
| Financing and other costs | (245) | – | – | – | – | 15 | (230) |
| Gain on sale of entities and businesses | 38 | – | – | – | – | – | 38 |
| Share of net loss of associates | (7) | – | – | – | – | – | (7) |
| Remediation | – | – | – | – | – | (75) | (75) |
| Restructuring and related expenses | (106) | – | – | – | – | – | (106) |
| Amortisation and impairment of intangibles | (27) | – | – | – | – | – | (27) |
| **Profit before income tax** | 676 | – | – | – | – | – | 676 |
| Income tax expense | (81) | | | | | | (81) |
| Profit after income tax | 595 | | | | | | 595 |
| Non-controlling interests | (8) | | | | | | (8) |
| **Net profit after income tax** | 587 | | | | | | 587 |

1 Further analysed as net claims expense, net commission and expenses and other income in the management discussion as shown in the table on the next page.

2 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.

## Analysis of the insurance operating result

The insurance operating result is further analysed as net insurance revenue, net claims, net commission and expenses and other income for the purposes of explaining the key drivers of the Group's operating result and calculating key metrics. Analysis of the nature of income and expenses within the insurance operating result provides useful additional information about underlying trends in relation to the different components of underwriting profitability.

| | NET INSURANCE REVENUE | | NET CLAIMS EXPENSE | | NET COMMISSION | | EXPENSES AND OTHER INCOME | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| FOR THE YEAR ENDED 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M |
| **Statutory** | | | | | | | | | | |
| Insurance revenue | **20,826** | 18,904 | **–** | – | **–** | – | **–** | – | **20,826** | 18,904 |
| Insurance service expenses | **–** | – | **(13,740)** | (13,367) | **(2,916)** | (2,595) | **(1,765)** | (1,617) | **(18,421)** | (17,579) |
| Reinsurance expenses | **(4,848)** | (3,850) | **–** | – | **–** | – | **–** | – | **(4,848)** | (3,850) |
| Reinsurance income | **–** | – | **4,122** | 3,724 | **(176)** | (228) | **–** | – | **3,946** | 3,496 |
| **Insurance service result** | **15,978** | 15,054 | **(9,618)** | (9,643) | **(3,092)** | (2,823) | **(1,765)** | (1,617) | **1,503** | 971 |
| Other expenses | **–** | – | **–** | – | **–** | – | **(250)** | (286) | **(250)** | (286) |
| Other income | **–** | – | **–** | – | **–** | – | **62** | 74 | **62** | 74 |
| Insurance operating result | **15,978** | 15,054 | **(9,618)** | (9,643) | **(3,092)** | (2,823) | **(1,953)** | (1,829) | **1,315** | 759 |
| **Adjustments** | | | | | | | | | | |
| Discount unwind | **–** | – | **(519)** | (205) | **–** | – | **–** | – | **(519)** | (205) |
| Underlying PYD | **(2)** | (53) | **20** | 75 | **(17)** | (22) | **(1)** | – | **–** | – |
| LPT | **623** | 87 | **(688)** | (191) | **65** | 104 | **–** | – | **–** | – |
| Other | **–** | – | **–** | – | **–** | – | **–** | 60 | **–** | 60 |
| **Management** | **16,599** | 15,088 | **(10,805)** | (9,964) | **(3,044)** | (2,741) | **(1,954)** | (1,769) | **796** | 614 |

## Adjustments

The statutory result has been adjusted for the following items when discussing the result to provide greater transparency over the underlying drivers of performance.

### Discount unwind

The subsequent unwind of claims discount within net insurance finance income is analysed as part of the net claims expense component of the insurance operating result as these are associated with claims and directly relate to the impact of initial discounting of claims reported within insurance service expenses.

### Underlying prior year development (PYD)

Underlying prior accident year claims development within net claims expense amounting to $20 million (2022 $75 million) has been reclassified to net insurance revenue and net commission. In the current year, this principally related to Crop (North America) for additional premium cessions to the US government on prior year claims under the MPCI scheme and CTP (Australia Pacific) for profit commission income arising from favourable development under the 2021 reinsurance loss portfolio transfer. Underlying PYD also includes an adjustment for periodic payment order (PPO) liabilities within International to reflect their annuity characteristics.

### Reinsurance loss portfolio transfer transactions (LPT)

The subsequent impacts of in-force reinsurance loss portfolio transfer contracts within reinsurance expenses and reinsurance income are analysed on a net basis within net claims expense to provide a view of the underlying development on these contracts against the corresponding development of the subject gross reserves, consistent with the focus on net underwriting performance. Adjustments relate to the current year reserve transaction to reinsure claims liabilities in North America and International, and other reinsurance loss portfolio transfer contracts entered into in prior years.

### Australian pricing promise review (APPR)

In 2022, the Group recognised a $75 million net cost (before tax) following a review of pricing promises across a range of retail products which identified instances where the policy pricing promise was not fully delivered. The net cost comprised amounts for customer remediation, interest payable and other costs associated with administering the program. There has been no material change to the costs recognised in profit or loss since the prior year.

### Investment risk-free rate (RFR) impacts

Net investment income (loss) is analysed separately between risk-free rate movement impacts on fixed income assets, and remaining income (loss). This enables analysis of these risk-free rate movement impacts alongside the corresponding offsetting impacts on net insurance liabilities within insurance finance income.

# Key sensitivities

The following includes information on the mix of QBE's business across key currencies for both gross written premium and cash and investments, alongside sensitivities to key external benchmarks for both claims and investments as at the balance sheet date.

## Foreign exchange

### Foreign exchange rates

| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | | PROFIT OR LOSS | BALANCE SHEET | PROFIT OR LOSS | BALANCE SHEET |
| Australian dollar | A$ | **0.664** | **0.682** | 0.693 | 0.678 |
| Sterling | £ | **1.243** | **1.275** | 1.232 | 1.203 |
| Euro | € | **1.081** | **1.105** | 1.051 | 1.067 |

## Premium and investments currency mix

### Gross written premium by currency

| FOR THE YEAR ENDED 31 DECEMBER | 2023 | | 2022 | |
|---|---|---|---|---|
| | US$M | % | US$M | % |
| US dollar | **11,628** | **53** | 10,680 | 53 |
| Australian dollar | **5,084** | **23** | 4,927 | 25 |
| Sterling | **2,189** | **10** | 1,762 | 9 |
| Euro | **1,469** | **7** | 1,244 | 6 |
| New Zealand dollar | **432** | **2** | 396 | 2 |
| Canadian dollar | **340** | **2** | 361 | 2 |
| Hong Kong dollar | **183** | **1** | 198 | 1 |
| Singapore dollar | **191** | **1** | 191 | 1 |
| Other | **232** | **1** | 234 | 1 |
| Total | **21,748** | **100** | 19,993 | 100 |

### Cash and investments by currency

| AS AT | 31 DECEMBER 2023 | | 31 DECEMBER 2022 | |
|---|---|---|---|---|
| | US$M | % | US$M | % |
| US dollar | **9,762** | **32** | 9,599 | 34 |
| Australian dollar | **8,738** | **30** | 7,426 | 26 |
| Sterling | **4,848** | **16** | 4,755 | 17 |
| Euro | **3,697** | **12** | 3,584 | 13 |
| Canadian dollar | **1,539** | **5** | 1,310 | 5 |
| New Zealand dollar | **571** | **2** | 595 | 2 |
| Hong Kong dollar | **429** | **1** | 404 | 1 |
| Singapore dollar | **177** | **1** | 174 | 1 |
| Other | **303** | **1** | 320 | 1 |
| Total | **30,064** | **100** | 28,167 | 100 |

## Claims

### Weighted average risk-free rates

| AS AT<br>CURRENCY | | 31 DECEMBER 2023 | 30 JUNE 2023 | 31 DECEMBER 2022 |
|---|---|---|---|---|
| Australian dollar | % | **3.80** | 4.09 | 3.69 |
| US dollar | % | **4.15** | 4.35 | 4.21 |
| Sterling | % | **3.67** | 4.70 | 3.64 |
| Euro | % | **2.16** | 2.59 | 2.50 |
| Group weighted | % | **3.48** | 3.95 | 3.60 |
| Estimated risk-free rate benefit | US$M | **(36)** | 170 | 1,242 |

### Impact of changes in key variables on the net outstanding claims liability

| | | PROFIT (LOSS)[1] | |
|---|---|---|---|
| AS AT | % | 31 DECEMBER 2023<br>US$M | 31 DECEMBER 2022<br>US$M |
| Net discounted central estimate | +5 | **(635)** | (620) |
| | -5 | **635** | 620 |
| Inflation rate | +1 | **(395)** | (375) |
| | -1 | **366** | 348 |
| Discount rate | +1 | **348** | 334 |
| | -1 | **(383)** | (365) |
| Weighted average term to settlement | +10 | **145** | 143 |
| | -10 | **(147)** | (144) |

## Cash and investments

### Fixed income – interest rate and credit spread risk

| | | PROFIT (LOSS)[1] | |
|---|---|---|---|
| AS AT | % | 31 DECEMBER 2023<br>US$M | 31 DECEMBER 2022<br>US$M |
| Interest rate movement – interest-bearing financial assets | +1.0 | **(337)** | (294) |
| | -1.0 | **347** | 309 |
| Credit spread movement – interest-bearing financial assets | +0.5 | **(116)** | (125) |
| | -0.5 | **111** | 120 |

### Growth assets – price risk

| | | PROFIT (LOSS)[1] | |
|---|---|---|---|
| AS AT | % | 31 DECEMBER 2023<br>US$M | 31 DECEMBER 2022<br>US$M |
| ASX 200 | +20 | **21** | 8 |
| | -20 | **(21)** | (8) |
| S&P 500 | +20 | **18** | 8 |
| | -20 | **(18)** | (8) |
| FTSE 100 | +20 | **18** | 8 |
| | -20 | **(18)** | (8) |
| EURO STOXX | +20 | **8** | 11 |
| | -20 | **(8)** | (11) |
| Emerging market equities | +20 | **–** | 9 |
| | -20 | **–** | (9) |
| Unlisted property trusts | +20 | **82** | 105 |
| | -20 | **(82)** | (105) |
| Infrastructure assets | +20 | **130** | 117 |
| | -20 | **(130)** | (117) |
| Alternatives | +20 | **26** | 25 |
| | -20 | **(26)** | (25) |

1 Net of tax at the Group's prima facie income tax rate of 30%.

# Historical management result review

FOR THE YEAR ENDED 31 DECEMBER 2023

| | | YEAR ENDED 31 DECEMBER[1,2] | | | | |
|---|---|---|---|---|---|---|
| | | **2023** | **2022** | **2021** | **2020** | **2019[3]** |
| **Insurance contracts issued** | | | | | | |
| Gross written premium | US$M | **21,748** | 19,993 | 18,453 | 14,685 | 13,442 |
| Insurance revenue/Gross earned premium | US$M | **20,825** | 18,834 | 17,031 | 14,050 | 13,257 |
| Net insurance revenue/Net earned premium | US$M | **16,599** | 15,088 | 13,779 | 11,785 | 11,609 |
| Combined operating ratio | % | **95.2** | 95.9 | 95.0 | 98.6 | 97.5 |
| Investment income (loss) | | | | | | |
| excluding net fair value gains/losses | US$M | **1,374** | 570 | 531 | 432 | 555 |
| including net fair value gains/losses | US$M | **1,369** | (773) | 122 | 226 | 1,036 |
| Insurance profit (loss) | US$M | **1,617** | 903 | 1,073 | (72) | 708 |
| Insurance profit (loss) to net insurance revenue/net earned premium | % | **9.7** | 6.0 | 7.8 | (0.6) | 6.1 |
| Financing and other costs | US$M | **(232)** | (230) | (247) | (252) | (257) |
| Operating profit (loss) before income tax | US$M | **1,837** | 676 | 771 | (817) | 733 |
| after income tax and non-controlling interests | US$M | **1,355** | 587 | N/A | N/A | N/A |
| **Balance sheet and share information** | | | | | | |
| Number of shares on issue[4] | millions | **1,494** | 1,485 | 1,477 | 1,471 | 1,305 |
| Shareholders' equity | US$M | **9,950** | 8,855 | 8,881 | 8,491 | 8,153 |
| Total assets | US$M | **42,108** | 39,201 | 49,303 | 46,624 | 40,035 |
| Net tangible assets per share[4] | US$ | **5.25** | 4.61 | 4.36 | 4.05 | 4.11 |
| Borrowings to total capital | % | **21.9** | 23.7 | 24.1 | 25.8 | 27.5 |
| Basic earnings (loss) per share[4] | US cents | **87.6** | 36.2 | 47.5 | (108.5) | 41.8 |
| Basic earnings (loss) per share adjusted cash basis[5] | US cents | **91.4** | 44.8 | 54.6 | (60.7) | 55.7 |
| Diluted earnings (loss) per share | US cents | **87.0** | 36.0 | 47.2 | (108.5) | 41.5 |
| Adjusted cash return on equity | % | **16.0** | 8.3 | 8.6 | (18.2) | 6.7 |
| Dividend per share | Australian cents | **62** | 39 | 30 | 4 | 52 |
| Dividend payout | A$M | **926** | 580 | 443 | 59 | 681 |
| Total investments and cash[6] | US$M | **30,064** | 28,167 | 28,967 | 27,735 | 24,374 |

1 2022 and 2023 prepared on a AASB 17 basis.

2 2019–2021 prepared on a AASB 1023 basis.

3 Profit or loss information for 2019 excludes the results of discontinued operations.

4 Reflects shares on an accounting basis.

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

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

# Financial calendar

| YEAR | MONTH | DAY | ANNOUNCEMENT |
|---|---|---|---|
| **2024** | **February** | **16** | Results and dividend announcement for the year ended 31 December 2023 |
| | **March** | **6** | Shares begin trading ex-dividend |
| | | **7** | Record date for determining shareholders' entitlement to the 2023 final dividend |
| | | **8** | DRP/BSP election close date – last day to nominate participation in the DRP or BSP |
| | **April** | **12** | Payment date for the 2023 final dividend |
| | **May** | **10** | 2024 Annual General Meeting<br>1Q24 Performance update |
| | **June** | **30** | Half year end |
| | **August** | **9** [1] | Results and dividend announcement for the half year ended 30 June 2024 |
| | | **16** [1] | Shares begin trading ex-dividend |
| | | **19** [1] | Record date for determining shareholders' entitlement to the 2024 interim dividend |
| | | **20** [1] | DRP/BSP election close date – last day to nominate participation in the DRP or BSP |
| | **September** | **20** [1] | Payment date for the 2024 interim dividend |
| | **November** | **27** [1] | 3Q24 Performance update |
| | **December** | **31** | Year end |

1 Dates shown may be subject to change.

# Glossary

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| **AASB 1023** | AASB 1023 *General Insurance Contracts* was the accounting standard that previously applied to accounting for insurance and reinsurance contracts. This standard was replaced by AASB 17 *Insurance Contracts* which became effective from 1 January 2023. |
| **Accident year** | The year in which the event causing the claim occurs, regardless of when reported or paid. |
| **Acquisition costs** | Commission and other costs incurred in selling, underwriting and starting insurance contracts. |
| **Admitted insurance** | Insurance written by an insurance company that is admitted (or licensed) to do business in the state in the United States in which the policy was sold. |
| **Agent** | One who negotiates contracts of insurance or reinsurance as an insurance company's representative i.e. the agent's primary responsibility is to the insurance company, not the insured party. |
| **Aggregate reinsurance** | Reinsurance cover that provides protection for an accumulation of claims arising from multiple events over a specified period of time. |
| **APRA** | Australian Prudential Regulation Authority, being the Group's primary insurance regulator. |
| **Attachment point** | The amount of claims retained by the cedant in a reinsurance arrangement, after which reinsurance protection will apply. |
| **Attributable expenses** | Administrative, general and other expenses that directly relate to fulfilling insurance contracts. |
| **Borrowings to total capital** | The Group's gearing ratio (also referred to as debt to total capital), calculated as borrowings expressed as a percentage of total capital. Total capital is shareholders' equity plus Tier 1 instruments classified as liabilities (which are excluded from borrowings for the purposes of this calculation), and subordinated debt. |
| **Broker** | One who negotiates contracts of insurance or reinsurance on behalf of an insured party, receiving a commission from the insurance or reinsurance company for placement and other services rendered. In contrast with an agent, the broker's primary responsibility is to the insured party, not the insurance company. |
| **Capacity** | In relation to a Lloyd's member, the maximum amount of insurance premium (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, it is the aggregate of each member's capacity allocated to that syndicate. |
| **Captive** | A licensed entity within the Group that provides reinsurance protection to other controlled entities. |
| **Cash profit or loss** | Profit or loss after tax attributable to QBE shareholders, adjusted for the post-tax effect of amortisation and impairment of intangibles and other non-cash items. |
| **Casualty insurance** | Insurance that is primarily concerned with the claims resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance. |
| **Catastrophe claims** | Total of all net claims resulting from catastrophe events. Referred to as catastrophe claims ratio when expressed as a percentage of net insurance revenue. |
| **Catastrophe reinsurance** | A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for financial losses related to an accumulation of claims resulting from a catastrophe event or series of events. |
| **Claim** | The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event. |
| **Claims incurred** | The aggregate of all claims paid during an accounting period adjusted for the change in the claims provision in that accounting period. |
| **Combined operating ratio (COR)** | The sum of the net claims ratio, commission ratio and expense ratio. A combined operating ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss. |
| **Commercial lines** | Refers to insurance for businesses, professionals and commercial establishments. |
| **Confidence level** | A statistical measure of the level of confidence that the insurance contract liabilities will be sufficient to pay claims as and when they fall due. This was previously referred to as probability of adequacy under AASB 1023. |
| **Contractual service margin (CSM)** | A component of the asset or liability for remaining coverage of contracts measured under the general model, which represents profit that has not yet been recognised in profit or loss as it relates to future services to be provided over the remaining coverage of the insurance contracts. |
| **Credit spread** | The difference in yield between a bond and a reference yield (e.g. BBSW or a fixed sovereign bond yield). |
| **Credit spread duration** | The weighted average term of cash flows for a corporate bond. It is used to measure the price sensitivity of a corporate bond to changes in credit spreads. |
| **Ex-cat claims** | Net claims excluding catastrophe claims and prior accident year claims development (including movements in risk adjustment related to prior accident years). Referred to as ex-cat claims ratio when expressed as a percentage of net insurance revenue. |

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| **Expenses and other income** | The sum of attributable expenses (within insurance service expenses), other expenses and other income. Referred to as expense ratio when expressed as a percentage of net insurance revenue. |
| **Facultative reinsurance** | The reinsurance of individual risks through a transaction between the reinsurer and the cedant (usually the primary insurer) involving a specified risk. |
| **General insurance** | Generally used to describe non-life insurance business including property and casualty insurance. |
| **Gross written premium (GWP)** | The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium. This metric is used to derive insurance revenue under the premium allocation method, which is an allocation of total expected premium, derived based on gross written premium, to each period of coverage on the basis of the passage of time as described in note 2.1 of the Financial Report. |
| **Illiquidity premium** | A component within discount rates applied in the measurement of net insurance contract liabilities which reflects the liquidity characteristics of the insurance contracts. |
| **Incurred but not reported (IBNR)** | Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date. |
| **Insurance profit or loss** | The sum of the insurance operating result, net insurance finance income or expenses and net investment income or loss on assets backing policyholders' funds. On a management basis, it also includes fixed income gains or losses from changes in risk-free rates attributable to shareholders' funds. Referred to as insurance profit margin when expressed as a percentage of net insurance revenue. |
| **Insurance revenue** | The proportion of gross written premium recognised as revenue in the current accounting period, reflecting insurance coverage provided during the period. This is the equivalent of gross earned premium under AASB 1023. |
| **Lead/non-lead underwriter** | A lead underwriter operates in the subscription market and sets the terms and price of an insurance or reinsurance policy. The follower or non-lead underwriter is an underwriter of a syndicate or an insurance or reinsurance company that agrees to accept a proportion of a given risk on terms set by the lead underwriter. |
| **Lenders' mortgage insurance (LMI)** | A policy that protects the lender (e.g. a bank) against non-payment or default on the part of the borrower on a residential property loan. |
| **Letters of credit (LoC)** | Written undertaking by a financial institution to provide funding if required. |
| **Liability for incurred claims (LIC)** | The liability established for claims and attributable expenses that have occurred but have not been paid. This replaces the outstanding claims liability under AASB 1023. |
| **Liability for remaining coverage (LfRC)** | The liability that represents insurance coverage to be provided by QBE after the balance date. This is the equivalent of unearned premium net of premium receivable, unclosed premium, deferred commission and deferred acquisition costs under AASB 1023. |
| **Lloyd's** | Insurance and reinsurance market in London. It is not a company but is a society of individuals and corporate underwriting members. |
| **Long-tail** | Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer. |
| **Loss component** | A component of the LfRC within the insurance contract liabilities that relates to losses recognised on onerous contracts. |
| **Loss-recovery component** | A component of the asset for remaining coverage (AfRC) within the reinsurance contract assets that represents recoveries on reinsurance contracts held that correspond to losses recognised on onerous contracts. |
| **Managing General Agent (MGA)** | A wholesale insurance agent with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. MGAs generally provide underwriting and administrative services such as policy issuance on behalf of the insurers they represent. Some may handle claims. |
| **Maximum event retention (MER)** | An estimate of the largest claim to which an insurer will be exposed (taking into account the probability of that loss event at a return period of one in 250 years) due to a concentration of risk exposures, after netting off any potential reinsurance recoveries and inward and outward reinstatement premiums. |
| **Modified duration** | The weighted average term of cash flows in a bond. It is used to measure the price sensitivity of a bond to changes in interest rates. |
| **Multi-peril crop insurance (MPCI)** | United States federally regulated crop insurance protecting against crop yield losses by allowing participating insurers to insure a certain percentage of historical crop production. |
| **Net claims expense** | The portion of insurance service expenses related to gross claims expenses, net of reinsurance income associated with reinsurance recoveries on claims. Management analysis of net claims expense includes the impacts of unwind of discount on claims reserves. Referred to as net claims ratio when expressed as a percentage of net insurance revenue. |

# Glossary continued

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| **Net commission** | The portion of insurance service expenses related to commission expenses, net of commission income from reinsurance contracts held that are recognised within reinsurance income. Referred to as net commission ratio when expressed as a percentage of net insurance revenue. |
| **Net insurance revenue** | Insurance revenue net of reinsurance expenses. This is the equivalent of net earned premium under AASB 1023. |
| **Net outstanding claims** | Claims reserves within the net LIC net of recoveries from reinsurance loss portfolio transfers. |
| **Personal lines** | Insurance for individuals and families, such as private motor vehicle and homeowners' insurance. |
| **Policyholders' funds** | The net insurance liabilities of the Group. |
| **Premium** | Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection. |
| **Prescribed Capital Amount (PCA)** | The sum of the capital charges for asset risk, asset concentration risk, insurance concentration risk and operational risk as required by APRA. The PCA must be disclosed at least annually. |
| **Prior accident year claims development** | The portion of net claims expense attributable to prior accident years. Referred to as prior accident year claims development ratio when expressed as a percentage of net insurance revenue. |
| **Prudential Capital Requirement (PCR)** | The sum of the PCA plus any supervisory adjustment determined by APRA. The PCR may not be disclosed. |
| **Recoveries** | The amount of claims recovered from reinsurance, third parties or salvage. |
| **Reinsurance** | An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The entity accepting the risk is the reinsurer and is said to accept inward reinsurance (or referred to as a reinsurance contract issued). The entity ceding the risks is the cedant or ceding company and is said to place outward reinsurance (or referred to as a reinsurance contract held). |
| **Reinsurance to close** | A reinsurance agreement under which members of a syndicate, for a year of account to be closed, are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate. |
| **Reinsurer** | The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer or reinsurer. |
| **Retention** | That amount of liability for which an insurer will remain responsible after it has completed its reinsurance arrangements. |
| **Retrocession** | Reinsurance of a reinsurer by another reinsurance company. |
| **Return on equity (ROE)** | Net profit after tax as a percentage of average shareholders' equity. |
| **Risk adjustment** | A component of insurance and reinsurance contract assets and liabilities that reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. This replaces the risk margin under AASB 1023. |
| **Short-tail** | Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months. |
| **Surplus (or excess) lines insurers** | In contrast to admitted insurers, every state in the United States also allows non-admitted (or surplus lines or excess lines) carriers to transact business where there is a special need that cannot or will not be met by admitted carriers. The rates and forms of non-admitted carriers generally are not regulated in that state, nor are the policies back-stopped by the state insolvency fund covering admitted insurance. Brokers must inform insurers if their insurance has been placed with a non-admitted insurer. |
| **Syndicate** | A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent. |
| **Total investment income or loss** | Gross investment income or loss including foreign exchange gains and losses and net of investment expenses. |
| **Total shareholder return (TSR)** | A measure of performance of a company's shares over time. It includes share price appreciation and dividend performance. |
| **Treaty reinsurance** | Reinsurance of risks in which the reinsurer is obliged by agreement with the cedant to accept, within agreed limits, all risks to be underwritten by the cedant within specified classes of business in a given period of time. |
| **Underwriting** | The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium. |
| **Underwriting year** | The year in which the contract of insurance commenced or was underwritten. |
| **Volume weighted average price (VWAP)** | A measure of the average trading price during a period, adjusted for the volume of transactions. This is often used for determining the share price applicable to dividend and other share-related transactions. |

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