



# 2024 Half year result

9 August 2024

QBE INSURANCE GROUP LIMITED

*Enabling a more resilient future*



# Important information

## Disclaimer

The information in this presentation provides an overview of the results for the year ended 30 June 2024.

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

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Any forward-looking statements assume ex-cat claims and catastrophe claims do not exceed the allowance in our business plans; no reduction in premium rates in excess of our business plans; no significant change in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts;

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## Basis of presentation (unless otherwise stated)

1. All figures are in US dollars
2. Premium growth rates are quoted on a constant currency basis
3. Premium rate change excludes North America Crop and/or Australian compulsory third party motor
4. Core fixed income excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit
5. Funds under management comprise cash and cash equivalents, investments and investment properties
6. Core fixed income running yield relates to assets measured at fair value through profit and loss. A portion of fixed income is measured at fair value through other comprehensive income
7. 2024 Adjusted net profit after tax adjusts statutory net profit for Additional Tier 1 capital coupon accruals. Prior periods remain as presented in prior reports.
8. Earnings per share has been stated on an adjusted basis
9. 2021 and prior periods are presented on an adjusted AASB 1023 basis as presented in prior reports
10. APRA PCA calculations at 30 June 2024 are indicative. Prior period calculation has been updated to be consistent with APRA returns finalised subsequent to year end

# 1H24 Result highlights

## +6.7%

Premium rate increases



## +2%

Gross written premium growth

Or 11% excluding Crop & portfolio exits

## 93.8%

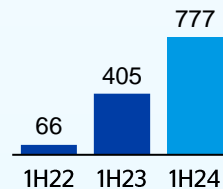
Combined operating ratio



## \$777M

Adj. Net profit after tax

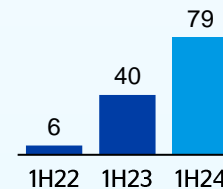
Increase of 92% on 1H23



## A¢79

Basic earnings per share

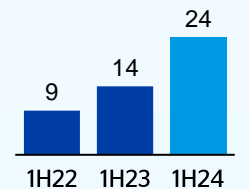
Materially higher vs 1H23



## A¢24

Dividend per share

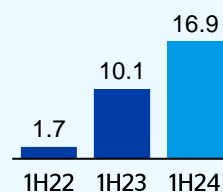
31% payout, 20% franked



## 16.9%

Return on equity

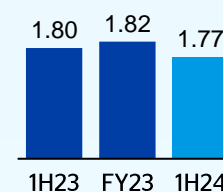
10.1% in 1H23



## 1.77x

APRA PCA Multiple

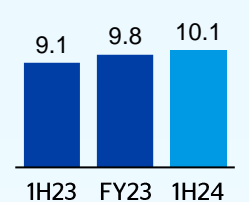
Target range 1.6x to 1.8x



## A\$10.1

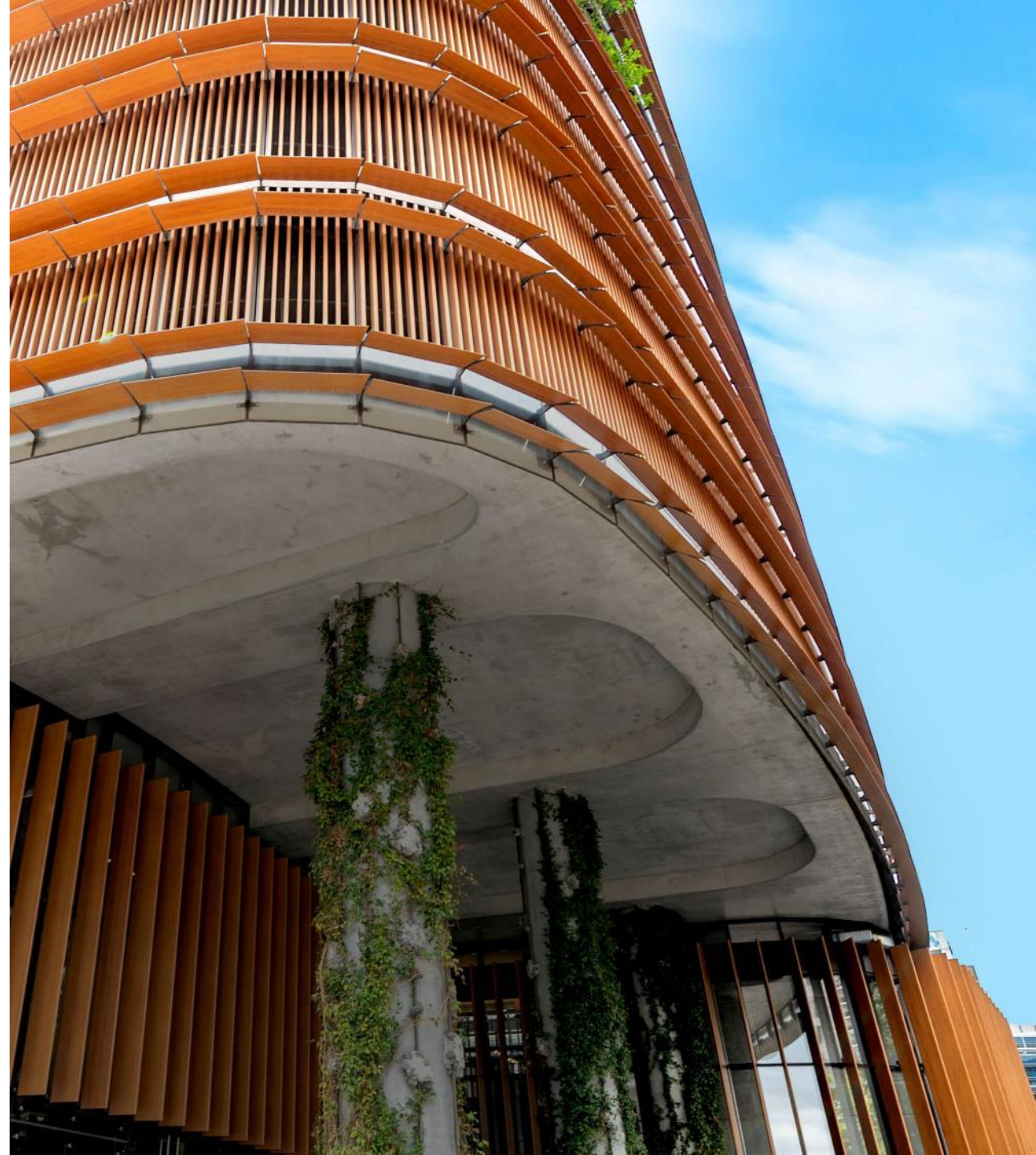
Book value per share

Increase of 12% on 1H23



# Strategic update

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# Key messages

## Financial performance

- ◆ **Strong financial performance continues**  
Adjusted ROE of 16.9%
- ◆ **Growth impacted by Crop and portfolio exits**  
2% GWP growth translates to growth of around 11% excluding Crop and exits
- ◆ **Improved and more resilient underwriting result**  
COR of 93.8% is tracking to plan, and supports full year outlook of ~93.5%

## Strategic progress

- ◆ **North America strategic execution**  
Closure of middle market raises confidence in improved performance for North America
- ◆ **Actions to reduce reserve volatility**  
Important transaction to derisk NA non-core reserves, and improve capital efficiency
- ◆ **Portfolio optimisation focus**  
Underwriting portfolio in great balance & health - focus shifting to a more forward-looking agenda

# Strategic priorities building momentum

## What we achieved in 1H24



### **Portfolio optimisation**

NA Middle Market exit to refocus strategy. On track to reduce third party property GWP by >\$300M in FY24



### **Sustainable growth**

New NA Specialty teams and launch of QCyberProtect, QBE's new global cyber policy.



### **Bring the enterprise together**

Appointed Group Head of Distribution to ensure we are strategically aligned with our distribution partners



### **Modernise**

Better alignment of future investment spend to support growth focus areas.



### **Our people**

Enhancement of parental leave policies globally. Launch of QBE's Global Gender Pay Gap report



### **Our culture**

Addition of sustainability & customer measures in the 2024 LTI will align toward a more resilient future

# Performance update

## Growth

**+2%**

**Gross written premium**

Average rate increase  
+6.7%

Ex-rate growth  
(2%)

## Underwriting result

**93.8%**

**Combined operating ratio**

Catastrophe claims  
below allowance

Stable prior year  
development

## Investment result

**4.8%**

**Annualised Investment return**

Total investment income  
of \$733M

4.7% exit running yield

## Balance sheet

**1.77x**

**Regulatory capital**

Capital above S&P 'AA'  
level

Debt to total capital 21.4%

## Dividend

**A¢24**

**Interim dividend**

31% payout ratio

20% franked



# North America strategic update

Go-forward business has a well-established track record of performance, with attractive growth opportunities

## Go-forward core platform

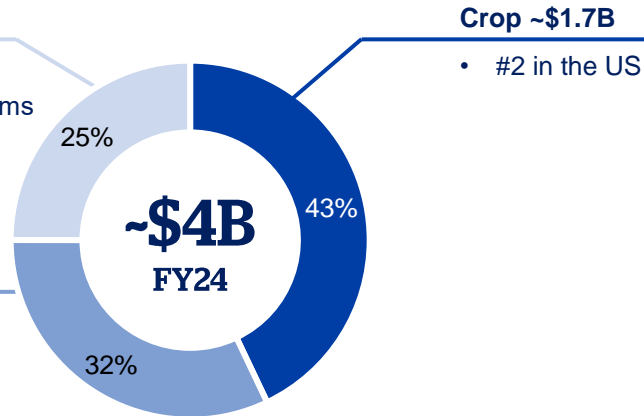
Net insurance revenue mix

### Commercial ~\$1B

- Property programs
- Workers' compensation programs
- Specialty Casualty
- Construction

### Specialty ~\$1.3B

- Accident & Health
- Financial Lines & Cyber
- Aviation
- Specialty Healthcare



- #2 in the US

- North America to transition toward service-led, Specialty platform, with good opportunity for measured growth through adjacencies
- Favourable performance track record has been underpinned by limited secondary peril exposure, and general stability in reserves

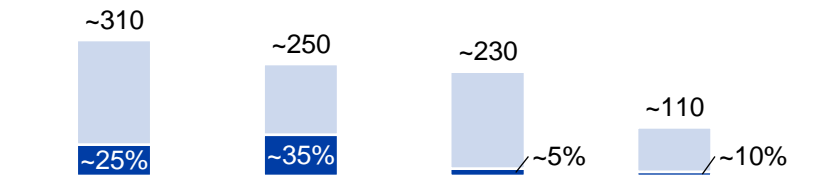
## Go-forward core platform

Strong performance track record

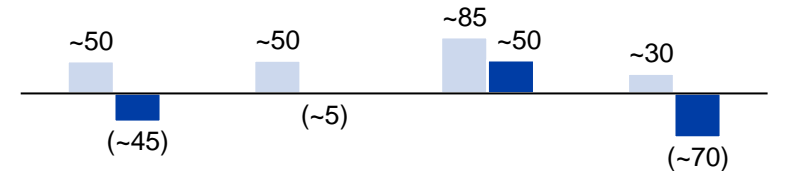
Go-forward core segment COR



Catastrophe claims % of divisional total (\$M)



Prior accident year central estimate development (\$M)



FY21 AASB 1023    FY22 AASB 17    FY23 AASB 17    1H24 AASB 17

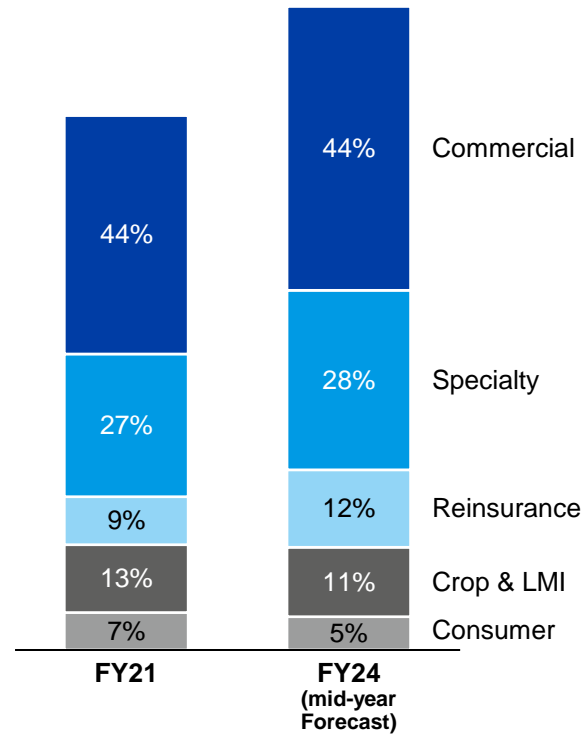
- Non-Core
- Go-forward core segments



# Portfolio optimisation: More resilient portfolio mix

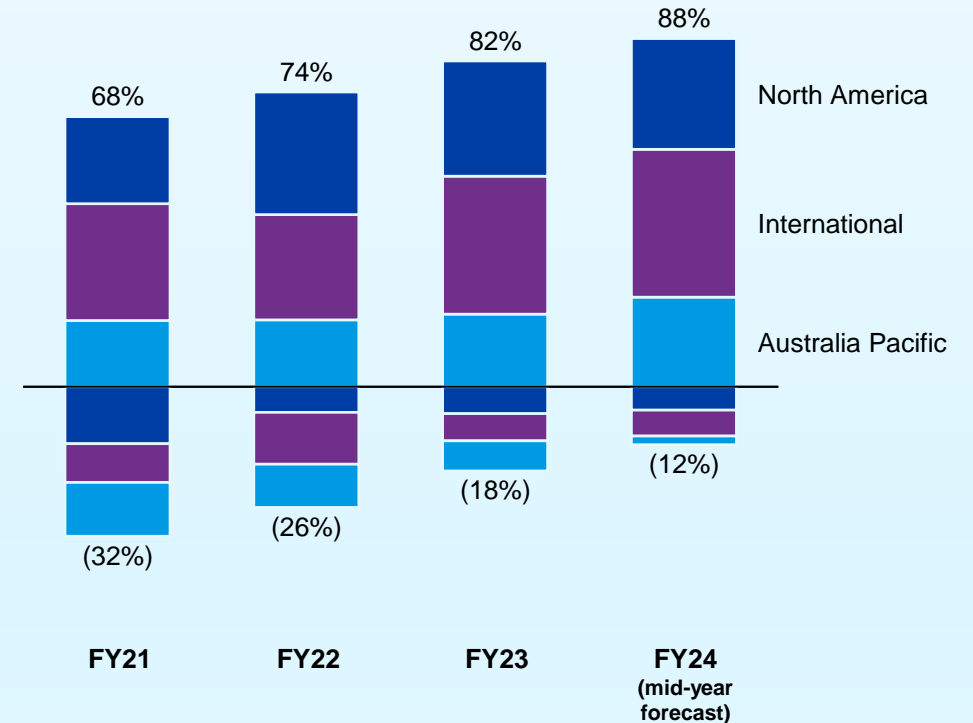
## Group Net insurance revenue / earned premium mix

- Combination of portfolio actions and favourable markets has driven greater diversification and balance across the portfolio
- Breadth of profit contribution now meaningfully improved following multi-year focus on remediation and performance discipline
- Portfolio optimisation focus now shifting toward a forward-looking agenda



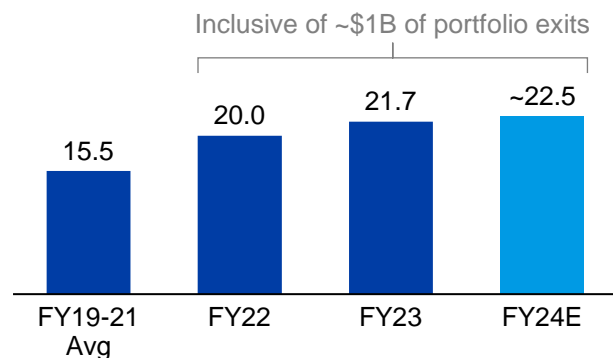
## Profitable vs unprofitable cells (% of GWP)

Based on underwriting profitability

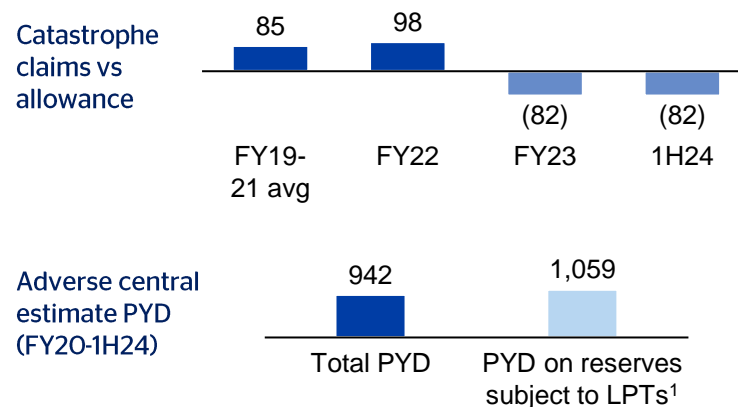


# Portfolio optimisation translating into improved outcomes

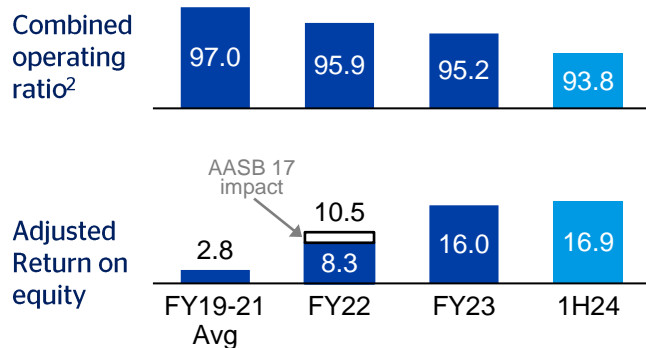
## Gross written premium (\$B)



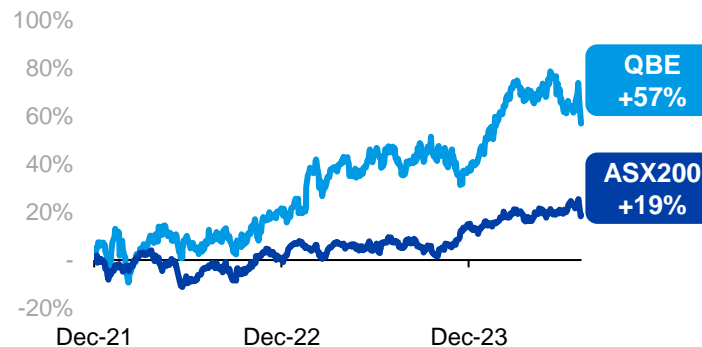
## Catastrophes and reserves (\$M)



## COR and ROE (%)



## Total shareholder return (%)



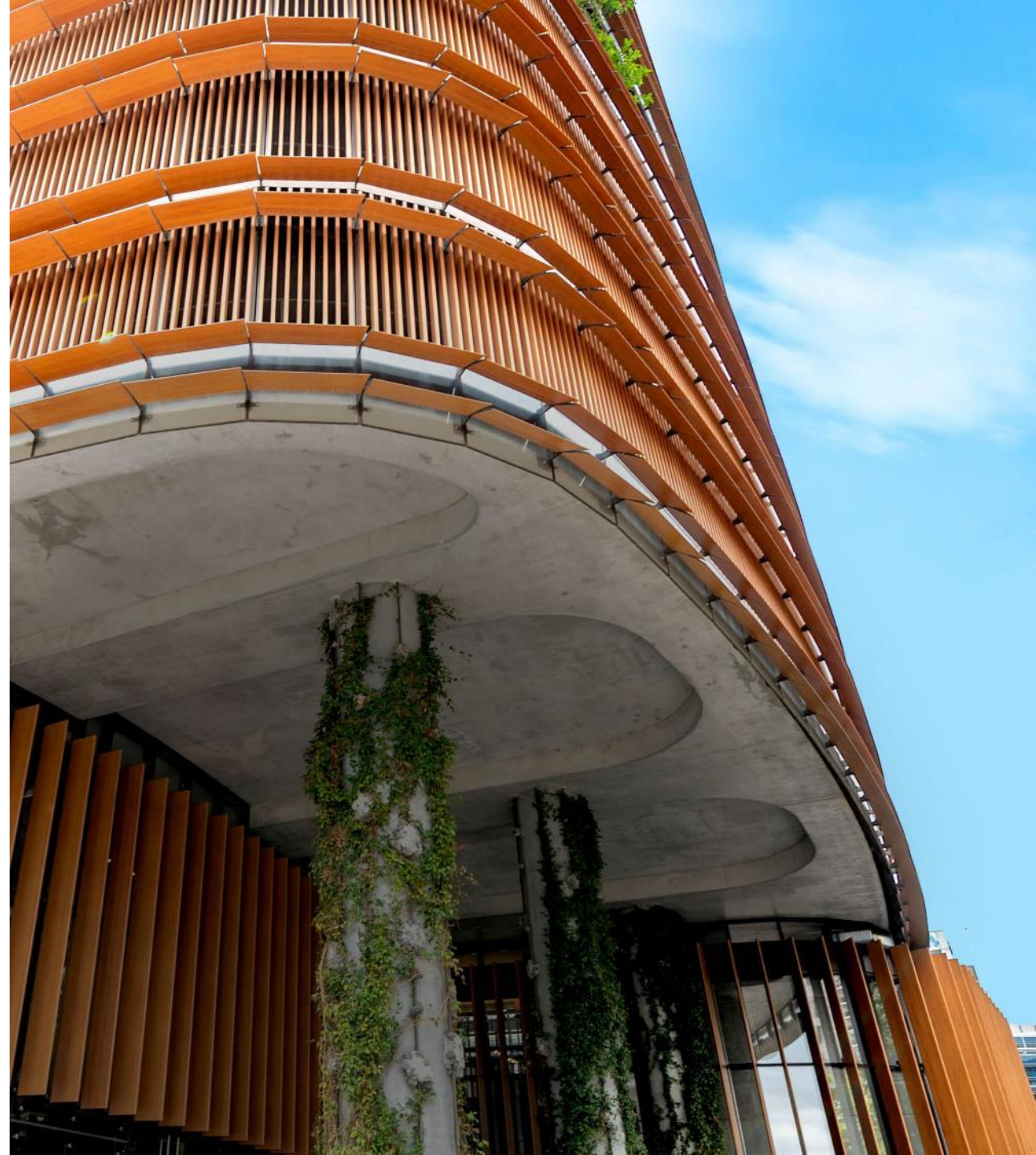
- Multi-year agenda focused on improving resilience and consistency now clearly translating into improved outcomes
- Higher quality earnings profile underscored by greater breadth of profitable businesses, and reduction in portfolio risk and volatility
- Greater resilience in underwriting metrics reflect more consistent underwriting, property de-risking efforts and long-tail reserve reinsurance in place
- North America remediation and turnaround continues to be a key strategic priority, with a clearer path to sustainable profitability following recent actions

Note:

1. Reinsurance loss portfolio transfer reserve transactions
2. All periods are inclusive of reinsurance loss portfolio transfer transactions. 2020 and 2021 COR excludes the impact of COVID-19.

# Financial performance

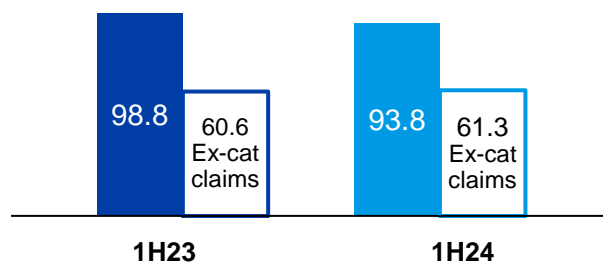
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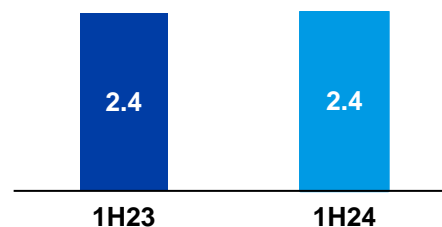
# Result snapshot

Improvement in profitability underscored by more resilient underwriting result and strong investment returns

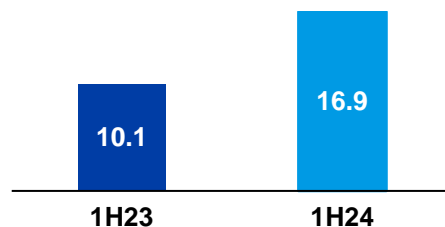
### Combined operating ratio (%)



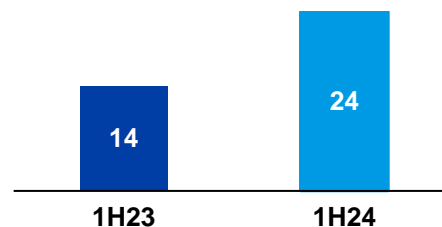
### Investment return (%)



### Adjusted ROE (%)



### Dividends per share (A\$ cps)

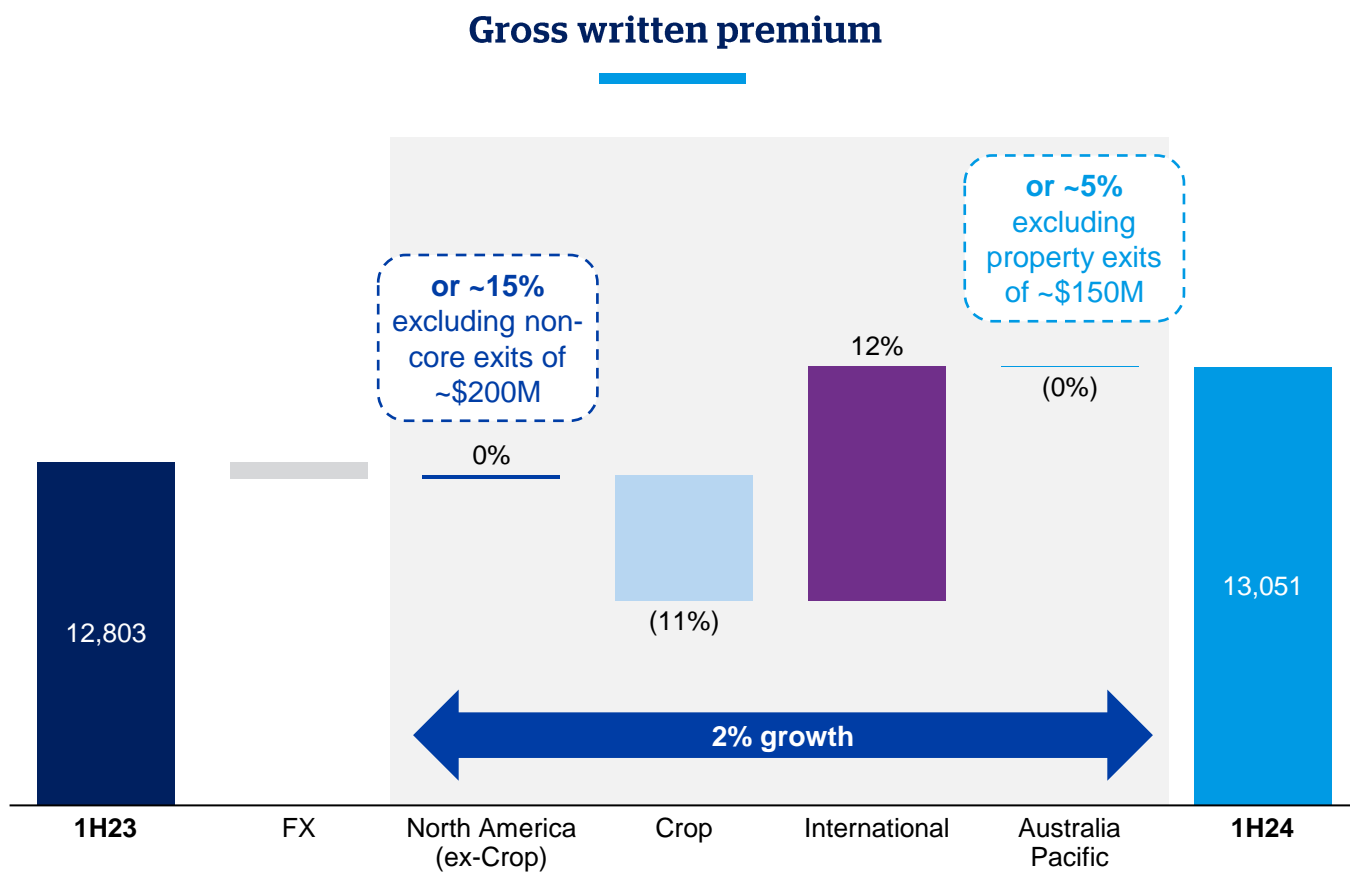


		1H23	1H24
Gross written premium	\$M	12,803	13,051
Net insurance revenue	\$M	7,977	8,512
Net claims ratio	%	69.0	64.2
Net commission ratio	%	18.1	17.6
Expense ratio	%	11.7	12.0
<b>Combined operating ratio</b>	<b>%</b>	<b>98.8</b>	<b>93.8</b>
<b>Insurance operating result</b>	<b>\$M</b>	<b>95</b>	<b>525</b>
Net insurance finance income	\$M	149	223
Investment losses from risk-free rate movements	\$M	(201)	(231)
Net investment (loss) income	\$M	662	733
Net profit after income tax	\$M	400	802
Adjusted profit after income tax	\$M	405	777
<b>Adjusted return on equity</b>	<b>%</b>	<b>10.1</b>	<b>16.9</b>



# Gross written premium

Organic growth continues across breadth of opportunities, partially offset by exited property lines and Crop



## Premium growth metrics (%)

	GWP Growth	GWP growth (ex-rate)	NIR growth
<b>1H24</b>			
North America	(6)	(9)	(2)
NA (ex-Crop)	0	(5)	(6)
NA (ex-Crop & Exits)	15	8	13
International	12	8	16
Australia Pacific	(0)	(6)	6
AusPac (ex-Exits)	5	(1)	9
Group	2	(2)	7
Group (ex-Crop)	6	1	7
<b>Group (ex-Crop &amp; Exits)</b>	<b>11</b>	<b>5</b>	<b>13</b>

# Group underwriting performance

## Group-wide premium rate increases

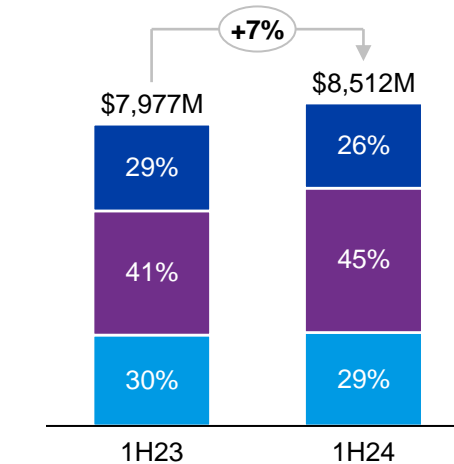
Remain supportive at +6.7%

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
<b>North America</b> +9.3% YTD	← 10.9% →		← 10.0% →		← 9.3% →	
	10.6%	11.5%	12.3%	6.7%	10.9%	6.9%
	68%	66%	66%	64%	67%	68%
<b>Int'l</b> +4.8% YTD	← 9.4% →		← 5.5% →		← 4.8% →	
	9.2%	9.5%	6.0%	5.2%	5.1%	4.5%
	84%	85%	84%	85%	88%	88%
<b>AusPac</b> +9.9% YTD	← 11.8% →		← 13.2% →		← 9.9% →	
	11.3%	12.2%	12.5%	13.9%	11.0%	9.0%
	90%	88%	86%	83%	76%	81%
<b>Group</b> +6.7% YTD	← 10.2% →		← 8.9% →		← 6.7% →	
	10.0%	10.5%	9.6%	8.2%	7.3%	6.0%
	82%	82%	81%	81%	81%	83%

YTD premium retention

## Net insurance revenue

Strong growth led by International



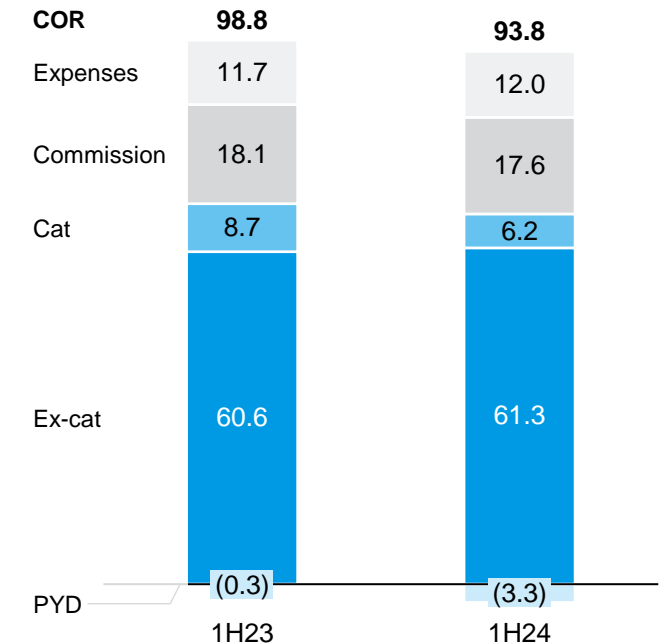
1H24

Growth

North America	(2%)
International	16%
Australia Pacific	6%

## Combined operating ratio (%)

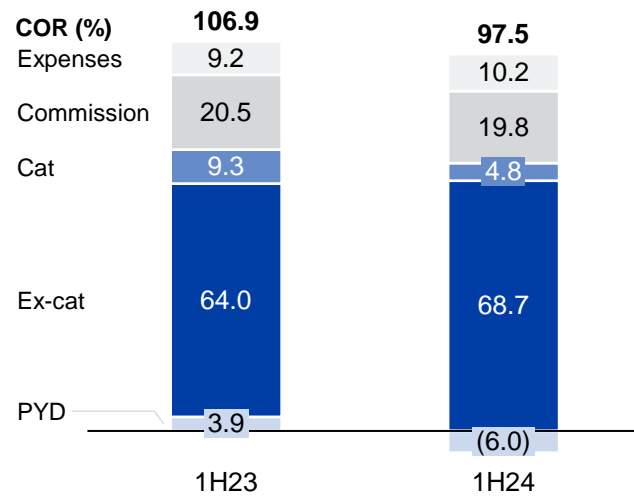
Underwriting performance tracking broadly to plan



# Divisional underwriting highlights

## North America

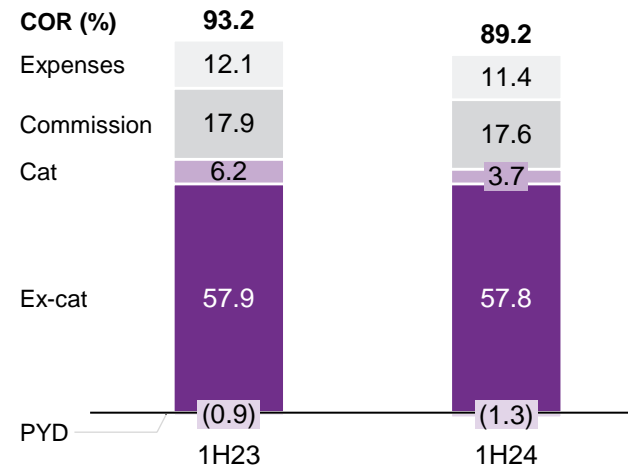
Benefit from lower catastrophe costs and reserve releases



- Favourable PYD driven by Crop \$21M and other short-tail lines
- Improved CAT experience in 1H24, despite elevated US convective storm activity

## International

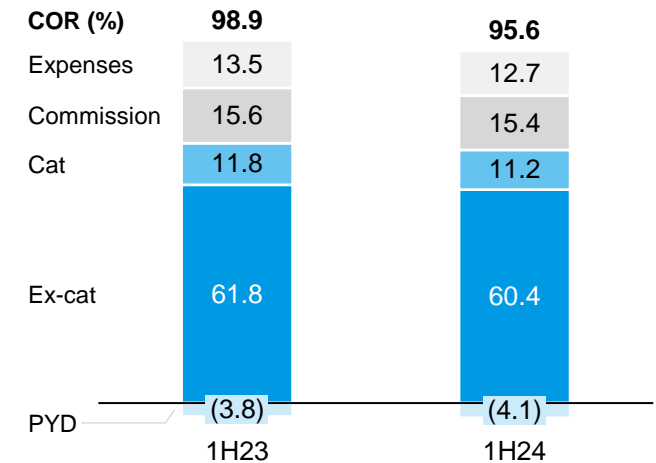
Strong improvement in underwriting result alongside targeted growth



- More benign catastrophe experience despite elevated global CAT activity
- Ex-cat claims benefitted from rate increases at or above claims inflation offset by large claims (Baltimore Bridge)

## Australia Pacific

Challenging half for catastrophe costs



- Elevated catastrophe costs driven by New Caledonia civil unrest
- Ex-cat improvement supported by recent rate increases

# North America business update

Drag from non-core lines expected to moderate into 2025

## Key segment underwriting performance

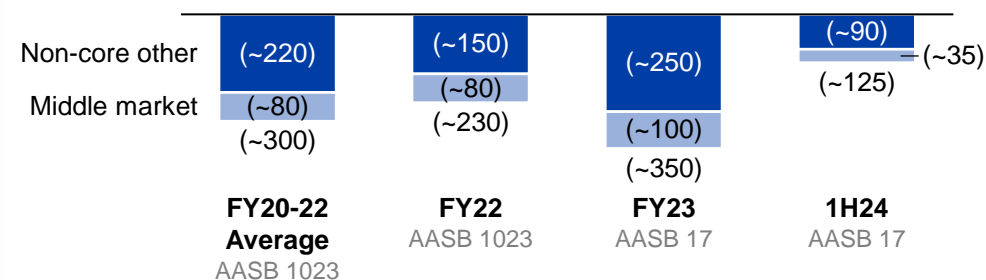
COR	FY20-22 Avg AASB 1023	FY22 AASB 17	FY23 AASB 17	1H24 AASB 17
Crop	95%	96%	98%	92%
Specialty	97%	96%	95%	91%
Commercial	96%	82%	81%	84%
<b>Core segments</b>	<b>96%</b>	<b>95%</b>	<b>94%</b>	<b>91%</b>
Middle market <sup>1</sup>	128%	120%	120%	117%
Other <sup>1</sup>	124%	118%	143%	150%
<b>Non-core segments<sup>1</sup></b>	<b>125%</b>	<b>118%</b>	<b>132%</b>	<b>133%</b>
Internal reinsurance		~0%	~1%	~0%
<b>North America</b>		<b>99.5%</b>	<b>103.7%</b>	<b>97.5%</b>

- Strong half for core segments, helped by favourable PYD, with current accident year combined ratio of ~94.5%
- Challenging results for non-core lines continue, which were impacted by elevated convective storm activity
- Expect non-core loss of ~\$200M in FY24
- All non-core, long tail reserves are now protected by reinsurance

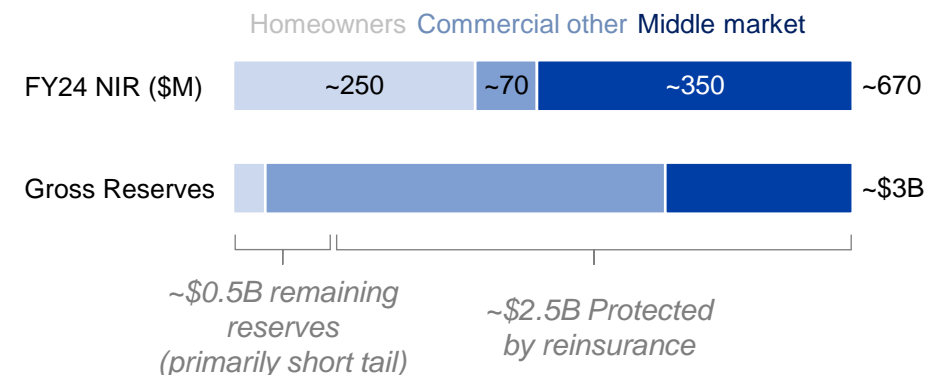
Note:

1. Non-core segments in FY22 and FY20-22 Avg shown on a AASB 1023 basis

## Non-core underwriting / insurance operating result (\$M)



## Non-core business mix





# Reserve transaction

## Reserve transaction

Total upfront cost of ~\$85M with ~\$230M net capital benefit

- QBE has entered loss portfolio transfer reserve transactions (LPTs) with RiverStone International and Enstar for reserves totalling \$1.6B. The transactions will be effective as of 1 July 2024 and are expected to complete in 4Q24, subject to regulatory approvals
- The transactions de-risk all North America (NA) middle-market reserves up to 30 June 2024, the remaining NA non-core long tail reserves, and a small number of other portfolios in International and North America
- This is expected to result in an APRA PCA benefit of ~3pts, or a ~\$230M net capital benefit in the second half of 2024
- Total upfront cost of ~\$85M with limited impact on earnings beyond
- North America middle-market component of the upfront cost (~\$45M) will be recorded in restructuring expense, with the balance to be recorded in the insurance operating result
- Alongside prior reserve transactions, QBE has now protected ~20% of long tail reserves, which have collectively contributed over \$1 billion in adverse prior development through recent periods

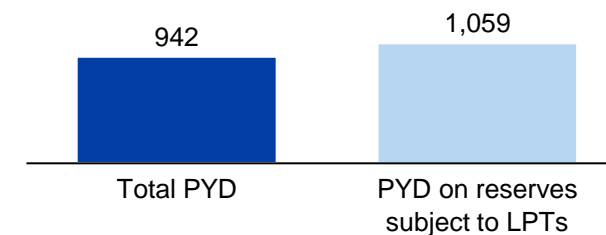
## Upfront cost of ~\$85M

Reinsurance premium	\$1.5B
– In-scope reserves (discounted)	\$1.3B
– Associated risk adjustment	\$0.1B
= Upfront P&L cost (pre-tax)	-\$0.1B

## Historic prior accident year development

Adverse PYD driven by reserves now subject to LPTs

Total central estimate PYD (\$M)  
(FY20-1H24)

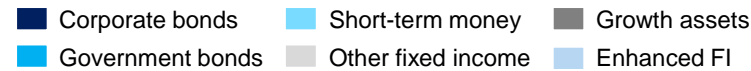
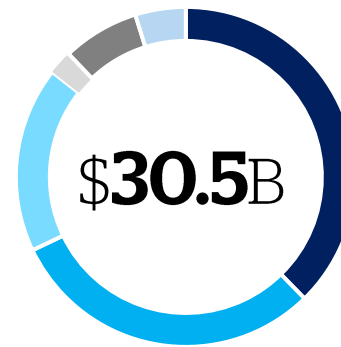


# Investment portfolio performance

1H24 investment return	\$M	%
FI yield (ex-risk-free rate)	578	2.2
Credit spreads MTM	55	0.2
Risk assets	128	3.3
Expenses and other	(28)	(0.1)
<b>Net return</b>	<b>733</b>	<b>2.4</b>

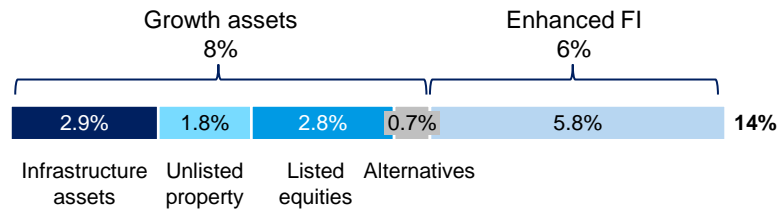
- Broadly stable fixed income running yield, exiting 1H24 at 4.7%
- Duration 'economically' matched at 2.2 years
- Total core fixed income duration of 2.4 years

## Investment portfolio

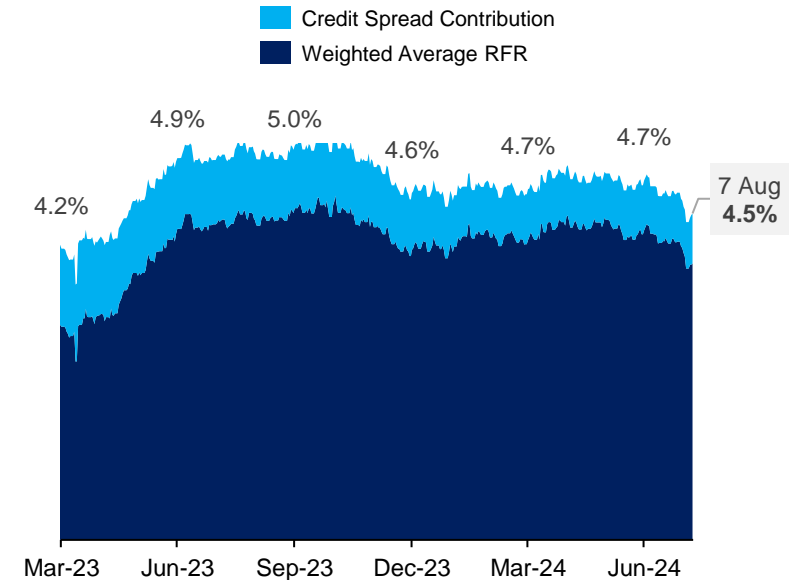


## Risk assets

14% of total FUM



## Core fixed income running yield



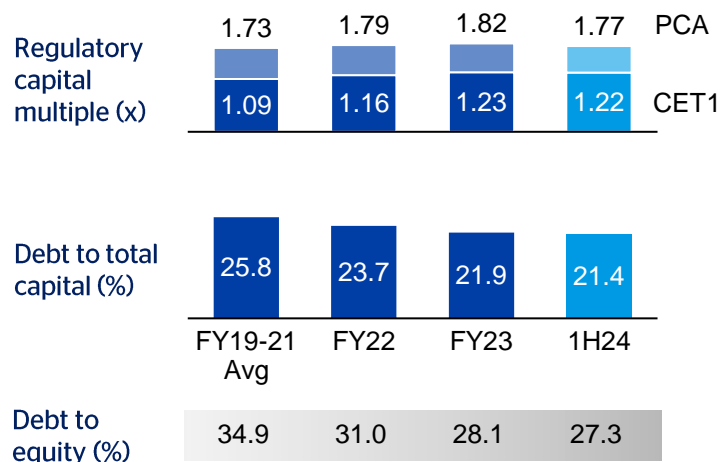
## Fixed income assets - S&P security grading

Fixed income and enhanced fixed income



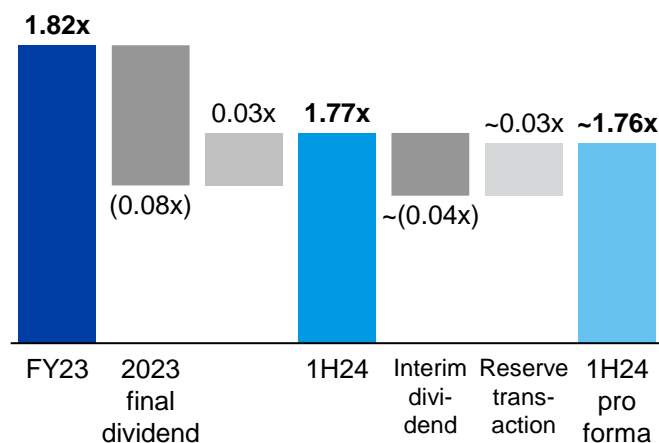
# Balance sheet and capital management

## Key capital metrics



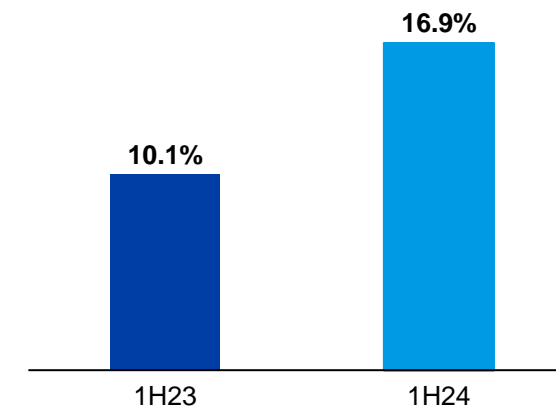
- Strong capitalisation, with improved quality of capital
- Gearing comfortably around the middle of our target range

## APRA capital PCA multiple



- Regulatory capital at the top end of our 1.6x-1.8x target range
- Interim dividend to reduce capital by ~4pt
- \$1.6B reserve transaction to add ~3pt
- Capital above S&P 'AA' level

## Adjusted return on equity



- Encouraging resilience and improvement
- Significant increase in ROE versus prior period

# Outlook

## Gross written premium

- FY24 constant currency GWP growth of ~3%

- Premium rate increases expected to remain supportive
- Markets to remain conducive for further targeted organic growth
- Portfolio exits to impact GWP by ~\$550M

## Combined operating ratio

- Consistent low-to-mid 90s COR through-cycle
- FY24 COR of ~93.5%

- Underlying business settings continue to improve
- QBE to provide 3Q24 update on 27 Nov 2024

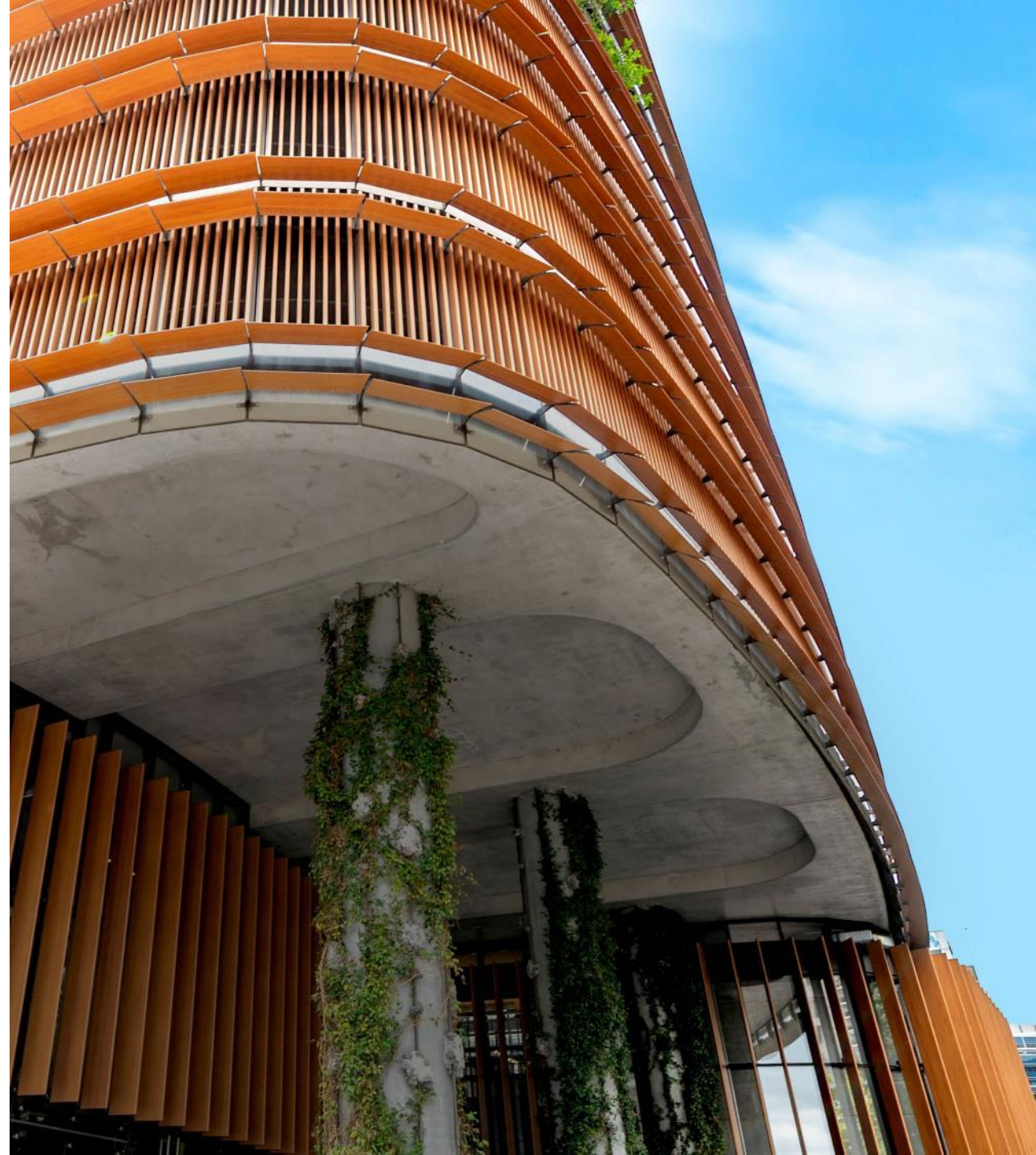
## Investment returns

- 1H24 exit running yield of 4.7%

- Investment FUM to reduce due to ~\$1.6B reserve transaction



# Appendix



# Key metrics summary

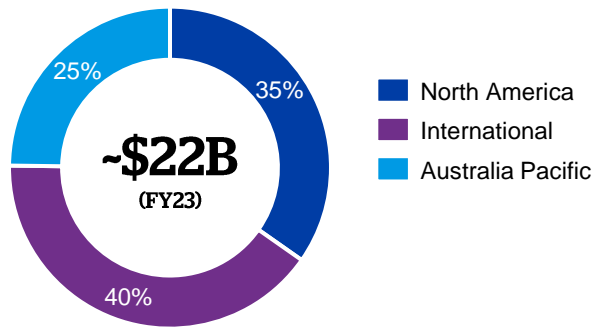
		Group		North America		International		Australia Pacific	
		1H23	1H24	1H23	1H24	1H23	1H24	1H23	1H24
Gross written premium	\$M	12,803	13,051	4,967	4,645	5,072	5,708	2,771	2,698
Insurance revenue	\$M	9,911	10,438	3,508	3,331	3,793	4,404	2,600	2,703
<b>Net insurance revenue</b>	<b>\$M</b>	<b>7,977</b>	<b>8,512</b>	<b>2,285</b>	<b>2,243</b>	<b>3,278</b>	<b>3,803</b>	<b>2,393</b>	<b>2,468</b>
NIR (ex-Crop and LMI)	\$M	7,211	7,693	1,599	1,506	3,278	3,803	2,314	2,387
Net claims expense	\$M	(5,505)	(5,466)	(1,763)	(1,513)	(2,072)	(2,288)	(1,671)	(1,667)
Net commission	\$M	(1,442)	(1,500)	(469)	(445)	(588)	(670)	(374)	(380)
Expenses and other income	\$M	(935)	(1,021)	(211)	(229)	(395)	(435)	(322)	(313)
<b>Insurance operating result</b>	<b>\$M</b>	<b>95</b>	<b>525</b>	<b>(158)</b>	<b>56</b>	<b>223</b>	<b>410</b>	<b>26</b>	<b>108</b>
Ex-cat (ex-Crop, LMI, RA)	%	55.2	55.1	54.1	57.2	54.2	53.3	58.0	56.9
Ex-cat (ex-RA)	%	56.6	56.9	60.3	64.6	54.2	53.3	57.2	55.8
Ex-cat claims ratio	%	60.6	61.3	64.0	68.7	57.9	57.8	61.8	60.4
Catastrophe claims	%	8.7	6.2	9.3	4.8	6.2	3.7	11.8	11.2
Prior year development	%	(0.3)	(3.3)	3.9	(6.0)	(0.9)	(1.3)	(3.8)	(4.1)
<b>Net claims ratio</b>	<b>%</b>	<b>69.0</b>	<b>64.2</b>	<b>77.2</b>	<b>67.5</b>	<b>63.2</b>	<b>60.2</b>	<b>69.8</b>	<b>67.5</b>
Net claims ratio	%	69.0	64.2	77.2	67.5	63.2	60.2	69.8	67.5
Net commission ratio	%	18.1	17.6	20.5	19.8	17.9	17.6	15.6	15.4
Expense ratio	%	11.7	12.0	9.2	10.2	12.1	11.4	13.5	12.7
<b>Combined operating ratio</b>	<b>%</b>	<b>98.8</b>	<b>93.8</b>	<b>106.9</b>	<b>97.5</b>	<b>93.2</b>	<b>89.2</b>	<b>98.9</b>	<b>95.6</b>

		Group		North America		International		Australia Pacific	
		1H23	1H24	1H23	1H24	1H23	1H24	1H23	1H24
Ex-cat claims	\$M	(4,836)	(5,221)	(1,463)	(1,539)	(1,897)	(2,196)	(1,479)	(1,490)
- CAY risk adjustment	\$M	(316)	(376)	(84)	(90)	(123)	(170)	(110)	(112)
Catastrophe claims	\$M	(699)	(527)	(213)	(108)	(204)	(142)	(282)	(277)
Prior year development	\$M	30	282	(87)	134	29	50	90	100
- PYD (Central estimate)	\$M	(177)	(18)	(169)	35	(33)	(68)	19	16
- PYD (Risk adjustment)	\$M	207	300	82	99	62	118	71	84
<b>Net claims incurred</b>	<b>\$M</b>	<b>(5,505)</b>	<b>(5,466)</b>	<b>(1,763)</b>	<b>(1,513)</b>	<b>(2,072)</b>	<b>(2,288)</b>	<b>(1,671)</b>	<b>(1,667)</b>
Ex-cat claims	%	60.6	61.3	64.0	68.7	57.9	57.8	61.8	60.4
- CAY risk adjustment	%	4.0	4.4	3.7	4.1	3.7	4.5	4.6	4.6
Catastrophe claims	%	8.7	6.2	9.3	4.8	6.2	3.7	11.8	11.2
Prior year development	%	(0.3)	(3.3)	3.9	(6.0)	(0.9)	(1.3)	(3.8)	(4.1)
- PYD (Central estimate)	%	2.3	0.2	7.5	(1.6)	1.0	1.8	(0.8)	(0.6)
- PYD (Risk adjustment)	%	(2.6)	(3.5)	(3.6)	(4.4)	(1.9)	(3.1)	(3.0)	(3.5)
<b>Net claims ratio</b>	<b>%</b>	<b>69.0</b>	<b>64.2</b>	<b>77.2</b>	<b>67.5</b>	<b>63.2</b>	<b>60.2</b>	<b>69.8</b>	<b>67.5</b>

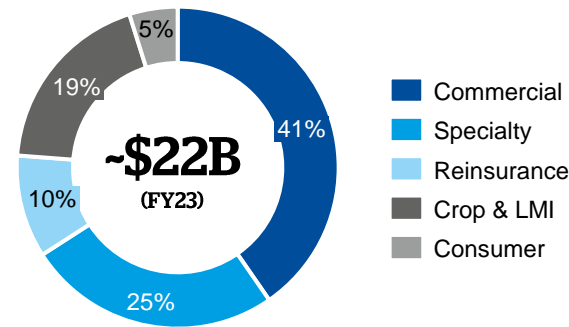
# About us

QBE is an international P&C insurer focused on commercial and specialty (re)insurance, organised over three divisions

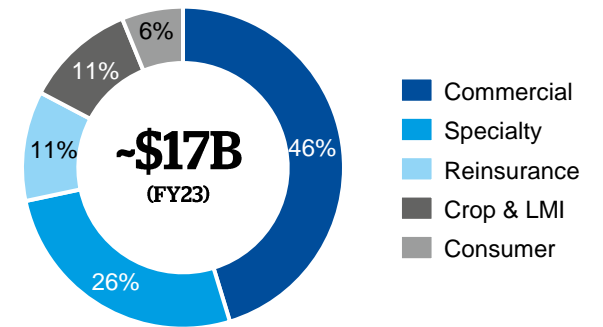
Gross written premium by division



Gross written premium by segment



Net insurance revenue by segment



## Commercial

QBE holds long-established leading market shares in SME-through-Middle market commercial P&C segments in Australia and the UK, with a strong presence in Continental Europe and Asia

Notable franchises

- UK & Europe commercial
- Australia commercial
- Australia farm
- NZ commercial

## Specialty

QBE has strong market presence across a diverse group of specialty classes, underpinned by our Lloyd's franchise which maintains a solid track record for profitability

Notable franchises

- Lloyd's specialty business
- North America Accident & Health
- North America Financial lines
- Australia engineering

## Reinsurance

QBE Re is a full platform, well diversified global reinsurance business, which has a strong presence in property, casualty and specialty segments

## Crop & LMI

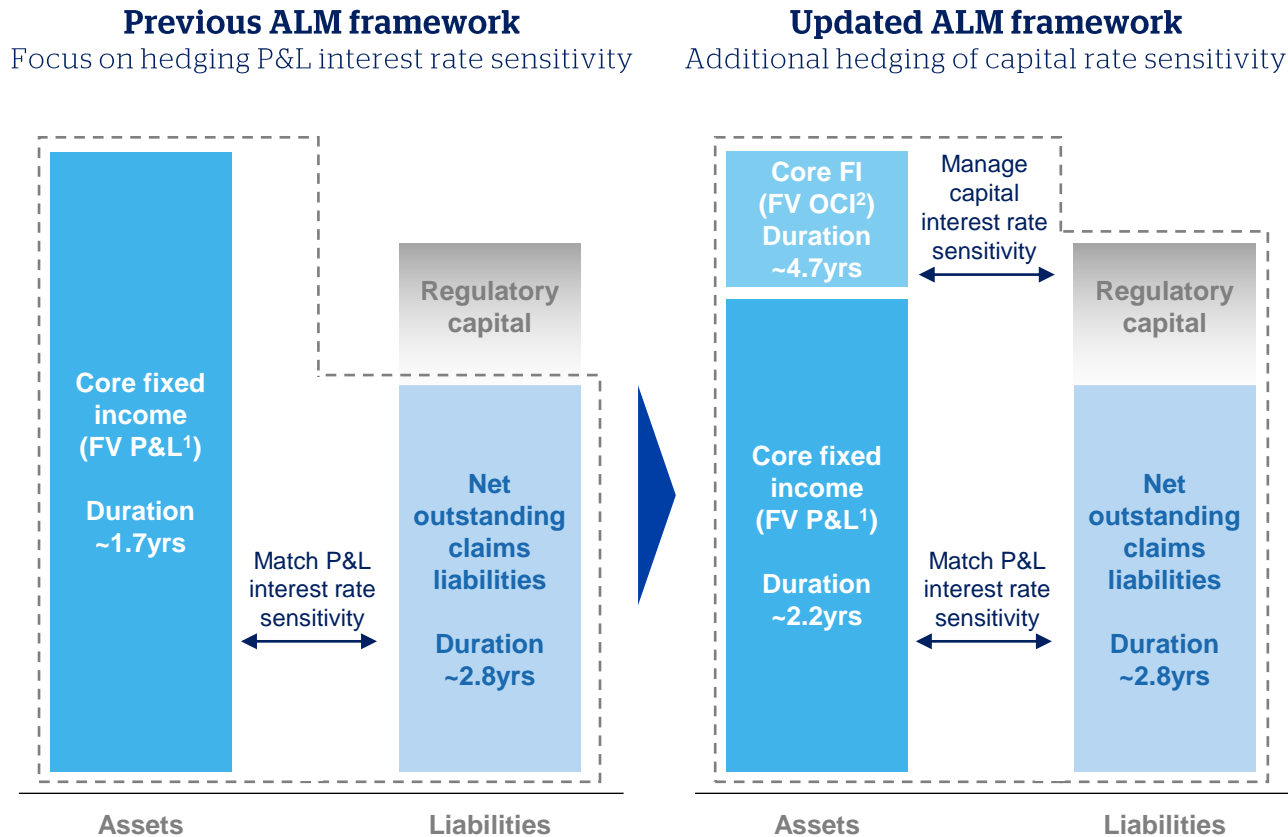
QBE holds leading market shares in two non-traditional P&C lines, providing crop insurance in North America, and lenders mortgage insurance in Australia.

## Consumer

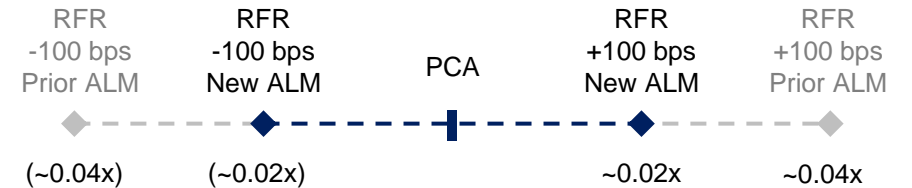
QBE has market presence in Australia through its personal lines franchise consisting of home and motor products

# Updated approach to asset liability management

QBE has updated its asset liability management (ALM) framework to manage interest rate risk in regulatory capital



## APRA PCA multiple estimated impact from risk-free rate movements



### Key outcomes

- Improved hedging of interest rate risk for capital
- More stable core fixed income yield
- Increased asset duration with no impact on interest rate risk in P&L (QBE to remain fully matched)
- Lower earnings sensitivity to changes in credit spreads for core fixed income portfolio
- Reduced mismatch risk on P&L interest rate hedging

### Accounting implications

- FV OCI fixed income assets to be held to maturity
- Mark-to-market impacts on FV OCI securities taken through equity

Note:

1. Fair value through profit and loss
2. Fair value through other comprehensive income

*Enabling a more resilient future*

