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12 August 2021

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

Dear Sir/Madam,

Market Release for the half year ended 30 June 2021

Further to the announcement today of our results for the half year ended 30 June 2021, please find attached a market release in relation to those results.

This release has been authorised by the QBE Board of Directors.

Yours faithfully

Carolyn Scobie
Company Secretary

Attachment

MARKET RELEASE

12 August 2021

QBE ANNOUNCES 2021 INTERIM RESULT[1]

QBE today announced a 1H21 statutory net profit after tax of $441M, compared with a net loss after tax of $712M in the prior period, the rebound in profit reflecting a material turnaround in both underwriting and investment returns.

On a constant currency basis, gross written premium grew by 20% to $10,203M reflecting the strong premium rate environment as well as improved customer retention and new business growth across all regions. Growth in Crop was especially strong at 48% due to the significant increase in corn and soybean prices coupled with targeted organic growth. Excluding Crop, gross written premium increased by 14% on a constant currency basis.

Premium rates continue to improve with Group-wide rate increases averaging 9.7%[2] during the half compared with 8.7%[2] in 1H20. While premium rates increased 8.9%[2] in 1Q21 compared with 7.3%[2] in 1Q20, and were higher again at 10.6%[2] in 2Q21 compared with 10.2%[2] in 2Q20, rate momentum is showing signs of moderating in some geographies and products, particularly in International Markets. Pricing momentum in Australia Pacific benefited from the cessation of pandemic-related pricing relief initiatives in place in 2020.

The Group reported a 1H21 combined operating ratio of 93.3%[3] compared with 103.4%[3] in the prior period which was significantly impacted by COVID-19 claims and adverse prior accident year claims development.

The encouraging uplift in underwriting profitability included a further 1.8%[4,5] improvement in the attritional claims ratio and a 1.7%[4] improvement in the total acquisition cost ratio. These improvements more than offset the previously flagged increase in the Group's catastrophe allowance and reinsurance costs as well as a higher Crop combined operating ratio.

Crop was booked at a combined operating ratio of 95%, above the current year plan of 92% and 90% reported in the prior period. This reflects signs of drought risk and recognises the inherent difficulty in accurately forecasting the Crop result prior to completion of the harvest in November each year.

Catastrophe claims for the half were $462M or 7.0% of net earned premium, up materially from $308M[4] or 5.5%[4] in the prior period and 1.6% above the Group's increased allowance. Catastrophe costs were dominated by winter storm Uri in Texas, widespread flooding on the east coast of Australia and Cyclone Seroja in Western Australia.

1 All figures in US$ unless otherwise stated

2 Excludes premium rate changes relating to North America Crop and Australian CTP

3 Excludes impact of changes in risk-free rates used to discount net outstanding claims

4 Excludes impact of COVID-19 in 1H20

5 Excludes North America Crop and LMI

The result included favourable prior accident year claims development of $71M or 1.1% of net earned premium compared with $120M[1] and 2.2%[1] of adverse development in 1H20.

The total acquisition cost ratio improved to 29.0% from 30.7%[1] in the prior period, reflecting further cost benefits stemming from the Group's operational efficiency program coupled with operating leverage associated with strong premium growth, particularly in Crop. Business mix changes, including growth in Crop, contributed to a reduction in the commission ratio.

As previously communicated, we have commenced the next phase of our efficiency program focused on IT modernisation and digitisation. We have also challenged ourselves around historic operating structures and work practices to develop a more modern and high performing business. As part of this, we are targeting an expense ratio of 13% by 2023 compared with 13.7% in 1H21, and expect to incur a restructuring charge of $150M to be expensed over three years, of which $29M was recognised in the half.

Net investment income rebounded to $58M from a loss of $90M in the prior period. A modestly short tactical duration stance, coupled with narrower credit spreads and healthy returns on growth assets, more than offset the negative mark-to-market impact of higher risk-free rates on our fixed income portfolio.

Adjusted net cash profit after tax was $463M equating to an annualised return on equity of 11.9%, or 10.4% excluding the net gain as a result of our tactical duration stance.

The Group's indicative regulatory capital PCA multiple was 1.73x, up slightly from 1.72x at 31 December 2020 and above the mid-point of the Group's 1.6-1.8x target range. The benefit of half year earnings on our regulatory capital position was largely offset by capital strain associated with new business growth.

Following the repayment of $200M of subordinated Tier 2 debt in March 2021, gearing improved to 31.1% from 34.8% at 31 December 2020, closer to the midpoint of the Group's 25-35% debt to equity target range.

The probability of adequacy (PoA) of net outstanding claims reduced slightly to 92.3% from 92.5% at FY20 but remains at the upper end of our 87.5–92.5% target range. The slight reduction in risk margin as a percentage of the net central estimate of outstanding claims was partly offset by reduced COVID-19 uncertainty.

The Board has declared an interim dividend of 11 Australian cents per share, up from 4 Australian cents per share in the prior period. While recognising QBE's improving profitability and earnings resilience, the Board has also had regard to typically higher catastrophe incidence and Crop result variability in the second half as well as our stated intention to retain capital to support our growth ambitions and facilitate the gradual normalisation of our investment asset risk profile.

Interim QBE Group CEO, Richard Pryce, said: *"Notwithstanding the heightened level of catastrophes during the half which remain a major issue for the industry, I am very pleased with the improvement in the underwriting result and the strong but targeted premium growth.*

While we continue to benefit from meaningful compound premium rate increases in all our geographies, there are signs that pricing momentum is moderating, particularly in International Markets. Regardless, we will remain vigilant in balancing premium growth and pricing adequacy for an appropriate risk adjusted return on capital, with claims inflation and catastrophe costs key areas of ongoing focus."

1 Excludes impact of COVID-19 in 1H20

1H21 result highlights:

- Statutory net profit after tax of $441M (1H20 $712M loss)
- Adjusted cash profit of $463M equating to an annualised return on average shareholders' equity of 11.9% (1H20 16.6% loss), or 10.4% excluding the net gain related to our modestly short tactical duration stance
- Average Group-wide renewal premium rate increase of 9.7%[1] (1H20 8.7%[1])
- Gross written premium up 20%[2] to $10,203M (1H20 $8,041M[3]) including growth in excess of premium rate increases of 7%[2,4]
- Net earned premium up 10%[2] to $6,571M (1H20 $5,556M[3])
- Benefit of higher risk-free rates used to discount net outstanding claims of $205M or 3.1% of net earned premium (1H20 $335M adverse impact or 6.0% [3] of net earned premium)
- Combined operating ratio of 93.3%[5] (1H20 97.4%[3,5])
- Attritional claims ratio improved a further 1.8% to 43.7%[6] (1H20 45.5%[3,6])
- Net catastrophe claims of $462M (1H20 $308M[3]) relative to 1H21 allowance of $310M (1H20 $252M)
- Favourable prior accident year claims development of $71M (1H20 $120M[3] adverse)
- Expense ratio improved to 13.7% (1H20 14.3%[3])
- Net investment income of $58M (1H20 $90M loss), reflecting narrower credit spreads and strong growth asset returns offset by the mark-to-market impact of higher bond yields
- Funds under management increased to $27.9BN (FY20 $27.7BN)
- Financing and other costs of $126M (1H20 $125M)
- Amortisation and impairment of intangibles of $12M (1H20 $13M)
- A $29M restructuring charge (part of the $150M restructuring charge to be recognised over 2021-2023)
- Effective tax rate of 16% (1H20 9%)
- Indicative APRA PCA multiple up slightly to 1.73x (FY20 1.72x), reflecting cash profit in the half largely offset by significant business growth
- Debt to equity ratio improved to 31.1% (FY20 34.8%)
- PoA of outstanding claims at 92.3% (FY20 92.5%), at the upper end of the Group's internal PoA target range of 87.5% - 92.5%
- Interim dividend of AUD11¢ps, franked at 10% (1H20 AUD4¢ps franked at 10%)

1H21 results presentation

QBE Interim Group CEO, Richard Pryce, and Group CFO, Inder Singh, will host a briefing for analysts and institutional investors at 9.30am (AEDT) today.

Webinar and conference call:

The briefing will be available for viewing as a live webinar and a listen only conference call (**questions will not be accepted from participants who join the briefing via telephone). All participants will need to register** to access the webcast and conference call using the link below. Once registered, participants will be sent unique login details.

The briefing will be recorded with a playback available following the event. Questions will be open to analysts and investors who join via the webinar.

Register for this meeting:
https://qbezoom.zoom.us/webinar/register/WN_iUBPH7iFSB2f2I7qpuQQiQ

- ENDS -

1 Excludes premium rate changes relating to North America Crop and Australian CTP
2 Constant currency basis
3 Excludes impact of COVID-19 in 1H20
4 Excludes Crop
5 Excludes impact of changes in risk-free rates used to discount net outstanding claims
6 Excludes Crop and LMI

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IMPORTANT DISCLAIMER
This document (the "Market Release") is dated 12 August 2021 and has been prepared and authorised by QBE Insurance Group Limited (ABN 28 008 485 014) (the ***Company*** or ***QBE***). The information in this Market Release provides our results for the half year ended 30 June 2021. This Market Release 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 or QBE's website www.qbe.com.

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

This Market Release contains certain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "outlook" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You should not place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this Market Release speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only and QBE assumes no obligation to update such information.

Further, such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

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

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