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30 May 2023

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

Dear Sir/Madam

AASB17 TRANSITION UPDATE

Please find attached an announcement for release to the market.

This release has been authorised by the QBE Disclosure Committee.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Carolyn Scobie", followed by a small dot.

Carolyn Scobie
Company Secretary

Attachment

AASB 17 transition update

AASB 17 briefing and prior period restatements

From January 1 2023, all QBE Group reporting will transition to IFRS 17 (AASB 17), the new international insurance accounting standard.

The enclosed prior period restatements should be read in conjunction with the "AASB 17 Investor Update" presentation released today (30 May 2023), which includes detailed discussion regarding AASB 17 accounting concepts and transition impacts.

Management call

Group CFO, Inder Singh, will host a AASB 17 briefing today (Tuesday 30 May 2023) at 9:00am (AEST). Access details are below.

Webcast and Conference call

The briefing will be available for viewing as a slide only webcast or a conference call. All participants need to register to access the webcast and conference call using the link below. Registration is now open. Questions will only be open to analysts and investors who join via the teleconference.

Register for this briefing:

Webcast (slides or listen only): <https://edge.media-server.com/mmc/p/apcq94hz>

Teleconference (Q&A participation): <https://register.vevent.com/register/BI45a5c72c1e6a4aac8cb157a49ed973af>

The briefing will be recorded with a playback available using the following link after the event
<https://www.qbe.com/investor-relations/reports-presentations>.

AASB 17 Group restatements

Group management income statement (AASB 17)

FOR THE PERIOD ENDED	30 JUNE 2022 US\$M	31 DECEMBER 2022 US\$M
Insurance revenue	8,895	18,695
Insurance service expenses	(9,155)	(17,693)
Reinsurance expenses	(1,743)	(3,839)
Reinsurance income	2,377	3,621
Insurance service result	374	784
Other expenses	(59)	(226)
Other income	58	74
Insurance operating result	373	632
Analysed as		
Gross written premium	11,588	19,993
Insurance revenue	8,895	18,695
Reinsurance expenses	(1,743)	(3,839)
Net insurance revenue	7,152	14,856
Net claims expense	(4,792)	(9,918)
Net commission	(1,182)	(2,540)
Expenses and other income	(805)	(1,766)
Insurance operating result	373	632
Net insurance finance income	781	1,233
Unrealised loss on fixed income securities	(854)	(1,343)
Net investment (loss) income on policyholders' funds	(13)	372
Insurance profit	287	894
Net investment (loss) income on shareholders' funds	(7)	199
Financing and other costs	(120)	(230)
Gain on sale of entities and businesses	36	38
Share of net loss of associates	(3)	(7)
Restructuring and related expenses	(129)	(181)
Amortisation and impairment of intangibles	(8)	(27)
Profit before income tax	56	686
Income tax expense	(10)	(81)
Profit after income tax	46	605
Non-controlling interests	(3)	(8)
Net profit after income tax	43	597

AASB 17 Group restatements continued

Summary consolidated statutory income statement (AASB 17)

FOR THE PERIOD ENDED	30 JUNE 2022 US\$M	31 DECEMBER 2022 US\$M
Insurance revenue	8,908	18,765
Insurance service expenses	(8,946)	(17,175)
Reinsurance expenses	(1,848)	(4,001)
Reinsurance income	2,321	3,440
Insurance service result	435	1,029
Other expenses	(119)	(286)
Other income	58	74
Insurance operating result	374	817
Net insurance finance income	720	988
Net investment loss on policyholders' funds	(581)	(501)
Insurance profit	513	1,304
Net investment loss on shareholders' funds	(293)	(271)
Financing and other costs	(135)	(245)
Gain on sale of entities and businesses	36	38
Share of net loss of associates	(3)	(7)
Restructuring and related expenses	(54)	(106)
Amortisation and impairment of intangibles	(8)	(27)
Profit before income tax	56	686
Income tax expense	(10)	(81)
Profit after income tax	46	605
Non-controlling interests	(3)	(8)
Net profit after income tax and non-controlling interest	43	597

A detailed reconciliation between the summary consolidated statutory income statement and the Group management income statement basis results are provided on page 6 (FY22) and page 10 (HY22) of this release.

Consolidated balance sheet (AASB 17)

AS AT	30 JUNE 2022 US\$M	31 DECEMBER 2022 US\$M
Assets		
Cash and investments	26,713	28,132
Reinsurance contract assets	5,770	4,336
Intangibles	2,014	2,018
Trade and other receivables	439	423
Deferred tax assets	479	574
Current tax assets	54	45
Other assets	830	825
Total assets	36,299	36,353
Liabilities		
Insurance contract liabilities	(23,084)	(22,951)
Borrowings	(2,755)	(2,744)
Trade and other payables	(860)	(723)
Deferred tax liabilities	(18)	(110)
Current tax liabilities	(30)	(39)
Other liabilities	(1,072)	(915)
Total liabilities	(27,819)	(27,482)
Shareholders' funds	7,593	7,983
Capital notes	886	886
Non-controlling interests	1	2
Total equity	8,480	8,871

Full year 2022 restatements

Segment results - AASB 17 vs AASB 1023

FOR THE YEAR ENDED 31 DECEMBER 2022		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
		AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023
Gross written premium	\$M	19,993	20,054	7,280	7,274	7,502	7,546	5,219	5,241
Insurance revenue									
/Gross earned premiums	\$M	18,695	19,120	7,032	7,213	6,701	6,908	4,965	4,997
Net insurance revenue									
/Net earned premiums (ex Crop & LMI)	\$M	13,154	13,346	2,950	3,006	5,809	5,974	4,406	4,369
Net insurance revenue/ Net earned premiums	\$M	14,856	14,770	4,472	4,280	5,809	5,974	4,586	4,519
Net claims expense	\$M	(9,918)	(8,657)	(3,248)	(2,996)	(3,773)	(3,017)	(2,931)	(2,688)
Net commission	\$M	(2,540)	(2,119)	(857)	(456)	(990)	(1,045)	(714)	(613)
Expenses and other income	\$M	(1,766)	(1,827)	(407)	(506)	(691)	(678)	(605)	(600)
Insurance operating result/ Underwriting result	\$M	632	2,167	(40)	322	355	1,234	336	618
Impact of change in risk-free rates	\$M	N/A	(1,234)	N/A	(276)	N/A	(787)	N/A	(172)
Insurance operating result/ Underwriting result	\$M	632	933	(40)	46	355	447	336	446
Ex-cat claims ratio (ex Crop, LMI & RA)	%	55.9	54.9	60.3	58.6	53.4	51.6	56.9	56.8
Ex-cat claims ratio	%	61.8	58.2	69.5	70.0	58.3	51.6	59.4	55.8
Catastrophe claims	%	7.1	7.2	5.6	5.8	7.5	7.3	8.1	8.2
Prior accident year claims development	%	(2.2)	1.8	(2.5)	0.7	(0.9)	4.4	(3.6)	(0.6)
Movement in risk margin	%	N/A	(0.2)	N/A	(0.1)	N/A	0.4	N/A	(0.1)
Net claims ratio	%	66.7	67.0	72.6	76.4	65.0	63.7	63.9	63.3
Impact of change in risk-free rates	%	N/A	(8.4)	N/A	(6.4)	N/A	(13.2)	N/A	(3.8)
Net claims ratio	%	66.7	58.6	72.6	70.0	65.0	50.5	63.9	59.5
Commission ratio	%	17.1	14.3	19.2	10.7	17.0	17.4	15.6	13.5
Expense ratio	%	11.9	12.4	9.1	11.8	11.9	11.4	13.2	13.3
Combined operating ratio	%	95.7	85.3	100.9	92.5	93.9	79.3	92.7	86.3
Combined operating ratio (ex. RFR)	%	95.7	93.7	100.9	98.9	93.9	92.5	92.7	90.1

Full year 2022 restatements continued

Claims analysis – AASB 17 vs AASB 1023

FOR THE YEAR ENDED 31 DECEMBER 2022		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
		AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023
Ex-cat claims	\$M	(9,184)	(8,601)	(3,107)	(2,995)	(3,388)	(3,083)	(2,723)	(2,521)
– Current accident year risk adjustment movement	\$M	(571)	N/A	(78)	N/A	(284)	N/A	(165)	N/A
Catastrophe claims	\$M	(1,060)	(1,060)	(251)	(251)	(438)	(438)	(371)	(371)
– Catastrophe claims allowance	\$M	(962)	(962)	N/A	N/A	N/A	N/A	N/A	N/A
Prior accident year claims development	\$M	326	(264)	110	(29)	53	(261)	163	26
– Prior accident year reserve development	\$M	(147)	N/A	(49)	N/A	(143)	N/A	44	N/A
– Prior accident year risk adjustment movement	\$M	473	N/A	159	N/A	196	N/A	119	N/A
Movement in risk margin	\$M	N/A	34	N/A	3	N/A	(22)	N/A	6
Impact of change in risk-free rates	\$M	N/A	1,234	N/A	276	N/A	787	N/A	172
Net claims incurred	\$M	(9,918)	(8,657)	(3,248)	(2,996)	(3,773)	(3,017)	(2,931)	(2,688)
Ex-cat claims	%	61.8	58.2	69.5	70.0	58.3	51.6	59.4	55.8
– Current accident year risk adjustment movement	%	3.8	N/A	1.7	N/A	4.9	N/A	3.6	N/A
Catastrophe claims	%	7.1	7.2	5.6	5.8	7.5	7.3	8.1	8.2
– Catastrophe claims allowance	%	6.5	6.6	N/A	N/A	N/A	N/A	N/A	N/A
Prior accident year claims development	%	(2.2)	1.8	(2.5)	0.7	(0.9)	4.4	(3.6)	(0.6)
– Prior accident year reserve development	%	1.0	N/A	1.1	N/A	2.5	N/A	(1.0)	N/A
– Prior accident year risk adjustment movement	%	(3.2)	N/A	(3.6)	N/A	(3.4)	N/A	(2.5)	N/A
Movement in risk margin	%	N/A	(0.2)	N/A	(0.1)	N/A	0.4	N/A	(0.1)
Impact of change in risk-free rates	%	N/A	(8.4)	N/A	(6.4)	N/A	(13.2)	N/A	(3.8)
Net claims incurred	%	66.7	58.6	72.6	70.0	65.0	50.5	63.9	59.5

Key metrics – AASB 17 vs AASB 1023

FOR THE YEAR ENDED 31 DECEMBER 2022		AASB 17	AASB 1023
Net profit after tax	\$M	597	770
Amortisation and impairment of intangibles after tax	\$M	72	72
Write-off of deferred tax assets	\$M	–	–
Write-off of capitalised IT assets	\$M	–	–
Net cash profit after tax	\$M	669	842
Restructuring and related expenses after tax	\$M	93	93
Net gain on disposals after tax	\$M	(38)	(38)
Additional Tier 1 capital coupon accrual	\$M	(50)	(50)
Adjusted net profit after tax	\$M	674	847
Ordinary shares	M	1,485	1,485
Weighted average shares	M	1,482	1,482
Weighted average shares – Diluted	M	1,493	1,493
Basic earnings per share – Statutory	US cents	36.9	48.6
Diluted earnings per share – Statutory	US cents	36.6	48.2
Basic earnings per share – Adjusted cash basis	US cents	45.5	57.2
Diluted earnings per share – Adjusted cash basis	US cents	45.1	56.7
Shareholders' equity – Closing	\$M	8,871	8,992
Shareholders' equity – Average	\$M	8,902	8,936
Adjusted shareholders' equity (for AT1) – Average	\$M	8,041	8,050
Return on average shareholders' equity – Statutory	%	6.7	8.6
Return on average shareholders' equity – Adjusted cash basis	%	8.4	10.5

AASB 17 statutory to management walk

FY22 Reconciliation

	STATUTORY	ADJUSTMENTS					MANAGEMENT
		DISCOUNT UNWIND	UNDERLYING PYD	LPT	INVESTMENT RFR	APPR	
FOR THE YEAR ENDED 31 DECEMBER 2022	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M	US\$M
Insurance revenue	18,765	–	(70)	–	–	–	18,695
Insurance service expenses	(17,175)	(570)	52	–	–	–	(17,693)
Reinsurance expenses	(4,001)	–	18	144	–	–	(3,839)
Reinsurance income	3,440	325	–	(144)	–	–	3,621
Insurance service result	1,029	(245)	–	–	–	–	784
Other expenses	(286)	–	–	–	–	60	(226)
Other income	74	–	–	–	–	–	74
Insurance operating result	817	(245)	–	–	–	60	632
Net insurance finance income	988	245	–	–	–	–	1,233
Unrealised loss on fixed income securities	–	–	–	–	(1,343)	–	(1,343)
Net investment (loss) income on policyholders' funds	(501)	–	–	–	874	–	372
Insurance profit (loss)	1,304	–	–	–	(469)	60	894
Net investment (loss) income on shareholders' funds	(271)	–	–	–	469	–	199
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	686	–	–	–	–	–	686
Income tax expense	(81)	–	–	–	–	–	(81)
Profit after income tax	605	–	–	–	–	–	605
Non-controlling interests	(8)	–	–	–	–	–	(8)
Net profit after income tax	597	–	–	–	–	–	597

Adjustments

The statutory result has been adjusted for the following items 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 it is associated with claims expenses and directly related 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 reflects adjustments to reclassify certain components in other line items that are considered directly attributable to prior accident year claims development. In 2022, the adjustments related to:

- **Crop** (North America): Positive claims development of \$14 million is matched by an equivalent increase in reinsurance expenses, reflecting additional premium cessions to the US government on prior year claims under the MPC scheme.
- **Periodical Payment Orders (PPOs)** (International): \$49 million of adverse development relates to the gross up of additional reserves identified as PPOs to reflect their annuity characteristics. This is offset by a corresponding benefit within insurance service expenses, reflecting the impact of discounting. Whilst there is no impact on the face of the profit or loss, this amount is excluded from the management discussion of prior year development which is analysed on an undiscounted basis.
- **Premium adjustments** (International): \$70 million of adverse development relates to additional IBNR resulting from updated premium estimates on prior year policies which are recognised in insurance revenue.
- **CTP** (Australia Pacific): Analysis of prior year development includes \$18 million of profit commission income under the reinsurance loss portfolio transfer entered into in 2021, which arises from favourable development on covered claims.

AASB 17 statutory to management walk continued

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 for management reporting 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 performance when assessing underwriting performance. The current period adjustments include the impacts of the reinsurance of North American E&S reserves (\$56 million), and CTP reserves in Australia Pacific (\$86 million).

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.

Investment risk-free rate (RFR) impacts

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

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.

FOR THE YEAR ENDED 31 DECEMBER 2022	NET INSURANCE REVENUE US\$M	NET CLAIMS EXPENSE US\$M	NET COMMISSION US\$M	EXPENSES AND OTHER INCOME US\$M	TOTAL US\$M
Statutory					
Insurance revenue	18,765	–	–	–	18,765
Insurance service expenses	–	(13,083)	(2,478)	(1,614)	(17,175)
Reinsurance expenses	(4,001)	–	–	–	(4,001)
Reinsurance income	–	3,498	(58)	–	3,440
Insurance service result	14,764	(9,585)	(2,536)	(1,614)	1,029
Other expenses	–	–	–	(286)	(286)
Other income	–	–	–	74	74
Insurance operating result	14,764	(9,585)	(2,536)	(1,826)	817
Adjustments					
Discount unwind	–	(245)	–	–	(245)
PYD	(52)	74	(22)	–	–
LPT	144	(162)	18	–	–
APPR	–	–	–	60	60
Management basis	14,856	(9,918)	(2,540)	(1,766)	632

Half year 2022 restatements

Segment results - AASB 17 vs AASB 1023

FOR THE HALF YEAR ENDED 30 JUNE 2022		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
		AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023
Gross written premium	\$M	11,588	11,609	4,708	4,701	4,367	4,391	2,572	2,516
Insurance revenue									
/Gross earned premiums	\$M	8,895	9,100	3,144	3,246	3,281	3,384	2,483	2,465
Net insurance revenue									
/Net earned premiums (ex Crop & LMI)	\$M	6,308	6,573	1,410	1,482	2,827	3,384	2,076	2,142
Net insurance revenue/ Net earned premiums	\$M	7,152	7,232	2,075	2,059	2,827	2,950	2,255	2,223
Net claims expense	\$M	(4,791)	(3,978)	(1,497)	(1,306)	(1,844)	(1,361)	(1,390)	(1,254)
Net commission	\$M	(1,183)	(1,051)	(386)	(238)	(424)	(506)	(369)	(306)
Expenses and other income	\$M	(805)	(887)	(200)	(244)	(348)	(342)	(290)	(291)
Insurance operating result/ Underwriting result	\$M	373	1,316	(8)	271	211	741	206	372
Impact of change in risk-free rates	\$M	N/A	804	N/A	182	N/A	474	N/A	149
Insurance operating result/ Underwriting result	\$M	373	512	(8)	89	211	267	206	223
Ex-cat claims ratio (ex Crop, LMI & RA)	%	58.4	55.5	66.1	58.4	54.2	53.6	55.8	56.0
Ex-cat claims ratio	%	64.3	58.4	73.3	68.7	60.7	53.6	57.6	55.2
Catastrophe claims	%	6.3	6.3	3.0	3.0	6.2	5.9	9.7	9.8
Prior accident year claims development	%	(3.6)	0.9	(4.2)	0.7	(1.7)	3.0	(5.6)	(1.7)
Movement in risk margin	%	N/A	0.5	N/A	(0.2)	N/A	(0.3)	N/A	(0.2)
Net claims ratio	%	67.0	66.1	72.1	72.2	65.2	62.2	61.7	63.1
Impact of change in risk-free rates	%	N/A	(11.1)	N/A	(8.8)	N/A	(16.1)	N/A	(6.7)
Net claims ratio	%	67.0	55.0	72.1	63.4	65.2	46.1	61.7	56.4
Commission ratio	%	16.5	14.5	18.6	11.5	15.0	17.2	16.3	13.8
Expense ratio	%	11.3	12.3	9.6	11.9	12.3	11.6	12.9	13.1
Combined operating ratio	%	94.8	81.8	100.3	86.8	92.5	74.9	90.9	83.3
Combined operating ratio (ex. RFR)	%	94.8	92.9	100.3	95.6	92.5	91.0	90.9	90.0

Half year 2022 restatements continued

Claims analysis – AASB 17 vs AASB 1023

FOR THE HALF YEAR ENDED 30 JUNE 2022		GROUP		NORTH AMERICA		INTERNATIONAL		AUSTRALIA PACIFIC	
		AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023	AASB 17	AASB 1023
Ex-cat claims	\$M	(4,596)	(4,227)	(1,523)	(1,415)	(1,716)	(1,582)	(1,298)	(1,228)
– Current accident year risk adjustment movement	\$M	(385)	N/A	(39)	N/A	(183)	N/A	(118)	N/A
Catastrophe claims	\$M	(454)	(454)	(61)	(61)	(175)	(175)	(218)	(218)
– Catastrophe claims allowance	\$M	(442)	(442)	N/A	N/A	N/A	N/A	N/A	N/A
Prior accident year claims development	\$M	259	(63)	87	(15)	47	(88)	126	39
– Prior accident year reserve development	\$M	(73)	N/A	(38)	N/A	(75)	N/A	39	N/A
– Prior accident year risk adjustment movement	\$M	332	N/A	125	N/A	122	N/A	87	N/A
Movement in risk margin	\$M	N/A	(38)	N/A	3	N/A	10	N/A	4
Impact of change in risk-free rates	\$M	N/A	804	N/A	182	N/A	474	N/A	149
Net claims incurred	\$M	(4,791)	(3,978)	(1,497)	(1,306)	(1,844)	(1,361)	(1,390)	(1,254)
Ex-cat claims	%	64.3	58.4	73.3	68.7	60.7	53.6	57.6	55.2
– Current accident year risk adjustment movement	%	5.4	N/A	1.9	N/A	6.5	N/A	5.2	N/A
Catastrophe claims	%	6.3	6.3	3.0	3.0	6.2	5.9	9.7	9.8
– Catastrophe claims allowance	%	6.2	6.6	N/A	N/A	N/A	N/A	N/A	N/A
Prior accident year claims development	%	(3.6)	0.9	(4.2)	0.7	(1.7)	3.0	(5.6)	(1.7)
– Prior accident year reserve development	%	1.0	N/A	1.8	N/A	2.7	N/A	(1.7)	N/A
– Prior accident year risk adjustment movement	%	(4.6)	N/A	(6.0)	N/A	(4.3)	N/A	(3.9)	N/A
Movement in risk margin	%	N/A	0.5	N/A	(0.2)	N/A	(0.3)	N/A	(0.2)
Impact of change in risk-free rates	%	N/A	(11.1)	N/A	(8.8)	N/A	(16.1)	N/A	(6.7)
Net claims incurred	%	67.0	55.0	72.1	63.4	65.2	46.1	61.7	56.4

Key metrics – AASB 17 vs AASB 1023

FOR THE HALF YEAR ENDED 30 JUNE 2022		AASB 17	AASB 1023
Net profit after tax	\$M	67	151
Amortisation and impairment of intangibles after tax	\$M	30	30
Write-off of deferred tax assets	\$M	–	–
Write-off of capitalised IT assets	\$M	–	–
Net cash profit after tax	\$M	97	181
Restructuring and related expenses after tax	\$M	49	49
Net gain on disposals after tax	\$M	(38)	(36)
Additional Tier 1 capital coupon accrual	\$M	(25)	(25)
Adjusted net profit after tax	\$M	83	169
Ordinary shares	M	1,483	1,483
Weighted average shares	M	1,480	1,480
Weighted average shares – Diluted	M	1,489	1,489
Basic earnings per share – Statutory	US cents	2.8	8.5
Diluted earnings per share – Statutory	US cents	2.8	8.5
Basic earnings per share – Adjusted cash basis	US cents	5.6	11.4
Diluted earnings per share – Adjusted cash basis	US cents	5.6	11.4
Shareholders' equity – Closing	\$M	8,480	8,513
Shareholders' equity – Average	\$M	8,706	8,697
Adjusted shareholders' equity (for AT1) – Average	\$M	7,820	7,811
Return on average shareholders' equity – Statutory	%	1.7	3.5
Return on average shareholders' equity – Adjusted cash basis	%	2.1	4.3

AASB 17 statutory to management walk

1H22 Reconciliation

FOR THE HALF YEAR ENDED 30 JUNE 2022	STATUTORY	ADJUSTMENTS					MANAGEMENT
	US\$M	DISCOUNT UNWIND US\$M	UNDERLYING PYD US\$M	LPT US\$M	INVESTMENT RFR US\$M	APPR US\$M	US\$M
Insurance revenue	8,908	–	(13)	–	–	–	8,895
Insurance service expenses	(8,946)	(204)	(5)	–	–	–	(9,155)
Reinsurance expenses	(1,848)	–	18	87	–	–	(1,743)
Reinsurance income	2,321	143	–	(87)	–	–	2,377
Insurance service result	435	(61)	–	–	–	–	374
Other expenses	(119)	–	–	–	–	60	(59)
Other income	58	–	–	–	–	–	58
Insurance operating result	374	(61)	–	–	–	60	373
Net insurance finance income (expenses)	720	61	–	–	–	–	781
Unrealised gain(loss) on fixed income securities	–	–	–	–	(854)	–	(854)
Net investment (loss) income on policyholders' funds	(581)	–	–	–	568	–	(13)
Insurance profit (loss)	513	–	–	–	(286)	60	287
Net investment (loss) income on shareholders' funds	(293)	–	–	–	286	–	(7)
Financing and other costs	(135)	–	–	–	–	15	(120)
Gain on sale of entities and businesses	36	–	–	–	–	–	36
Share of net loss of associates	(3)	–	–	–	–	–	(3)
Remediation	–	–	–	–	–	(75)	(75)
Restructuring and related expenses	(54)	–	–	–	–	–	(54)
Amortisation and impairment of intangibles	(8)	–	–	–	–	–	(8)
Profit before income tax	56	–	–	–	–	–	56
Income tax expense	(10)	–	–	–	–	–	(10)
Profit after income tax	46	–	–	–	–	–	46
Non-controlling interests	(3)	–	–	–	–	–	(3)
Net profit after income tax	43	–	–	–	–	–	43

Adjustments

The statutory result has been adjusted for the following items 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 it is associated with claims expenses and directly related 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 reflects adjustments to reclassify certain components in other line items that are considered directly attributable to prior accident year claims development. In 2022, the adjustments related to:

- **Crop** (North America): Positive claims development of \$18 million is matched by an equivalent increase in reinsurance expenses, reflecting additional premium cessions to the US government on prior year claims under the MPCl scheme.
- **Premium adjustments** (International): \$13 million of adverse development relates to additional IBNR resulting from updated premium estimates on prior year policies which are recognised in insurance revenue.

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 for management reporting 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 performance when assessing underwriting performance. The current period adjustments include the impacts of the reinsurance of North American E&S reserves (\$45 million), and CTP reserves in Australia Pacific (\$42 million).

AASB 17 statutory to management walk continued

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.

Investment risk-free rate (RFR) impacts

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

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.

FOR THE HALF YEAR ENDED 30 JUNE 2022	NET INSURANCE REVENUE US\$M	NET CLAIMS EXPENSE US\$M	NET COMMISSION US\$M	EXPENSES AND OTHER INCOME US\$M	TOTAL US\$M
Statutory					
Insurance revenue	8,908	—	—	—	8,908
Insurance service expenses	—	(6,980)	(1,162)	(804)	(8,946)
Reinsurance expenses	(1,848)	—	—	—	(1,848)
Reinsurance income	—	2,328	(7)	—	2,321
Insurance service result	7,060	(4,652)	(1,169)	(804)	435
Other expenses	—	—	—	(119)	(119)
Other income	—	—	—	58	58
Insurance operating result	7,060	(4,652)	(1,169)	(865)	374
Adjustments					
Discount unwind	—	(61)	—	—	(61)
PYD	5	(5)	—	—	—
LPT	87	(74)	(13)	—	—
APPR	—	—	—	60	60
Management basis	7,152	(4,792)	(1,182)	(805)	373

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Basis of presentation (unless otherwise stated)

1. All figures are in US\$.
2. AASB 1023 combined operating ratios (COR) exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Disclaimer

The information in this release provides an unaudited overview of historic performance. Any restatement of prior period results to AASB 17 results has not been subject to external review and is subject to change following a review by QBE's external auditor. As well, there is inherent uncertainty surrounding the interaction between tax laws and the implementation of AASB 17. The information provided herein may be subject to change as tax laws are legislated and new regulations are issued. QBE has made assumptions in the context of tax law precedents in jurisdictions such as the UK and NZ, as well as the May 2023 Australian Government's Budget announcement. As legislation in Australia has not yet been enacted, final tax positions remain subject to change.

This 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 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.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this release and QBE assumes no obligation to update such information.

Any forward-looking statements assume no material variation in catastrophe claims or premium rates relative to our business plans; no significant change in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our reinsurance panel; no unplanned asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this release.

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