Enabling a more resilient future

QBE

2024 Half Year Report

QBE INSURANCE GROUP LIMITED

About this report

This is the Half Year Report for QBE Insurance Group Limited (and its controlled entities) for the half year ended 30 June 2024. It should be read in conjunction with the 2023 Annual Report.

This report includes a review of QBE's half year financial performance and outlook for the year, along with the financial statements, which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards. Detailed information on the basis of preparation of the financial statements is provided on page 18.

Definitions of key performance metrics in section 2 are provided in the glossary on pages 156 to 160 of the 2023 Annual Report. Key metrics disclosed on a statutory basis are derived from unadjusted components of financial statement line items. Financial information prepared on a management basis in section 2 has not been audited or reviewed by QBE's external auditor.

Unless otherwise stated, references in this report to 'QBE', 'the Group', 'we', 'us' and 'our' refer to QBE Insurance Group Limited (and its controlled entities). References to 'the Company' refer to QBE Insurance Group Limited, the ultimate parent entity. Any references in this report to a 'half year' refer to the six months ended 30 June.

All dollar figures are expressed in US dollars unless otherwise stated.

2024 Half Year reporting suite

2023 Annual Report

QBE's Annual Report for the year ended 31 December 2023, containing the directors' report, operating and financial review, information on our governance practices and financial statements.

2024 Half Year Report

QBE's regulatory compliance document containing the directors' report, review of operations and financial statements for the half year ended 30 June 2024 prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

This report should be read in conjunction with the 2023 Annual Report.

2024 Half Year Investor Report

A deep dive into our strategic and financial performance for the half year ended 30 June 2024. Financial information in the Investor Report has not been audited or reviewed by QBE's external auditor.

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Directors' Report

FOR THE HALF YEAR ENDED 30 JUNE 2024

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2024.

Directors

The following directors held office during the half year and up to the date of this report:

Yasmin Allen AM
Stephen Ferguson
Andrew Horton
Penny James (from 1 January 2024)
Tan Le
Kathryn Lisson
Sir Brian Pomeroy (until 10 May 2024)
Jann Skinner (until 10 May 2024)
Rolf Tolle
Michael Wilkins AO (Chair)
Peter Wilson

Review of operations

Information on the Group's performance and outlook is set out in the half year in review section on pages 4 to 11 of this Half Year Report.

Dividends

The directors are announcing an interim dividend of 24 Australian cents per share for the half year ended 30 June 2024 (2023 14 Australian cents per share). The interim dividend will be 20% franked (2023 10%). The total interim dividend payout is A$360 million (2023 A$209 million).

Events after the balance date

On 31 July 2024, the Group disposed of QBE Insurance (Vanuatu) Limited.

On 9 August 2024, the Group entered into a loss portfolio transaction to reinsure certain prior accident year claims liabilities in North America and International. The transaction remains subject to regulatory approval and is expected to result in a net upfront cost of around $85 million before tax.

Other than the above and the declaration of the interim dividend, no matter or circumstance has arisen since 30 June 2024 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts have been rounded off in the Directors' Report in accordance with that instrument.

Signed in SYDNEY on 9 August 2024 in accordance with a resolution of the directors.

Michael Wilkins AO
Director

Andrew Horton
Director

Auditor's independence declaration

FOR THE HALF YEAR ENDED 30 JUNE 2024

As lead auditor for the review of QBE Insurance Group Limited for the half year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of QBE Insurance Group Limited and the entities it controlled during the period.

Scott Hadfield
Partner
PricewaterhouseCoopers

Sydney
9 August 2024

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Half year **in review**

QBE reported a statutory profit after tax attributable to ordinary equity holders of the Company of $802 million for the half year ended 30 June 2024 compared with $400 million for the prior period.

Summary financial performance

FOR THE HALF YEAR ENDED 30 JUNE		MANAGEMENT 2024	MANAGEMENT 2023	STATUTORY 2024	STATUTORY 2023
Insurance revenue	US$M	**10,438**	9,911	**10,436**	9,921
Reinsurance expenses	US$M	**(1,926)**	(1,934)	**(2,096)**	(2,278)
Insurance service result	US$M	**630**	197	**933**	479
Insurance operating result	US$M	**525**	95	**828**	377
Net investment income	US$M	**502**	461	**502**	461
Income tax expense	US$M	**(245)**	(180)	**(245)**	(180)
Profit after income tax attributable to ordinary equity holders	US$M	**802**	400	**802**	400
Key metrics					
Gross written premium	US$M	**13,051**	12,803	**13,045**	12,803
Net claims ratio	%	**64.2**	69.0	**59.7**	63.6
Net commission ratio	%	**17.6**	18.1	**18.2**	19.2
Expense ratio	%	**12.0**	11.7	**12.2**	12.2
Combined operating ratio	%	**93.8**	98.8	**90.1**	95.0

Unless otherwise stated, discussion of performance in this section of the report is on a management basis which is consistent with how performance is assessed internally. The management basis reflects adjustments to the statutory result to provide greater transparency over the underlying drivers of the Group's performance, and a reconciliation is provided on pages 10 and 11. Definitions of key metrics, including how they are calculated, are provided in the glossary on pages 156 to 160 of the 2023 Annual Report. The key metrics used by QBE to manage and assess underwriting performance are derived from components of financial statement line items. An analysis of the insurance operating result by these components is provided on page 11.

Strong financial performance during the period was underpinned by an improvement in underwriting profitability and favourable investment returns. The combined operating ratio improved to 93.8% from 98.8% in the prior period, primarily driven by lower catastrophe costs and more stable reserve development.

Total investment income, excluding fixed income losses from changes in risk-free rates, was $733 million or a return of 2.4%, compared with $662 million or 2.4% in the prior period. The investment result was supported by strong risk asset performance and favourable interest rates across the core fixed income portfolio. During the period, the impact from asset liability management activities was broadly neutral.

Profit for the period also included $75 million of pre-tax restructuring and related expenses for costs associated with the decision to exit the middle-market business in North America.

The Group's effective tax rate was 23.3% compared with 30.8% in the prior period, reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates and the utilisation of previously unrecognised tax losses in the North American tax group.

QBE's balance sheet remains strong. The indicative APRA PCA multiple reduced slightly to 1.77x from 1.82x at 31 December 2023, and remains at the upper end of our 1.6–1.8x target range. Debt to total capital of 21.4% improved from 21.9% at 31 December 2023, and is comfortably within the 15–30% target range.

Underwriting performance

Unless otherwise stated, discussion of performance is on a management basis. A reconciliation to the equivalent statutory result is provided on page 10.

Net insurance revenue

Gross written premium

Gross written premium increased 2% on a headline basis to $13,051 million from $12,803 million in the prior period. On a constant currency basis, gross written premium increased 2%, reflecting premium rate increases and targeted new business growth, partly offset by lower Crop premium due to commodity price declines, and the impact of portfolio exits in North America and Australia Pacific. Excluding Crop, gross written premium growth was 6% on the same basis. The Group achieved an average renewal premium rate increase, excluding North America Crop and Australian compulsory third party motor (CTP), of 6.7% compared with 10.2% in the prior period. The result reflects moderation in certain property and reinsurance lines following substantial increases in 2023, and a backdrop characterised by favourable rate adequacy across many lines. Retention increased slightly to 83% from 82% in the prior period, reflecting strong performance in International, partly offset by the run-off of exited portfolios.

Reinsurance expenses

Reinsurance expenses reduced slightly to $1,926 million from $1,934 million in the prior period. The expense associated with the Group catastrophe and risk reinsurance was broadly consistent with the prior period, reflecting modest cost increases on parts of the program which were mitigated by the run-off of non-core property lines and the new cyclone pool in Australia. Crop reinsurance expense reduced relative to the prior period, reflecting increased cessions to the Federal reinsurance scheme, which were more than offset by reduced external quota share reinsurance.

Net insurance revenue

Group net insurance revenue increased 7% on a constant currency basis, higher than the growth in gross written premium. This largely reflects the earn-through of strong premium rate increases, recent portfolio exits and reduced Crop reinsurance expense.

Net claims

The net claims ratio decreased to 64.2% from 69.0% in the prior period. The result was primarily driven by a reduction in catastrophe costs and more stable reserve development.

The ex-cat claims ratio increased to 61.3% from 60.6% in the prior period. The result included current accident year risk adjustment of $376 million, compared to $316 million in the prior period. Excluding risk adjustment, the ex-cat claims ratio increased slightly to 56.9% from 56.6% in the prior period. On the same basis, excluding Crop, which contributed to an increase due to changes in the reinsurance program, the Group ex-cat claims ratio improved by 0.2% from the prior period to 54.8%. Favourable premium rate increases were partially offset by large loss activity, business mix shift away from property classes, and persistent inflation in certain lines. Claims inflation is moderating more notably in the Northern Hemisphere, but remains persistent across a number of short-tail classes in Australia Pacific.

The net cost of catastrophe claims reduced to $527 million or 6.2% of net insurance revenue, from $699 million or 8.7% in the prior period. The result was below the Group's first half catastrophe allowance of $609 million, or 7.2% of net insurance revenue. Catastrophe costs in the period were underscored by a high frequency of global events, including the civil unrest in New Caledonia, a series of storm and flood events across many regions of the business, and the Dubai floods.

The result was supported by favourable prior accident year claims development of $282 million or 3.3% of net insurance revenue, increasing from $30 million or 0.3% in the prior period. This included modest strengthening of the central estimate of net outstanding claims by $18 million, compared with adverse development of $177 million in the prior period. The broadly stable outcome was a function of reserve strengthening in International related to the 2023 Italian hailstorm and certain liability lines, which was largely offset by releases in North America short-tail lines and Crop, alongside Australia Pacific LMI and CTP. The modest strengthening of the central estimate was more than offset by favourable development of $300 million related to the unwind of risk adjustment from prior accident years, an increase from $207 million in the prior period.

Commission and expenses

The net commission ratio improved to 17.6% from 18.1% in the prior period, primarily due to business mix changes across the Group.

The Group's expense ratio increased to 12.0% from 11.7% in the prior period, which reflected constant currency expense growth of 9%. The elevated expense growth reflected a continuation of investment in QBE's modernisation program, which includes targeted initiatives to support sustainable growth, alongside investment to improve operational efficiency. Excluding this investment, higher run costs in the period primarily reflected annual salary increases, and higher headcount to support recent business growth, particularly in International.

Divisional underwriting performance

Key metrics disclosed on a statutory basis are derived from unadjusted components of financial statement line items.

North America

Gross written premium declined by 6% to $4,645 million, largely on account of lower premium from Crop and the run-off of non-core lines. Excluding Crop, gross written premium remained broadly flat against the prior period. Average premium rate increases of 9.3% compared with 10.9% in the prior period, and represented strong rate increases in property lines and Accident & Health, against rate declines in financial lines, where competition remains elevated. Crop gross written premium decreased 11%, where the impact of lower commodity prices was partially offset by organic growth. Excluding Crop, and the run-off of non-core lines, gross written premium increased by 15%. On the same basis, ex-rate growth was 8%, representing momentum across core Specialty lines.

North America's combined operating ratio improved considerably from 106.9% in the prior period to 97.5%. The result was supported by a meaningful reduction in catastrophe costs despite significant convective storm activity, alongside favourable prior accident year development.

North America's net commission ratio of 19.8% decreased from 20.5% in the prior period. This was driven by the reduction in non-core premium and business mix shift towards Crop and Accident & Health in the period.

		MANAGEMENT[1]		STATUTORY	
FOR THE HALF YEAR ENDED 30 JUNE		2024	2023	2024	2023
Key underwriting metrics					
Gross written premium	US$M	**4,645**	4,967	**4,639**	4,967
Net insurance revenue	US$M	**2,243**	2,285	**2,095**	2,148
Net claims ratio	%	**67.5**	77.2	**61.3**	71.0
Net commission ratio	%	**19.8**	20.5	**21.1**	21.9
Expense ratio	%	**10.2**	9.2	**10.9**	9.8
Combined operating ratio	%	**97.5**	106.9	**93.3**	102.7

1 Adjusted for subsequent impacts of in-force reinsurance loss portfolio transfer transactions (LPT), underlying prior accident year development (PYD) adjustment relating to Crop and the inclusion of unwind of discount on claims.

International

Favourable market conditions and targeted growth initiatives supported a 12% increase in gross written premium on a constant currency basis to $5,708 million. Average premium rate increases moderated to 4.8%, compared with 9.4% in the prior period. This reflected a reduction in rate increases across property and reinsurance lines following significant increases in 2023, alongside ongoing competition in financial lines. Growth excluding premium rate increases was 8%, compared to 10% in the prior period. Encouraging ex-rate growth was achieved across most business segments, led by International Markets and UK insurance.

International delivered improvement in underwriting performance, achieving a combined operating ratio of 89.2% compared with 93.2% in the prior period. This was underscored by strong results across key business segments of insurance, reinsurance and Asia, against a backdrop of elevated large and secondary peril loss activity. The strong underwriting result was supported by lower than expected current accident year catastrophe costs, where the benefit from recent efforts to reduce property catastrophe volatility remains encouraging. This more than offset elevated large loss activity, alongside modest strengthening of the central estimate associated with 2023 catastrophe events, including the 3Q23 Italian hailstorm.

The net commission ratio in International of 17.6% decreased from 17.9% in the prior period, primarily reflecting lower commission ratios across certain International Markets specialty lines.

		MANAGEMENT[1]		STATUTORY	
FOR THE HALF YEAR ENDED 30 JUNE		2024	2023	2024	2023
Key underwriting metrics					
Gross written premium	US$M	**5,708**	5,072	**5,708**	5,072
Net insurance revenue	US$M	**3,803**	3,278	**3,778**	3,088
Net claims ratio	%	**60.2**	63.2	**56.8**	56.9
Net commission ratio	%	**17.6**	17.9	**17.7**	19.0
Expense ratio	%	**11.4**	12.1	**11.5**	12.8
Combined operating ratio	%	**89.2**	93.2	**86.0**	88.7

1 Adjusted for subsequent impacts of in-force reinsurance LPT and the inclusion of unwind of discount on claims.

Australia Pacific

Gross written premium of $2,698 million remained broadly flat against the prior period on a constant currency basis, where strong rate increases and targeted growth were partially offset by property portfolio exits. Premium rate increases reduced to 9.9% from 11.8% in the prior period. This reflected moderation in commercial property and strata businesses, which more than offset the materially higher rate increases in personal home and motor lines. Excluding premium rate increases, gross written premium reduced by 6% compared to the prior period, primarily due to the termination of third-party property underwriting relationships. Excluding the run-off of these lines, ex-rate reduction of 1% reflects volume reduction in consumer and strata portfolios, partly offset by organic growth in CTP and select commercial lines. LMI gross written premium declined further by 21% to $38 million in the period, reflecting a market slowdown driven by higher interest rates and inflationary pressure, alongside the impact from government initiatives to support first home buyers.

Australia Pacific reported a combined operating ratio of 95.6% compared with 98.9% in the prior period. The result was impacted by elevated catastrophe costs, which were underscored by exposure to the civil unrest in New Caledonia and a series of convective storm events across eastern Australia. Catastrophe costs were partially offset by improvement in the ex-cat claims ratio, and favourable prior accident year central estimate development driven by CTP and LMI. Claims inflation trends remain nuanced by class of business, and while inflation remains persistent in parts of the portfolio, the benefit from recent premium rate increases is driving some recovery from inflation-related challenges in the prior year.

Australia Pacific's net commission ratio reduced slightly to 15.4% from 15.6% in the prior period. This reflected broadly stable commission ratios across most lines, and favourable mix shift towards businesses with lower commission ratios such as CTP and certain commercial classes.

		MANAGEMENT[1]		STATUTORY	
FOR THE HALF YEAR ENDED 30 JUNE		2024	2023	2024	2023
Key underwriting metrics					
Gross written premium	US$M	**2,698**	2,771	**2,698**	2,771
Net insurance revenue	US$M	**2,468**	2,393	**2,468**	2,397
Net claims ratio	%	**67.5**	69.8	**62.8**	66.0
Net commission ratio	%	**15.4**	15.6	**16.1**	16.8
Expense ratio	%	**12.7**	13.5	**12.7**	13.4
Combined operating ratio	%	**95.6**	98.9	**91.6**	96.2

1 Adjusted for the subsequent impacts of in-force reinsurance LPT, underlying PYD adjustment related to CTP and the inclusion of unwind of discount on claims.

Investment performance

Total investment income, excluding any fixed income losses from changes in risk-free rates, was $733 million for the period, equating to a return of 2.4%. The result improved from $662 million or 2.4% in the prior period, driven by favourable risk asset performance despite valuation pressure in the unlisted property portfolio, and higher interest rates across core fixed income securities.

Core fixed income includes cash and cash equivalents, and excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit. Enhanced fixed income risk assets are analysed as part of risk assets. We have commenced holding a portfolio of core fixed income securities to manage interest rate sensitivity within regulatory capital, resulting in these investments being accounted for at fair value through other comprehensive income. The accounting classification of these assets will result in a modest extension in portfolio duration, though it will have no impact on QBE's approach to asset-liability management in relation to earnings.

The core fixed income portfolio delivered a return of 2.4% or $633 million, an improvement on $583 million in the prior period. The result included a $55 million benefit from tighter credit spreads, compared with $52 million in the prior period. The running yield on the core fixed income portfolio remained strong, and relatively steady through the period, as markets recalibrated toward a higher for longer outlook. The 30 June 2024 exit running yield of 4.7% was around 10 basis points higher than at 31 December 2023.

The favourable backdrop for risk assets saw the portfolio deliver a return of 3.3% or $128 million, which improved from 2.6% in the prior period. Enhanced fixed income and developed market equities delivered strong returns, helping to offset weaker performance in the unlisted property portfolio due to lower property valuations.

Funds under management

Funds under management comprise cash and cash equivalents, investments and investment properties. Funds under management of $30,465 million increased 1% from $30,064 million at 31 December 2023. On a constant currency basis, funds under management increased by 3%, which was driven by further premium growth, strong Group profitability and favourable investment returns in the period, partially offset by the payment of the 2023 final dividend.

Over the period, the allocation to risk assets increased to 14% from 12% at 31 December 2023. The core fixed income portfolio now represents 86% of total investments, tracking towards QBE's target of a strategic asset allocation of ~85% core fixed income and ~15% risk assets.

Tax

QBE’s effective statutory tax rate was 23.3% compared with 30.8% in the prior period. The effective tax rate reflects the mix of corporate tax rates across QBE’s key regions, alongside the utilisation of previously unrecognised tax losses in the North American tax group against its improved profitability. During the period, QBE paid $208 million in corporate income tax globally. The balance of the franking account stood at A$201 million as at 30 June 2024. Having regard to QBE’s franked AT1 distribution commitments and carry over tax losses, the dividend franking percentage is expected to remain around 20%, an increase from recent prior periods.

Balance sheet and capital management

Balance sheet and share information

		STATUTORY	
AS AT		30 JUNE 2024	31 DECEMBER 2023
Net assets	US$M	**10,180**	9,953
Less: intangible assets	US$M	**2,046**	2,112
Net tangible assets	US$M	**8,134**	7,841
Number of shares on issue	millions	**1,502**	1,494
Net tangible assets per share	US$	**5.42**	5.25

Net outstanding claims

Net outstanding claims comprise claims reserves within the net liability for incurred claims net of recoveries on reinsurance loss portfolio transfers. At 30 June 2024, the net discounted central estimate was $17,868 million, which increased from $17,198 million at 31 December 2023. Excluding foreign exchange, the net discounted central estimate increased by $929 million. This underlying growth primarily reflected organic growth and inflation, partially offset by higher interest rates. At 30 June 2024, the risk adjustment was $1,429 million 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 2023 position, and at the top end of our 6–8% target range.

Borrowings

At 30 June 2024, total borrowings of $2,779 million remained broadly unchanged from 31 December 2023. Debt to total capital reduced to 21.4% at 30 June 2024, from 21.9% at 31 December 2023, reflecting strong profitability and earnings retention in the period. At 30 June 2024, all of the Group's borrowings count towards regulatory capital. Gross interest expense on borrowings for the half year was $82 million, comparing with $83 million in the prior period. The average annualised cash cost of borrowings at 30 June 2024 was unchanged at 5.9% from 31 December 2023.

Capital

QBE’s indicative PCA multiple reduced to 1.77x at 30 June 2024 from 1.82x at 31 December 2023. Capital generation over the period was supported by strong profitability and capital released from business closures, which was offset by capital consumed through ongoing premium growth, investment portfolio repositioning and the payment of the 2023 final dividend.

Adjusted profit and dividends

Reconciliation of adjusted profit

FOR THE HALF YEAR ENDED 30 JUNE	2024 US$M	2023 US$M
Net profit after income tax	**802**	400
Amortisation and impairment of intangibles after tax	**–**	30
Additional Tier 1 capital coupon	**(25)**	(25)
Adjusted net profit after income tax[1]	**777**	405
Basic earnings per share – statutory (US cents)	**51.9**	25.2
Diluted earnings per share – statutory (US cents)	**51.5**	25.0
Basic earnings per share – adjusted basis (US cents)	**51.9**	27.2
Diluted earnings per share – adjusted basis (US cents)	**51.5**	27.0
Return on average shareholders' equity – adjusted basis (%)[2]	**16.9**	10.1
Dividend payout ratio (percentage of adjusted profit)[3]	**31**	35

1 The current period has not been adjusted for amortisation and impairment of intangibles, net gain on disposals and restructuring costs. On the same basis, the prior period adjusted net profit after income tax would have been $375 million.

2 Return on average shareholders' equity is calculated as the adjusted net profit after income tax divided by average shareholders' equity excluding the carrying value of Additional Tier 1 capital notes.

3 Dividend payout ratio is calculated as the total A$ dividend divided by adjusted profit converted to A$ at the period average rate of exchange.

Dividends

The Board declared an interim dividend for 2024 of 24 Australian cents per share, or 31% of current period adjusted profit, an increase from the 2023 interim dividend of 14 Australian cents per share. This interim dividend payout of A$360 million compares with A$209 million in the prior period. The interim dividend will be 20% franked and is payable on 20 September 2024. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

QBE's dividend policy is calibrated to a 40–60% payout of annual adjusted 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.

Outlook

Over the period a number of important steps were taken to reduce volatility, and drive sustained performance improvement in North America. We have seen a good start to the year, and are highly motivated to drive further improvement over the remainder of 2024. While premium rate increases have moderated from the prior year, discipline remains across the majority of classes, in what are rational but competitive markets. Against this backdrop, the opportunity for targeted growth remains attractive. The balance and health of our underwriting portfolio continues to improve, and rate adequacy is strong across many of our franchises.

We have commenced an orderly closure of our middle-market business in North America, and executed an important reserve transaction to de-risk the back book for this business. This decision has meaningfully increased our confidence in achieving improved and more stable performance in North America, where the go-forward core business has an established track record of underwriting profitability. We were encouraged by the stability in net reserves in the period. The $1.6 billion reserve transaction will serve to further de-risk long-tail reserves for older accident years, and drive greater capital efficiency. The transaction is expected to incur an upfront cost of around $85 million in the second half, split evenly on a management basis across the underwriting result and restructuring expenses.

Elevated investment will continue in the remainder of 2024 as we progress our modernisation agenda. This will ultimately position QBE to grow our core franchises and become a partner that is easier and more efficient to do business with.

Statutory to management result reconciliation

FOR THE HALF YEAR ENDED 30 JUNE 2024	STATUTORY	ADJUSTMENTS				MANAGEMENT
		DISCOUNT UNWIND	UNDERLYING PYD	LPT	INVESTMENT RFR	
	US$M	US$M	US$M	US$M	US$M	US$M
Insurance revenue	**10,436**	**–**	**2**	**–**	**–**	**10,438**
Insurance service expenses [1]	**(9,224)**	**(433)**	**(2)**	**–**	**–**	**(9,659)**
Reinsurance expenses	**(2,096)**	**–**	**38**	**132**	**–**	**(1,926)**
Reinsurance income [1]	**1,817**	**130**	**(38)**	**(132)**	**–**	**1,777**
Insurance service result	**933**	**(303)**	**–**	**–**	**–**	**630**
Other expenses [1]	**(142)**	**–**	**–**	**–**	**–**	**(142)**
Other income [1]	**37**	**–**	**–**	**–**	**–**	**37**
Insurance operating result	**828**	**(303)**	**–**	**–**	**–**	**525**
Net insurance finance (expenses) income	**(80)**	**303**	**–**	**–**	**–**	**223**
Fixed income losses from changes in risk-free rates	**–**	**–**	**–**	**–**	**(231)**	**(231)**
Net investment income on policyholders' funds	**319**	**–**	**–**	**–**	**149**	**468**
Insurance profit	**1,067**	**–**	**–**	**–**	**(82)**	**985**
Net investment income on shareholders' funds	**183**	**–**	**–**	**–**	**82**	**265**
Financing and other costs	**(109)**	**–**	**–**	**–**	**–**	**(109)**
Gain on sale of entities and businesses	**3**	**–**	**–**	**–**	**–**	**3**
Share of net loss of associates	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Restructuring and related expenses	**(75)**	**–**	**–**	**–**	**–**	**(75)**
Amortisation and impairment of intangibles	**(16)**	**–**	**–**	**–**	**–**	**(16)**
Profit before income tax	**1,051**	**–**	**–**	**–**	**–**	**1,051**
Income tax expense	**(245)**					**(245)**
Profit after income tax	**806**					**806**
Non-controlling interests	**(4)**					**(4)**
Net profit after income tax	**802**					**802**

FOR THE HALF YEAR ENDED 30 JUNE 2023	STATUTORY	ADJUSTMENTS				MANAGEMENT
		DISCOUNT UNWIND	UNDERLYING PYD	LPT	INVESTMENT RFR	
	US$M	US$M	US$M	US$M	US$M	US$M
Insurance revenue	9,921	–	(10)	–	–	9,911
Insurance service expenses [1]	(8,978)	(416)	10	–	–	(9,384)
Reinsurance expenses	(2,278)	–	–	344	–	(1,934)
Reinsurance income [1]	1,814	134	–	(344)	–	1,604
Insurance service result	479	(282)	–	–	–	197
Other expenses [1]	(126)	–	–	–	–	(126)
Other income [1]	24	–	–	–	–	24
Insurance operating result	377	(282)	–	–	–	95
Net insurance finance (expenses) income	(133)	282	–	–	–	149
Fixed income losses from changes in risk-free rates	–	–	–	–	(201)	(201)
Net investment income on policyholders' funds	301	–	–	–	131	432
Insurance profit	545	–	–	–	(70)	475
Net investment income on shareholders' funds	160	–	–	–	70	230
Financing and other costs	(112)	–	–	–	–	(112)
Share of net loss of associates	(1)	–	–	–	–	(1)
Amortisation and impairment of intangibles	(8)	–	–	–	–	(8)
Profit before income tax	584	–	–	–	–	584
Income tax expense	(180)					(180)
Profit after income tax	404					404
Non-controlling interests	(4)					(4)
Net profit after income tax	400					400

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.

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 HALF YEAR ENDED 30 JUNE	2024 US$M	2023 US$M	2024 US$M	2023 US$M	2024 US$M	2023 US$M	2024 US$M	2023 US$M	2024 US$M	2023 US$M
Statutory										
Insurance revenue	**10,436**	9,921	**–**	–	**–**	–	**–**	–	**10,436**	9,921
Insurance service expenses	**–**	–	**(6,869)**	(6,744)	**(1,439)**	(1,401)	**(916)**	(833)	**(9,224)**	(8,978)
Reinsurance expenses	**(2,096)**	(2,278)	**–**	–	**–**	–	**–**	–	**(2,096)**	(2,278)
Reinsurance income	**–**	–	**1,892**	1,884	**(75)**	(70)	**–**	–	**1,817**	1,814
Insurance service result	**8,340**	7,643	**(4,977)**	(4,860)	**(1,514)**	(1,471)	**(916)**	(833)	**933**	479
Other expenses	**–**	–	**–**	–	**–**	–	**(142)**	(126)	**(142)**	(126)
Other income	**–**	–	**–**	–	**–**	–	**37**	24	**37**	24
Insurance operating result	**8,340**	7,643	**(4,977)**	(4,860)	**(1,514)**	(1,471)	**(1,021)**	(935)	**828**	377
Adjustments										
Discount unwind	**–**	–	**(303)**	(282)	**–**	–	**–**	–	**(303)**	(282)
Underlying PYD	**40**	(10)	**(22)**	13	**(18)**	(3)	**–**	–	**–**	–
LPT	**132**	344	**(164)**	(376)	**32**	32	**–**	–	**–**	–
Management	**8,512**	7,977	**(5,466)**	(5,505)	**(1,500)**	(1,442)	**(1,021)**	(935)	**525**	95

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 $22 million (2023 $13 million) has been reclassified to net insurance revenue and net commission. In the current period, 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 within Australia Pacific for profit commission income arising from favourable development under the 2021 reinsurance loss portfolio transfer.

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. The current period adjustments relate to reinsurance loss portfolio transfer contracts entered into in prior years that remain in-force.

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.

Financial Report contents

Consolidated statement of comprehensive income

FOR THE HALF YEAR ENDED 30 JUNE 2024

	NOTE	30 JUNE 2024 US$M	30 JUNE 2023 US$M
Insurance revenue	2.1	**10,436**	9,921
Insurance service expenses		**(9,224)**	(8,978)
Reinsurance expenses		**(2,096)**	(2,278)
Reinsurance income		**1,817**	1,814
Insurance service result		**933**	479
Other expenses		**(142)**	(126)
Other income		**37**	24
Insurance operating result		**828**	377
Insurance finance expenses		**(143)**	(203)
Reinsurance finance income		**63**	70
Investment income – policyholders' funds	3.1	**331**	312
Investment expenses – policyholders' funds	3.1	**(12)**	(11)
Insurance profit		**1,067**	545
Investment income – shareholders' funds	3.1	**190**	166
Investment expenses – shareholders' funds	3.1	**(7)**	(6)
Financing and other costs		**(109)**	(112)
Gain on sale of entities and businesses		**3**	–
Share of net loss of associates		**(2)**	(1)
Restructuring and related expenses		**(75)**	–
Amortisation and impairment of intangibles		**(16)**	(8)
Profit before income tax		**1,051**	584
Income tax expense		**(245)**	(180)
Profit after income tax		**806**	404
Other comprehensive (loss) income			
Items that may be reclassified to profit or loss			
Net movement in foreign currency translation reserve		**(149)**	23
Net movement in cash flow hedge and cost of hedging reserves		**(2)**	1
Net movement in fair value through other comprehensive income reserve		**(19)**	–
Income tax relating to these components of other comprehensive income		**5**	–
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		**(1)**	(5)
Income tax relating to this component of other comprehensive income		**–**	1
Other comprehensive (loss) income after income tax		**(166)**	20
Total comprehensive income after income tax		**640**	424
Profit after income tax attributable to:			
Ordinary equity holders of the Company		**802**	400
Non-controlling interests		**4**	4
		806	404
Total comprehensive income after income tax attributable to:			
Ordinary equity holders of the Company		**636**	420
Non-controlling interests		**4**	4
		640	424

EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	NOTE	30 JUNE 2024 US CENTS	30 JUNE 2023 US CENTS
For profit after income tax			
Basic earnings per share	4.5	**51.9**	25.2
Diluted earnings per share	4.5	**51.5**	25.0

The consolidated statement of comprehensive income above should be read in conjunction with the accompanying notes.

Consolidated balance sheet

AS AT 30 JUNE 2024

	NOTE	30 JUNE 2024 US$M	31 DECEMBER 2023 US$M
Assets			
Cash and cash equivalents		**1,445**	1,366
Investments	3.3	**28,992**	28,670
Derivative financial instruments	4.2	**140**	250
Other receivables		**550**	519
Current tax assets		**1**	30
Reinsurance contract assets	2.2	**8,380**	8,034
Other assets		**2**	2
Assets held for sale		**11**	1
Defined benefit plan surpluses		**38**	39
Right-of-use lease assets		**245**	264
Property, plant and equipment		**84**	119
Deferred tax assets		**612**	625
Investment properties		**28**	28
Investment in associates		**58**	49
Intangible assets		**2,046**	2,112
Total assets		**42,632**	42,108
Liabilities			
Derivative financial instruments	4.2	**243**	373
Other payables		**690**	432
Current tax liabilities		**17**	127
Liabilities held for sale		**6**	–
Insurance contract liabilities	2.2	**27,827**	27,567
Lease liabilities		**269**	289
Provisions		**160**	180
Defined benefit plan deficits		**24**	23
Deferred tax liabilities		**437**	366
Borrowings	4.1	**2,779**	2,798
Total liabilities		**32,452**	32,155
Net assets		**10,180**	9,953
Equity			
Contributed equity	4.3	**9,295**	9,381
Treasury shares held in trust		**(2)**	(3)
Reserves		**(1,275)**	(1,273)
Retained profits		**2,160**	1,845
Shareholders' equity		**10,178**	9,950
Non-controlling interests		**2**	3
Total equity		**10,180**	9,953

The consolidated balance sheet above should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE HALF YEAR ENDED 30 JUNE 2024

	SHAREHOLDERS' EQUITY						
	CONTRIBUTED EQUITY US$M	TREASURY SHARES HELD IN TRUST US$M	RESERVES US$M	RETAINED PROFITS US$M	TOTAL US$M	NON-CONTROLLING INTERESTS US$M	TOTAL EQUITY US$M
At 1 January 2024	**9,381**	**(3)**	**(1,273)**	**1,845**	**9,950**	**3**	**9,953**
Profit after income tax	**–**	**–**	**–**	**802**	**802**	**4**	**806**
Other comprehensive loss	**–**	**–**	**(165)**	**(1)**	**(166)**	**–**	**(166)**
Total comprehensive (loss) income	**–**	**–**	**(165)**	**801**	**636**	**4**	**640**
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	**34**	**(35)**	**–**	**–**	**(1)**	**–**	**(1)**
Share-based payment expense	**–**	**–**	**26**	**–**	**26**	**–**	**26**
Shares vested and/or released	**–**	**36**	**(36)**	**–**	**–**	**–**	**–**
Dividends paid on ordinary shares	**–**	**–**	**–**	**(461)**	**(461)**	**(5)**	**(466)**
Dividend Reinvestment Plan	**58**	**–**	**–**	**–**	**58**	**–**	**58**
Distribution on capital notes	**–**	**–**	**–**	**(25)**	**(25)**	**–**	**(25)**
Foreign exchange	**(178)**	**–**	**173**	**–**	**(5)**	**–**	**(5)**
At 30 June 2024	**9,295**	**(2)**	**(1,275)**	**2,160**	**10,178**	**2**	**10,180**

	SHAREHOLDERS' EQUITY						
	CONTRIBUTED EQUITY US$M	TREASURY SHARES HELD IN TRUST US$M	RESERVES US$M	RETAINED PROFITS US$M	TOTAL US$M	NON-CONTROLLING INTERESTS US$M	TOTAL EQUITY US$M
At 1 January 2023	9,242	(1)	(1,363)	977	8,855	2	8,857
Profit after income tax	–	–	–	400	400	4	404
Other comprehensive income (loss)	–	–	24	(4)	20	–	20
Total comprehensive income	–	–	24	396	420	4	424
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	36	(36)	–	–	–	–	–
Share-based payment expense	–	–	22	–	22	–	22
Shares vested and/or released	–	33	(33)	–	–	–	–
Dividends paid on ordinary shares	–	–	–	(297)	(297)	(4)	(301)
Dividend Reinvestment Plan	32	–	–	–	32	–	32
Distribution on capital notes	–	–	–	(25)	(25)	–	(25)
Foreign exchange	(155)	–	154	–	(1)	–	(1)
At 30 June 2023	9,155	(4)	(1,196)	1,051	9,006	2	9,008

The consolidated statement of changes in equity above should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

FOR THE HALF YEAR ENDED 30 JUNE 2024

	30 JUNE 2024 US$M	30 JUNE 2023 US$M
Operating activities		
Premium received	**8,788**	8,866
Reinsurance recoveries received	**1,270**	1,144
Reinsurance premium paid net of ceding commissions received	**(1,867)**	(3,344)
Acquisition costs paid	**(1,438)**	(1,690)
Claims and other insurance service expenses paid	**(5,400)**	(5,771)
Interest received	**436**	318
Dividends received	**28**	15
Other operating payments	**(284)**	(264)
Interest paid	**(113)**	(113)
Income taxes paid	**(208)**	(74)
Net cash flows from operating activities	**1,212**	(913)
Investing activities		
Net (payments for purchase) proceeds on sale of growth assets	**(245)**	105
Net (payments for purchase) proceeds on sale of interest-bearing financial assets	**(225)**	853
Net (payments for) proceeds from foreign exchange transactions	**(77)**	97
Payments for purchase of intangible assets	**(45)**	(52)
Payments for purchase of property, plant and equipment	**(11)**	(13)
Payments for investment in associates	**(12)**	–
Proceeds on disposal of joint venture investment	**–**	3
Net cash flows from investing activities	**(615)**	993
Financing activities		
Purchase of treasury shares	**(1)**	–
Payments relating to principal element of lease liabilities	**(28)**	(28)
Proceeds from borrowings	**–**	198
Repayments of borrowings	**–**	(6)
Dividends and distributions paid	**(433)**	(294)
Net cash flows from financing activities	**(462)**	(130)
Net movement in cash and cash equivalents	**135**	(50)
Cash and cash equivalents at 1 January	**1,366**	833
Effect of exchange rate changes	**(49)**	(16)
Cash transferred to assets held for sale	**(7)**	–
Cash and cash equivalents at 30 June	**1,445**	767

The consolidated statement of cash flows above should be read in conjunction with the accompanying notes.

Notes to the financial statements

FOR THE HALF YEAR ENDED 30 JUNE 2024

1. OVERVIEW

1.1 Basis of preparation

This general purpose consolidated financial report for the half year ended 30 June 2024 (Half Year Financial Report) has been prepared in accordance with AASB 134 *Interim Financial Reporting* as issued by the Australian Accounting Standards Board and the *Corporations Act 2001*, and complies with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The Half Year Financial Report does not include all the notes normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with QBE's Annual Report for the financial year ended 31 December 2023 and any public announcements made by QBE Insurance Group Limited and its controlled entities (QBE or the Group).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below or in the relevant note disclosures. Where appropriate, comparative information has been restated to be comparable with information presented in the current period.

New and amended accounting standards adopted by the Group

The Group adopted the following revised accounting standard from 1 January 2024:

TITLE	
AASB 2022-5	*Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*

The adoption of this revised standard did not significantly impact the Group's Half Year Financial Report.

1.2 Critical accounting judgements and estimates

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities. Noted below are the key areas in which critical judgements and estimates are applied and should be considered when reviewing the financial statements for the half year ended 30 June 2024.

1.2.1 Insurance and reinsurance contract assets and liabilities

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and reinsurance contracts issued involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

- changes in patterns of claims incidence, reporting and payment;
- volatility in the estimation of future costs for long-tail insurance classes due to the longer period of time that can elapse before a claim is paid in full;
- existence of complex underlying exposures;
- incidence of catastrophic events close to the balance date;
- changes in the legal environment, including the interpretation of liability laws and the quantum of damages; and
- changing social, environmental, political and economic trends, for example price and wage inflation.

QBE's approach to identifying onerous contracts is set out in note 2.2.1 to the consolidated financial statements for the year ended 31 December 2023. The carrying values of the loss and corresponding reinsurance loss-recovery components as at 30 June 2024 are disclosed in note 2.2.1.

The risk adjustment is approved by the Board and represents the compensation QBE requires for bearing the uncertainty in the present value of future cash flows within the net insurance contract liabilities. The risk adjustment recognised in relation to the liability for incurred claims (net of reinsurance held) at the balance date and the corresponding confidence level is disclosed in note 2.2.4.

The potential impact of changes in key variables used in the determination of net insurance contract liabilities on the Group's profit or loss is summarised in note 2.2.7 to the consolidated financial statements for the year ended 31 December 2023.

1.2.2 Intangible assets

QBE monitors goodwill and identifiable intangible assets for impairment in accordance with the Group's policy, which is set out in note 7.2.1 to the consolidated financial statements for the year ended 31 December 2023. At 30 June 2024, QBE has reviewed all intangible assets for indicators of impairment and has completed a detailed impairment test where indicators of impairment were identified. During the period, $37 million of software assets were impaired following management's review, including $23 million recognised in restructuring and related expenses in light of the decision to exit the middle-market business in North America.

1.2.3 Recoverability of deferred tax assets

A deferred tax asset (DTA) of $420 million (2023 $420 million) has been recognised in relation to the entities included in the North American tax group. Uncertainty continues to exist in relation to the utilisation of this DTA and QBE has made a judgement that entities in the North American tax group will be able to generate sufficient taxable profits to utilise the DTA balance over the foreseeable future, based on business plans. Losses expire over the next 18 years, with the majority expiring between 2034 and 2040.

Recovery of the DTA remains sensitive to changes in forecast insurance and investment taxable income assumptions, including premium growth and investment yields as these items are the key drivers of future taxable income.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2024

1. OVERVIEW

1.3 Segment information

The Group's operating segments are consistent with the basis on which information is provided to the Group Executive Committee for measuring performance and determining the allocation of capital, being the basis upon which the Group's underwriting products and services are managed within the various markets in which QBE operates.

Corporate & Other includes non-operating holding companies that do not form part of the Group's insurance operations; gains or losses on disposals; and financing costs and amortisation of any intangibles which are not allocated to a specific operating segment. Intersegment transactions are priced on an arm's length basis and are eliminated on consolidation.

30 JUNE 2024	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Insurance revenue – external	3,329	4,393	2,703	10,425	11	10,436
Insurance revenue – internal	–	11	–	11	(11)	–
Insurance service expenses	(3,160)	(3,595)	(2,443)	(9,198)	(26)	(9,224)
Reinsurance expenses	(1,234)	(626)	(235)	(2,095)	(1)	(2,096)
Reinsurance income	1,225	389	203	1,817	–	1,817
Insurance service result	160	572	228	960	(27)	933
Other expenses	(20)	(46)	(54)	(120)	(22)	(142)
Other income	1	3	33	37	–	37
Insurance operating result	141	529	207	877	(49)	828
Insurance finance (expenses) income	(78)	37	(102)	(143)	–	(143)
Reinsurance finance income (expenses)	34	(2)	27	59	4	63
Investment income (loss) – policyholders' funds	54	161	110	325	(6)	319
Insurance profit (loss)	151	725	242	1,118	(51)	1,067
Investment income – shareholders' funds	56	68	45	169	14	183
Financing and other costs	(1)	(1)	(2)	(4)	(105)	(109)
Gain on sale of entities and businesses	–	3	–	3	–	3
Share of net loss of associates	–	–	(2)	(2)	–	(2)
Restructuring and related expenses	(75)	–	–	(75)	–	(75)
Amortisation and impairment of intangibles	–	(14)	(2)	(16)	–	(16)
Profit (loss) before income tax	131	781	281	1,193	(142)	1,051
Income tax (expense) credit	(30)	(201)	(95)	(326)	81	(245)
Profit (loss) after income tax	101	580	186	867	(61)	806
Net profit attributable to non-controlling interests	–	–	–	–	(4)	(4)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	101	580	186	867	(65)	802

30 JUNE 2023	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Insurance revenue – external	3,518	3,788	2,604	9,910	11	9,921
Insurance revenue – internal	–	5	–	5	(5)	–
Insurance service expenses	(3,544)	(3,073)	(2,410)	(9,027)	49	(8,978)
Reinsurance expenses	(1,370)	(705)	(207)	(2,282)	4	(2,278)
Reinsurance income	1,357	372	127	1,856	(42)	1,814
Insurance service result	(39)	387	114	462	17	479
Other expenses	(20)	(37)	(49)	(106)	(20)	(126)
Other income	–	–	24	24	–	24
Insurance operating result	(59)	350	89	380	(3)	377
Insurance finance (expenses) income	(145)	(8)	(56)	(209)	6	(203)
Reinsurance finance income	50	2	14	66	4	70
Investment income (loss) – policyholders' funds	66	144	102	312	(11)	301
Insurance (loss) profit	(88)	488	149	549	(4)	545
Investment income – shareholders' funds	65	49	42	156	4	160
Financing and other costs	(1)	(13)	(2)	(16)	(96)	(112)
Share of net loss of associates	–	–	–	–	(1)	(1)
Amortisation of intangibles	–	–	(1)	(1)	(7)	(8)
(Loss) profit before income tax	(24)	524	188	688	(104)	584
Income tax credit (expense)	4	(124)	(68)	(188)	8	(180)
(Loss) profit after income tax	(20)	400	120	500	(96)	404
Net profit attributable to non-controlling interests	–	–	–	–	(4)	(4)
Net (loss) profit after income tax attributable to ordinary equity holders of the Company	(20)	400	120	500	(100)	400

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2024

2. UNDERWRITING ACTIVITIES

2.1 Insurance revenue

	30 JUNE 2024 US$M	30 JUNE 2023 US$M
Insurance revenue from contracts measured under the premium allocation approach	**10,342**	9,828
Insurance revenue from contracts measured under the general model	**94**	93
Insurance revenue	**10,436**	9,921

2.2 Insurance and reinsurance contract assets and liabilities

The Group's insurance and reinsurance contracts are aggregated into portfolios, each comprising contracts that are of similar risks and managed together. There were no portfolios of insurance contracts issued that were assets or portfolios of reinsurance contracts held that were liabilities at the balance date and at 31 December 2023.

2.2.1 Net carrying amounts

	30 JUNE 2024				31 DECEMBER 2023			
	LIABILITY (ASSET) FOR REMAINING COVERAGE				LIABILITY (ASSET) FOR REMAINING COVERAGE			
	EXCLUDING LOSS (LOSS-RECOVERY) COMPONENT US$M	LOSS (LOSS-RECOVERY) COMPONENT US$M	LIABILITY FOR (RECOVERIES OF) INCURRED CLAIMS US$M	TOTAL US$M	EXCLUDING LOSS (LOSS-RECOVERY) COMPONENT US$M	LOSS (LOSS-RECOVERY) COMPONENT US$M	LIABILITY FOR (RECOVERIES OF) INCURRED CLAIMS US$M	TOTAL US$M
Insurance contract liabilities	**(3,375)**	**79**	**31,123**	**27,827**	(1,818)	86	29,299	27,567
Reinsurance contract assets	**1,080**	**(4)**	**(9,456)**	**(8,380)**	726	(3)	(8,757)	(8,034)
Net insurance contract (assets) liabilities	**(2,295)**	**75**	**21,667**	**19,447**	(1,092)	83	20,542	19,533

Changes that relate to past service – prior accident years

Movements during the period include a $365 million decrease (2023 $92 million increase) in the insurance contract liabilities partly offset by a $166 million decrease (2023 $107 million decrease) in reinsurance contract assets for changes that relate to past service.

2.2.2 Net liability for incurred claims for contracts measured under the premium allocation approach

	30 JUNE 2024			31 DECEMBER 2023		
	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	LIABILITY FOR (RECOVERIES OF) INCURRED CLAIMS US$M	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	LIABILITY FOR (RECOVERIES OF) INCURRED CLAIMS US$M
Insurance contract liabilities	**28,968**	**2,035**	**31,003**	27,187	1,983	29,170
Reinsurance contract assets	**(8,740)**	**(496)**	**(9,236)**	(8,149)	(486)	(8,635)
Net insurance contract liabilities	**20,228**	**1,539**	**21,767**	19,038	1,497	20,535

2.2.3 Contracts measured under the general model

	30 JUNE 2024				31 DECEMBER 2023			
	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	CONTRACTUAL SERVICE MARGIN US$M	TOTAL US$M	PRESENT VALUE OF FUTURE CASH FLOWS US$M	RISK ADJUSTMENT US$M	CONTRACTUAL SERVICE MARGIN US$M	TOTAL US$M
Insurance contract liabilities	**329**	**61**	**116**	**506**	351	65	148	564
Reinsurance contract assets	**(1,979)**	**(150)**	**3**	**(2,126)**	(2,051)	(161)	(3)	(2,215)
Net insurance contract (assets) liabilities	**(1,650)**	**(89)**	**119**	**(1,620)**	(1,700)	(96)	145	(1,651)

2.2.4 Risk adjustment

The risk adjustment included in the liability for incurred claims (net of reinsurance held) corresponds to a confidence level of 90.2% (2023 90.0%). The net liability for incurred claims excludes recoveries under reinsurance loss portfolio transfer contracts that are accounted for under the general model and recognised within the reinsurance asset for remaining coverage as they relate to underlying claims that have not yet been settled. The confidence level in relation to the net outstanding claims inclusive of these recoveries is 90.5% (2023 90.6%).

2.3 Reinsurance of prior accident year claims liabilities

Reinsurance expenses for the half year ended 30 June 2024 include $132 million (2023 $344 million) relating to reinsurance loss portfolio transfer contracts entered into in prior periods that remain in-force, reflecting amounts recognised over the coverage period as the underlying claims settle.

On 9 August 2024, the Group entered into a loss portfolio transaction to reinsure certain prior accident year claims liabilities in North America and International. The transaction remains subject to regulatory approval and is expected to result in a net upfront cost of around $85 million before tax.

3. INVESTMENT ACTIVITIES

3.1 Investment income

	30 JUNE 2024 US$M	30 JUNE 2023 US$M
Income on fixed interest securities, short-term money and cash	**439**	422
Income on growth assets	**91**	47
Gross investment income[1]	**530**	469
Investment expenses	**(19)**	(17)
Net investment income	**511**	452
Foreign exchange	**(10)**	6
Other income	**1**	3
Total investment income	**502**	461
Investment income – policyholders' funds	**331**	312
Investment expenses – policyholders' funds	**(12)**	(11)
Investment income – shareholders' funds	**190**	166
Investment expenses – shareholders' funds	**(7)**	(6)
Total investment income	**502**	461

1 Amounts from investments measured at fair value through profit or loss (FVPL) comprise net fair value gains of $50 million (2023 $101 million), interest income of $408 million (2023 $348 million) and dividend and distribution income of $39 million (2023 $20 million). Amounts from investments measured at fair value through other comprehensive income (FVOCI) comprise interest income of $34 million (2023 nil) and allowance for expected credit losses (ECL) of $1 million (2023 nil).

3.2 Investments

	30 JUNE 2024		31 DECEMBER 2023	
	FVPL US$M	FVOCI US$M	FVPL US$M	FVOCI US$M
Fixed income assets				
Short-term money	**4,245**	**101**	6,728	–
Government bonds	**6,361**	**714**	6,325	–
Corporate bonds	**11,441**	**1,882**	12,030	–
Infrastructure debt	**35**	**–**	50	–
Emerging market debt	**757**	**–**	565	–
High yield debt	**743**	**–**	612	–
Private credit	**267**	**–**	194	–
	23,849	**2,697**	26,504	–
Growth assets				
Developed market equity	**779**	**–**	464	–
Emerging market equity	**59**	**–**	–	–
Unlisted property trusts	**544**	**–**	585	–
Infrastructure assets	**871**	**–**	928	–
Alternatives	**193**	**–**	189	–
	2,446	**–**	2,166	–
Total investments	**26,295**	**2,697**	28,670	–

Investments measured at FVOCI

During the period, the Group acquired new investments that are measured at FVOCI. These investments comprise debt instruments with contractual cash flows that are solely payments of principal and interest, and are held primarily to manage the incremental sensitivity of regulatory capital to movements in interest rates. Sales may occur to rebalance the portfolio in response to changes in the capital positions of the Group or in-scope controlled entities, or to meet contingency liquidity requirements if and when they arise. These investments are initially measured at fair value plus directly attributable transaction costs, and are remeasured to fair value through other comprehensive income at each reporting date. They are assessed for impairment based on ECL, which is a probability-weighted estimate of credit losses expected to arise from default events that are possible:

- within the next 12 months (Stage 1 – 12-month ECL); or
- over the expected life of the investments (lifetime ECL) where there has been a significant increase in credit risk since initial recognition (Stage 2) or if the investments are credit-impaired due to the occurrence of a loss event (Stage 3).

The ECL allowance is recognised in the FVOCI reserve within equity, with an impairment gain or loss recognised in profit or loss for changes in the ECL. The cumulative gain or loss recognised in other comprehensive income is subsequently recognised in profit or loss when the investments are de-recognised.

Interest income on investments measured at FVOCI is recognised using the effective interest rate method by applying the effective interest rate to the gross carrying amount for assets that are not credit-impaired, or to the net carrying amount (after deduction of ECL allowance) for assets that are subsequently classified as credit-impaired.

3.3 Fair value hierarchy

The Group's investment assets are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of their fair value.

	30 JUNE 2024				31 DECEMBER 2023			
	LEVEL 1 US$M	LEVEL 2 US$M	LEVEL 3 US$M	TOTAL US$M	LEVEL 1 US$M	LEVEL 2 US$M	LEVEL 3 US$M	TOTAL US$M
Fixed income assets								
Short-term money	**356**	**3,990**	**–**	**4,346**	222	6,506	–	6,728
Government bonds	**5,775**	**1,300**	**–**	**7,075**	4,943	1,382	–	6,325
Corporate bonds	**–**	**13,323**	**–**	**13,323**	–	12,030	–	12,030
Infrastructure debt	**–**	**–**	**35**	**35**	–	–	50	50
Emerging market debt	**–**	**757**	**–**	**757**	–	565	–	565
High yield debt	**–**	**743**	**–**	**743**	–	612	–	612
Private credit	**–**	**–**	**267**	**267**	–	–	194	194
	6,131	**20,113**	**302**	**26,546**	5,165	21,095	244	26,504
Growth assets								
Developed market equity	**779**	**–**	**–**	**779**	464	–	–	464
Emerging market equity	**59**	**–**	**–**	**59**	–	–	–	–
Unlisted property trusts	**–**	**–**	**544**	**544**	–	–	585	585
Infrastructure assets	**–**	**–**	**871**	**871**	–	–	928	928
Alternatives	**120**	**–**	**73**	**193**	118	–	71	189
	958	**–**	**1,488**	**2,446**	582	–	1,584	2,166
Total investments	**7,089**	**20,113**	**1,790**	**28,992**	5,747	21,095	1,828	28,670

The Group's approach to measuring the fair value of investments is described below:

Short-term money

Cash managed as part of the investment portfolio is categorised as level 1 in the fair value hierarchy. Term deposits are valued at par. Other short-term money (bank bills, certificates of deposit, treasury bills and other short-term instruments) is priced using interest rates and yield curves observable at commonly quoted intervals.

Government bonds, corporate bonds, emerging market debt and high yield debt

These assets are valued based on quoted prices sourced from external data providers. The fair value categorisation of these assets is based on the observability of the inputs.

Infrastructure debt

Infrastructure debt is priced by external data providers where quoted prices are available or by the external fund manager who may use a combination of observable market prices or comparable prices where available and other valuation techniques. When valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Notes to the financial statements continued

FOR THE HALF YEAR ENDED 30 JUNE 2024

3. INVESTMENT ACTIVITIES

Private credit

These assets comprise investments in fund vehicles that are valued using current unit prices as advised by the investment fund manager. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Developed market equity and emerging market equity

These assets mainly comprise listed equities traded in active markets valued by reference to quoted prices.

Unlisted property trusts and infrastructure assets

These assets are valued using current unit prices as advised by the responsible entity, trustee or equivalent of the investment management scheme. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Alternatives

These assets mainly comprise investments in exchange-traded commodity products that are listed, traded in active markets and valued by reference to quoted prices. Alternatives also includes strategic unlisted investments which are valued based on other valuation techniques utilising significant unobservable inputs.

Movements in level 3 investments

The following table provides an analysis of investments valued with reference to level 3 inputs:

LEVEL 3	30 JUNE 2024 US$M	31 DECEMBER 2023 US$M
At 1 January	**1,828**	1,809
Purchases	**120**	157
Disposals	**(134)**	(137)
Fair value movement recognised in profit or loss	**(10)**	(17)
Foreign exchange	**(14)**	16
At balance date	**1,790**	1,828

4. CAPITAL STRUCTURE

4.1 Borrowings

The Group's borrowings are initially measured at fair value net of directly attributable transaction costs and are subsequently remeasured at amortised cost.

FINAL MATURITY DATE	ISSUE DATE	PRINCIPAL AMOUNT	30 JUNE 2024 US$M	31 DECEMBER 2023 US$M
Subordinated debt				
25 August 2036	25 August 2020	A$500 million[1]	**333**	340
13 September 2038	13 September 2021	£400 million	**504**	508
26 October 2038	19 October 2023	A$330 million	**219**	224
28 June 2039	21 June 2023	A$300 million	**200**	204
2 December 2044	2 December 2014	$700 million/A$1,169 million[1]	**700**	699
12 November 2045	12 November 2015	$300 million	**300**	300
17 June 2046	17 June 2016	$524 million	**523**	523
Total borrowings			**2,779**	2,798

1 Details of related hedging activities are included in note 4.1.2.

4.1.1 Fair value of borrowings

	30 JUNE 2024 US$M	31 DECEMBER 2023 US$M
Subordinated debt	**2,733**	2,726
Total fair value of borrowings	**2,733**	2,726

The fair value of the Group's borrowings is categorised as level 2 in the fair value hierarchy. Fixed and floating rate securities are priced using broker quotes and comparable prices for similar instruments in active markets. Where no active market exists, floating rate resettable notes are priced at par plus accrued interest.

4.1.2 Cash flow hedges of borrowings

The Group has hedged foreign currency risk associated with highly probable forecast transactions in relation to $700 million of subordinated debt maturing in 2044. Foreign currency risk on future coupons and the principal amount is hedged up to and including the first call date of the subordinated debt in December 2024. Similarly, interest rate swaps were used to hedge interest rate risk in relation to coupons on A$500 million of subordinated debt maturing in 2036. The interest rate swaps hedge coupon payments up to the first call date in August 2026. These hedges were put in place to more effectively manage currency exposures and costs of funding.

4. CAPITAL STRUCTURE

4.2 Derivatives

Forward foreign exchange contracts are used as a tool to manage the Group's foreign exchange exposures. Interest rate swaps are used to hedge exposure to interest rate movements in relation to some of the Group's borrowings.

	30 JUNE 2024			31 DECEMBER 2023		
	EXPOSURE US$M	FAIR VALUE ASSET US$M	FAIR VALUE LIABILITY US$M	EXPOSURE US$M	FAIR VALUE ASSET US$M	FAIR VALUE LIABILITY US$M
Forward foreign exchange contracts not in designated hedges	**1,020**	**114**	**122**	1,249	218	248
Forward foreign exchange contracts used in cash flow hedges	**(808)**	**–**	**85**	(854)	–	105
Forward foreign exchange contracts used in hedges of net investments in foreign operations	**787**	**1**	**36**	806	5	20
Interest rate swaps	**334**	**25**	**–**	341	27	–
		140	**243**		250	373

The fair value of these derivatives are categorised as level 2 in the fair value hierarchy. They are fair valued using present value techniques utilising observable market data, broker quotes and/or comparable prices for similar instruments in active markets.

4.3 Contributed equity

	NOTE	30 JUNE 2024 US$M	31 DECEMBER 2023 US$M
Issued ordinary shares, fully paid	4.3.1	**8,409**	8,495
Capital notes		**886**	886
Contributed equity		**9,295**	9,381

4.3.1 Share capital

	30 JUNE 2024		30 JUNE 2023	
	NUMBER OF SHARES MILLIONS	US$M	NUMBER OF SHARES MILLIONS	US$M
Issued ordinary shares, fully paid at 1 January	**1,494**	**8,495**	1,485	8,356
Shares issued under the Employee Share and Option Plan	**3**	**34**	4	36
Shares issued under the Dividend Reinvestment Plan	**5**	**58**	3	32
Foreign exchange	**–**	**(178)**	–	(155)
Issued ordinary shares, fully paid at 30 June	**1,502**	**8,409**	1,492	8,269
Shares notified to the Australian Securities Exchange	**1,502**	**8,410**	1,492	8,271
Less: plan shares subject to non-recourse loans, de-recognised under accounting standards	**–**	**(1)**	–	(2)
Issued ordinary shares, fully paid at 30 June	**1,502**	**8,409**	1,492	8,269

4.4 Dividends

	2023		2022
	FINAL	INTERIM	FINAL
Dividend per share (Australian cents)	**48**	**14**	30
Franking percentage	**10%**	**10%**	10%
Franked amount per share (Australian cents)	**4.8**	**1.4**	3.0
Dividend payout (A$M)	**719**	**209**	447
Payment date	**12 April 2024**	**22 September 2023**	14 April 2023

On 9 August 2024, the directors declared a 20% franked interim dividend of 24 Australian cents per share, payable on 20 September 2024. The interim dividend payout is A$360 million. The record date is 19 August 2024.

The unfranked part of the dividend is declared to be conduit foreign income. For shareholders not resident in Australia, the dividend will not be subject to Australian withholding tax.

4.5 Earnings per share

	30 JUNE 2024	30 JUNE 2023
For profit after income tax		
Profit used in calculating basic and diluted earnings per share (US$M)	**777**	375
Basic earnings per share (US cents)	**51.9**	25.2
Diluted earnings per share (US cents)	**51.5**	25.0

4.5.1 Reconciliation of earnings used for earnings per share measures

Earnings per share is based on profit or loss after income tax attributable to ordinary equity holders of the Company, as follows:

	30 JUNE 2024 US$M	30 JUNE 2023 US$M
Profit after income tax attributable to ordinary equity holders of the Company	**802**	400
Less: distributions paid on capital notes classified as equity	**(25)**	(25)
Profit used in calculating basic and diluted earnings per share	**777**	375

4.5.2 Reconciliation of weighted average number of ordinary shares used for all earnings per share measures

	30 JUNE 2024 NUMBER OF SHARES MILLIONS	30 JUNE 2023 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share	**1,498**	1,488
Weighted average number of dilutive potential ordinary shares relating to shares issued under the Employee Share and Option Plan	**11**	10
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,509**	1,498

1 Directors' Report
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3 Financial Report

5. OTHER

5.1 Contingent liabilities

The Group continues to be exposed to contingent liabilities in the ordinary course of business in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities, as well as in relation to the Group's support of the underwriting activities of controlled entities which are corporate members at Lloyd's of London, as described in note 8.2 to the consolidated financial statements for the year ended 31 December 2023. The Group may also be exposed to the possibility of contingent liabilities in relation to insurance and non-insurance litigation including but not limited to regulatory test cases and class actions, taxation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts. QBE is currently defending a representative class action in Australia relating to policyholders with business interruption policies.

5.2 Events after the balance date

On 31 July 2024, the Group disposed of QBE Insurance (Vanuatu) Limited.

Other than the above, the loss portfolio transaction disclosed in note 2.3 and the declaration of the interim dividend, no matter or circumstance has arisen since 30 June 2024 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

Directors' declaration

FOR THE HALF YEAR ENDED 30 JUNE 2024

In the directors' opinion:

1. the financial statements and notes set out on pages 14 to 30 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the Group Chief Executive Officer and Group Chief Financial Officer recommended under the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

Signed in SYDNEY on 9 August 2024 in accordance with a resolution of the directors.

Michael Wilkins AO
Director

Andrew Horton
Director

Independent auditor's review report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Report on the Half Year Financial Report

Conclusion

We have reviewed the Half Year Financial Report of QBE Insurance Group Limited (the Company) and the entities it controlled during the half year (together the Group), which comprises the consolidated balance sheet as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, material accounting policy information and selected explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying Half Year Financial Report of QBE Insurance Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the Half Year Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the Half Year Financial Report

The directors of the Company are responsible for the preparation of the Half Year Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Half Year Financial Report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the Half Year Financial Report

Our responsibility is to express a conclusion on the Half Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half Year Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half Year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

S Hadfield

Scott Hadfield
Partner

Sydney
9 August 2024

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