

30 May 2023

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

Dear Sir/Madam

AASB17 INVESTOR UPDATE PRESENTATION

Further to the Company's announcement to the market today on its AASB17 Transition, please find attached the presentation to be delivered to investors and analysts this morning.

This release has been authorised by the QBE Disclosure Committee.

Yours faithfully,



Carolyn Scobie
Company Secretary

Attachment

AASB 17 Investor update

May 30



Unless otherwise stated, all figures are in US\$M and discussion of financial performance in this report is on management basis. A detailed reconciliation between the statutory income statement and the management basis result is provided on page 15-16 of this presentation

Disclaimer and important information

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 presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange (ASX). Copies of those lodgements are available from either the ASX website www.asx.com.au 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 presentation 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.

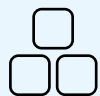
Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There 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 presentation 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 presentation.

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

Introduction to AASB 17

Key objectives of AASB 17



Consistent accounting for all insurance contracts across general, life and health insurance

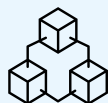


Comparability with non-insurance sectors



Greater **transparency** in financial information reported by insurers

AASB 17 comparability with AASB 1023



Many of the **key concepts** underpinning AASB 17 are already present in AASB 1023, such as claims discounting and the approach to reserving



Adoption for QBE **will not result in** any materially new accounting concepts for investors

Regions adopting AASB 17

- **EMEA**
- **UK** (listed only)
- **Australia**
- **New Zealand**
- **Canada**
- **Bermuda**
- **Hong Kong**
- **Singapore**
- **Pacific Islands**
- **Latin America**

From 1 January 2023 QBE Group reporting will be on an AASB 17 basis

Key messages

AASB 17 accounting principles are broadly consistent with AASB 1023, resulting in limited changes for QBE

Business impact

No change to underlying business fundamentals or strategy

Profitability

No material change to Group profitability, or shape of profit recognition

Balance sheet

No notable change to capital, gearing or dividend policy

Key performance
indicators

Consistent use of key metrics such as combined operating ratio and ROE

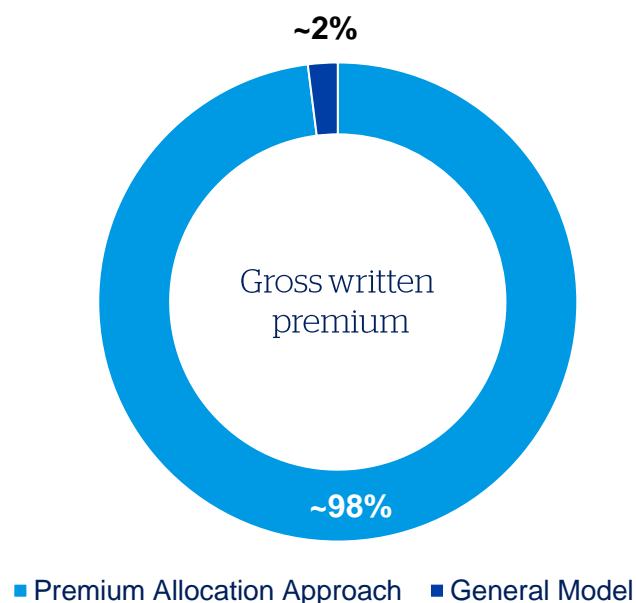
Accounting principles and impacts



Measurement models

QBE's insurance contracts under AASB 17 are measured using either the General Model or Premium Allocation Approach

Majority of QBE business will follow the PAA measurement model



- General Model (GM) revenue recognition requires a segmentation of sub-components, ie present value of cash flows, risk adjustment and contractual service margin
- Premium Allocation Approach (PAA) simplifies the above and earns revenue according to a single pattern, which is consistent with the AASB 1023 approach
- No material change in profit or shape of recognition is expected. Longer earnings curve for LMI to have minimal impact on Group profitability

Businesses under GM

LMI and
Loss portfolio transfers

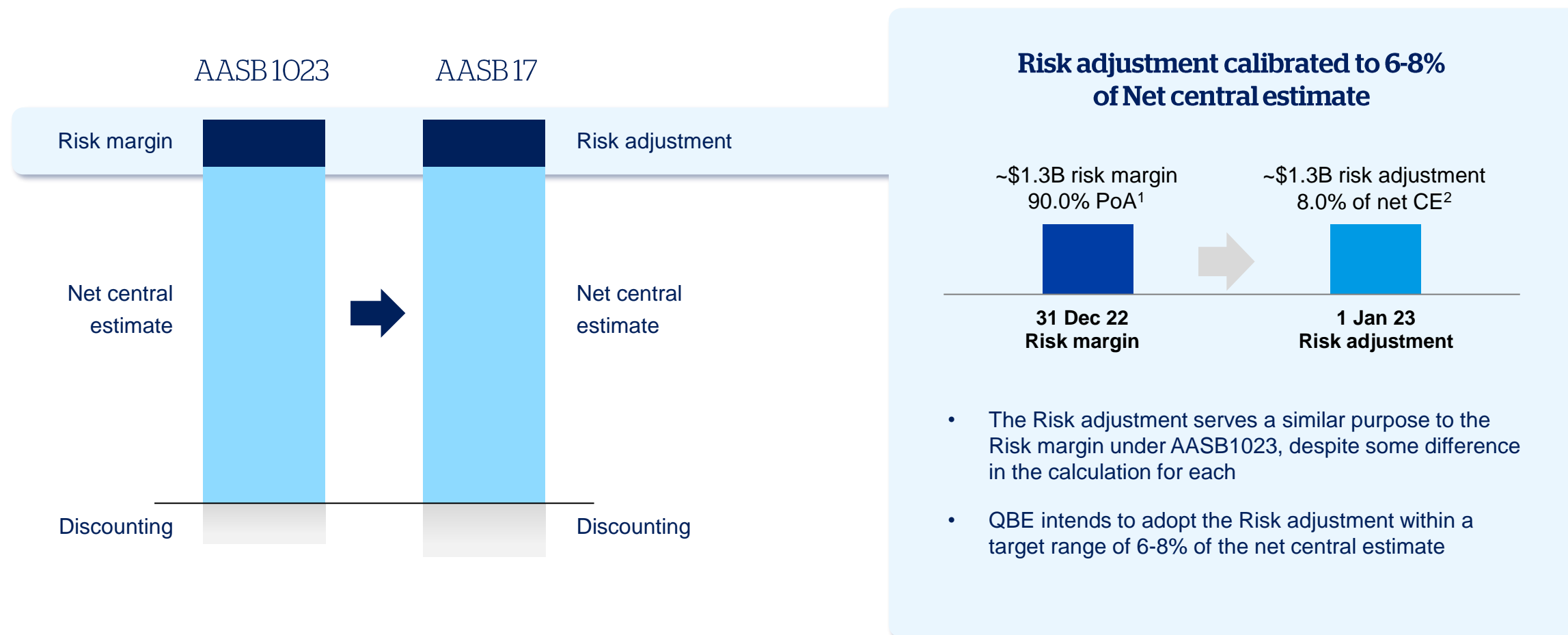
Businesses under PAA

Rest of QBE

The measurement of the **liability for incurred claims** is **consistent** under both approaches.

Risk adjustment and reserving

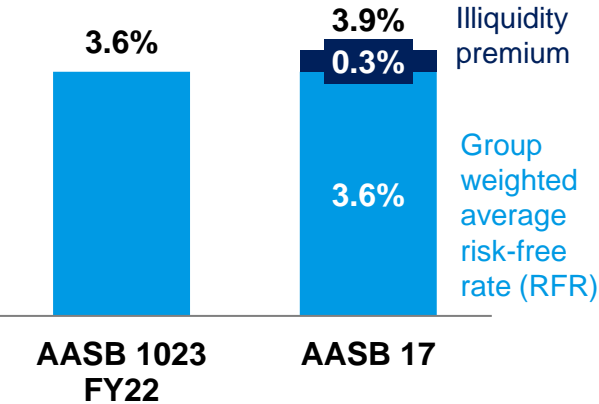
AASB 17 requires a Risk adjustment, which is similar to the Risk margin under AASB 1023



Claims discounting

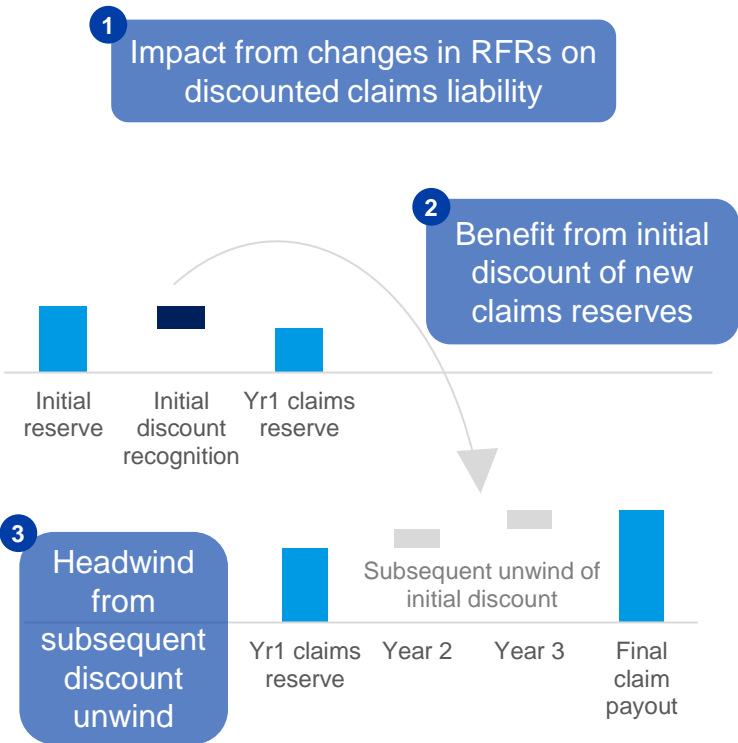
Claims discounting remains a key feature in AASB 17, and is broadly consistent with current practice

Illiquidity premium introduced to discounting of claims reserves



The illiquidity premium is expected to remain relatively **stable** each period

Three claims discounting components remain consistent under AASB 17

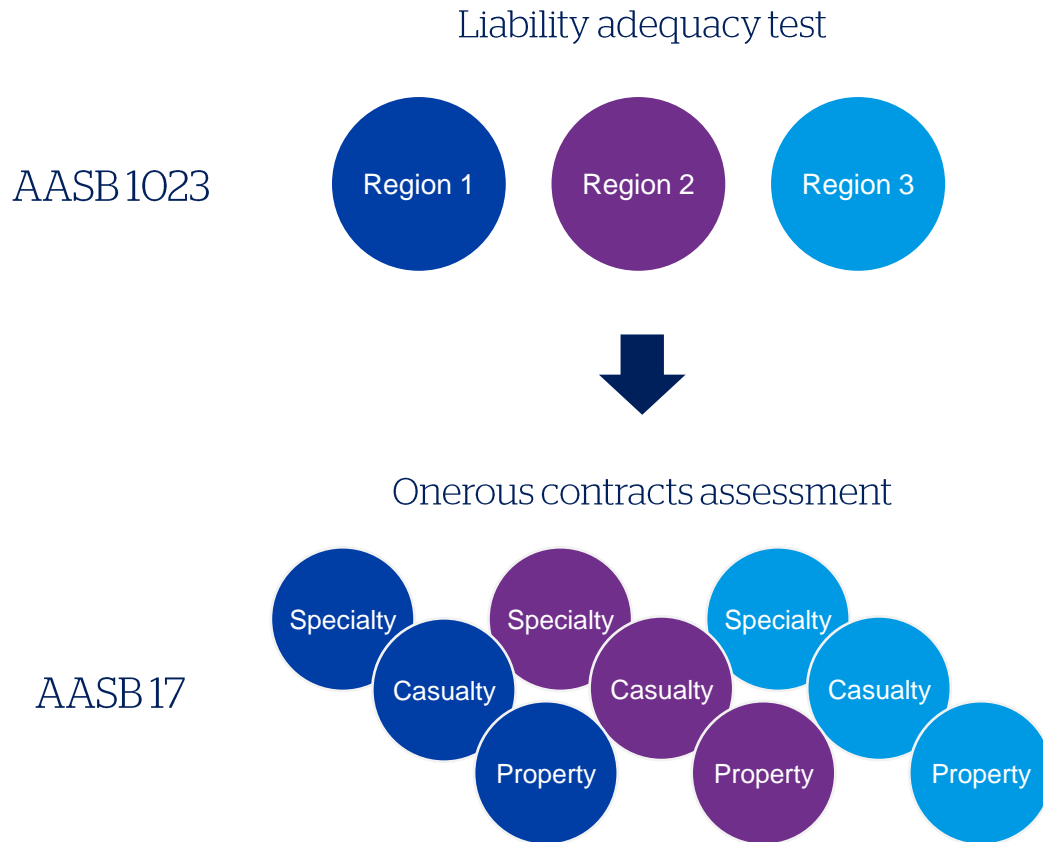


However, the statutory income statement presentation changes

AASB 1023 Claims presentation		
Ex-cat claims	2	3
Catastrophe claims		
Prior year development (PYD)		
Impact from changes in RFRs	1	
Net claims		
AASB 17 Claims presentation		
Ex-cat claims	2	
Catastrophe claims		
Prior year development		
Insurance service result (claims components)		
...		
Net insurance finance income	1	3

Onerous contracts

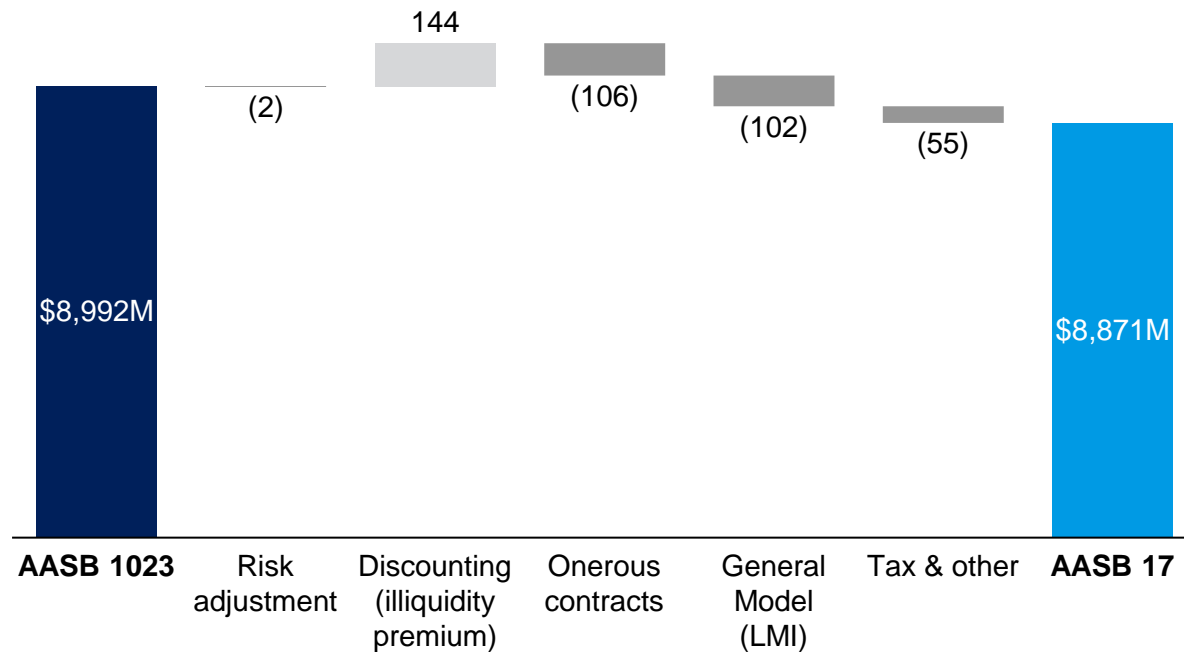
AASB 17 introduces an onerous contract assessment, which is similar to the liability adequacy test under AASB 1023



- For those groups of contracts where ‘facts and circumstances’ would suggest the likelihood of an underwriting loss, an onerous contract loss is recorded
- Onerous contracts do not impact ultimate profitability, but impact the timing of revenue recognition (the assessed expected future loss is recognised immediately in the income statement)
- We expect more granular testing is unlikely to drive meaningful incremental volatility
- At 1 January 2023, QBE will have a \$106M onerous contract liability to reflect the challenging 2023 outlook for Australia Pacific householders and private motor, plus certain run-off portfolios and Retail in North America

Impact on adoption

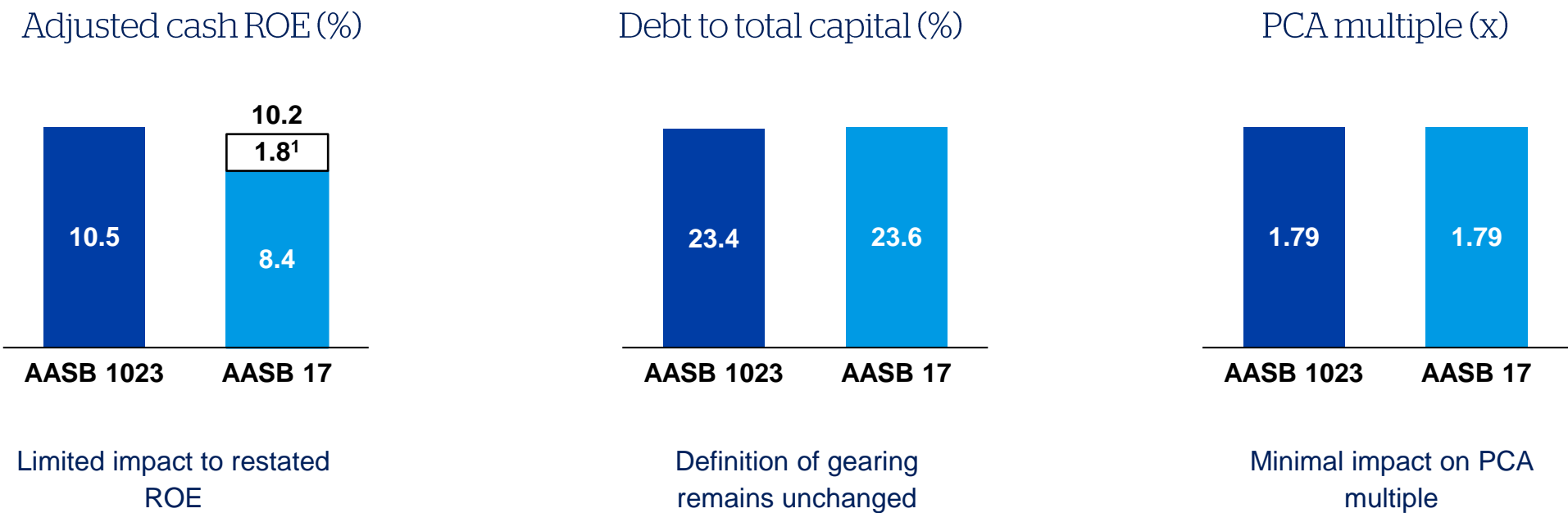
Bridge of key changes in QBE Group shareholders' equity at 31 December 2022



- On adoption, QBE will retrospectively apply the AASB 17 accounting standard to the FY22 comparative result
- The impact associated with new accounting concepts will be recorded as an adjustment to opening equity in FY22
- On adoption, QBE currently expects net assets at 31 December 2022 to reduce by \$121M

Limited impact on profitability and balance sheet

Comparison of FY22 metrics under AASB 1023 and AASB 17



Presentation and financial performance



Key features of AASB 17 statutory income statement

The AASB 17 statutory income statement presents a new approach to measuring financial performance

AASB 17 statutory income statement	FY22 US\$M
Insurance revenue GEP	18,765
Insurance service expenses	(17,175)
Reinsurance expenses	(4,001)
Reinsurance income	3,440
Insurance service result	1,029
Other expenses	(286)
Other income	74
Insurance operating result	817
Net insurance finance income	988
Investment income – policyholders' funds	(501)
Insurance profit	1,304
Investment income – shareholders' funds	(271)
...	-
Profit before income tax	686

Key features of the AASB 17 statutory income statement

Gross view of revenue / underwriting result

Insurance revenue is consistent with 'Gross earned premium', while Insurance service expenses represent an aggregation of **gross** claims, commission and underwriting expenses. Collectively these lines represent the 'Gross insurance result'

Standalone reinsurance result

The effects of reinsurance will be **presented separately** in the income statement, with reinsurance expenses largely representing QBE's outward reinsurance expenses, and reinsurance income representing reinsurance recoveries and other commissions

Non-attributable income and expenses

AASB 17 requires that income and expense associated with activities that **do not directly relate to the fulfilment of insurance contracts** be disclosed separately from the insurance service result, such as head office costs

Claims discounting

The impact from changes in risk-free rates on outstanding claims is recognised in **Insurance finance income**. The benefit associated with the discount applied to new claims remains within Insurance service expenses (claims), while the subsequent discount unwind is now in **Insurance finance income**

Investment income

Accounting for investment income is consistent with AASB 1023. QBE will maintain the split of investment income between policyholders' / shareholders' funds, though continues to **manage investments as a single portfolio / strategy**.

Management result – Overview and rationale

A Management result will be presented for discussion and analysis

AASB 17 statutory income statement

Insurance revenue	GEP
Insurance service expenses	
Reinsurance expenses	
Reinsurance income	
Insurance service result	
Other expenses	
Other income	
Insurance operating result	
Net insurance finance income	
Investment income – policyholders' funds	
Insurance profit	
Investment income – shareholders' funds	
...	
Profit before income tax	

Analysed as:

Gross written premium	
Insurance revenue	GEP
Net insurance revenue	NEP
Net claims	
Net commission	
Expenses and other income	
Insurance operating result	Underwriting result
Net insurance finance income	
Unrealised gain (loss) on fixed income securities	
Net investment income – policyholders' funds	
Insurance profit	
Net investment income – shareholders' funds	
...	
Profit before income tax	

Management result adjustments are centred around:

- 1 **Preserving a net view** of revenue and underwriting profitability
- 2 **Promoting a clearer basis for performance assessment**, through the aggregation of related line items of the operating result

Management result – Net view adjustments

1 Preserving a net view of revenue and underwriting profitability

FY22 Statutory basis (US\$M)	Net insurance revenue	Net claims	Net commission	Expenses and other income	Total
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

A

B

C

Statutory **Insurance service result** will be analysed as a) Net insurance revenue, b) Net claims expense, c) Net commission, and d) Expenses and other income

Net presentation of revenue and underwriting profitability

- A** **Net insurance revenue** is similar to Net earned premium. Net basis is important as QBE's significant use of quota share reinsurance impacts performance measurement of certain portfolios, eg Crop
- B** **Net claims expense** definition will be similar. The impact from changes in risk-free rates used to discount claims is now recognised in Net insurance finance income
- C** **Net commission** definition will also be similar, albeit certain ceding commissions previously in Net commission under AASB 1023 are recognised in Reinsurance expenses under AASB 17

Management result – Additional adjustments

2 Promoting a clearer basis for performance assessment

FY22 Statutory basis (US\$M)	Net insurance revenue	Net claims	Net commission	Expenses and other income	Total
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
<i>Recurring adjustments</i>					
Discount unwind	-	(245)	-	-	(245)
Underlying PYD	(52)	74	(22)	-	-
LPT ¹ ongoing impacts	144	(162)	18	-	-
<i>Non-recurring adjustments</i>					
Australian pricing promise review	-	-	-	60	60
Management basis	14,856	(9,918)	(2,540)	(1,766)	632

Recurring adjustments

Non-attributable income / expense: will be recorded in Expenses and other income, and remains within QBE's insurance operating result

Discount unwind: claims discount unwind will be recorded in Net claims expense rather than Net insurance finance expenses

Underlying PYD: Removal of PYD which is offset by another underwriting line item, resulting in a profit neutral impact in the result

LPT¹ ongoing impacts: removes profit neutral but distorting impacts from new accounting approach for Loss Portfolio Transfers

Non-recurring adjustments

Ad-hoc adjustments may be required for certain non-recurring items, such as the Australian Pricing Promise Review charge in FY22

Management result

AASB 17 Management result (US\$M)

FY22

Insurance revenue	18,695
Insurance service expenses	(17,693)
Reinsurance expenses	(3,839)
Reinsurance income	3,621
Insurance service result	784
Other expenses	(226)
Other income	74
Insurance operating result	632

Analysed as

Gross written premium	19,993
Insurance revenue GEP	18,695
Reinsurance expenses	(3,839)
Net insurance revenue NEP	14,856
Net claims expense	(9,918)
Net commission	(2,540)
Expenses and other income	(1,766)

Insurance operating result Underwriting result

632

Net insurance finance income	1,233
Unrealised gain (loss) on fixed income securities	(1,343)
Net investment income on policyholders' funds	372

Insurance profit (loss)

894

Net investment income on shareholders' funds	199
Financing and other costs	(230)
Gain on sale of entities and businesses	38
Share of net loss of associates	(7)
Remediation	(75)
Restructuring and related expenses	(106)
Amortisation and impairment of intangibles	(27)

Profit before income tax

686

Income tax expense	(81)
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Profit after income tax

605

Non-controlling interests	(8)
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Net profit after income tax and non-controlling interest

597

Introducing QBE's management basis reporting framework

Notable highlights

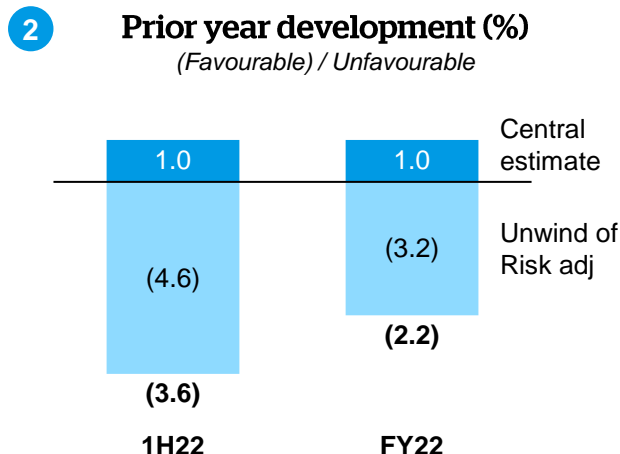
- Presentation of one primary income statement / result without adjustments in new Investor Report
- All discussion of outlook and performance will be framed around the Management result
- Additional granularity provided to better assess the components of Insurance service expenses
- Underwriting and investment result presented separately from the mark-to-market impact from changes in risk-free rates
- Statutory NPAT will be equivalent to Management NPAT, adjustments are presentational in nature

Claims presentation and performance

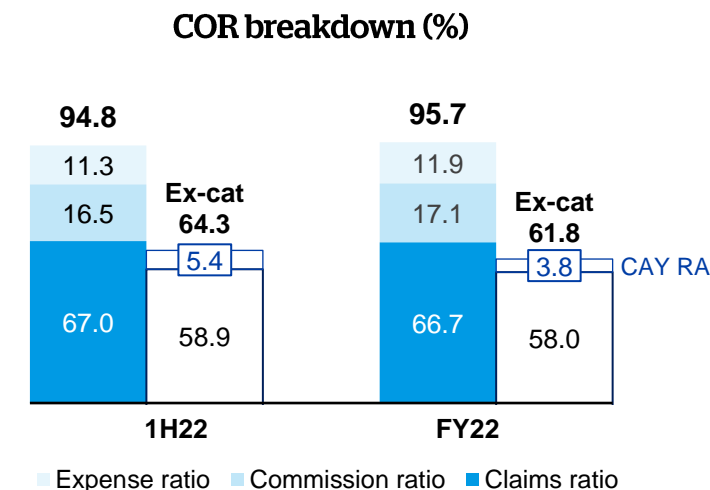
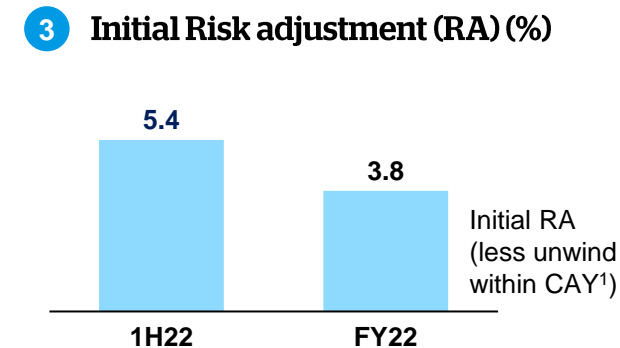
Claims performance will continue to be analysed across consistent categories

Net claims ratio analysis (%)	FY22
Ex-cat claims 1 3	61.8
Catastrophe claims	7.1
Prior year development (PYD) 2	(2.2)
Net claims ratio	66.7
Commission	17.1
Expenses and other income	11.9
Combined operating ratio (COR)	95.7

- 1** Onerous contract impacts will be recorded within Ex-cat claims
- 3** Initial recognition of Risk adjustment for new claims liabilities, plus unwind of Risk adjustment occurring in the current accident year will be recorded in Ex-cat claims

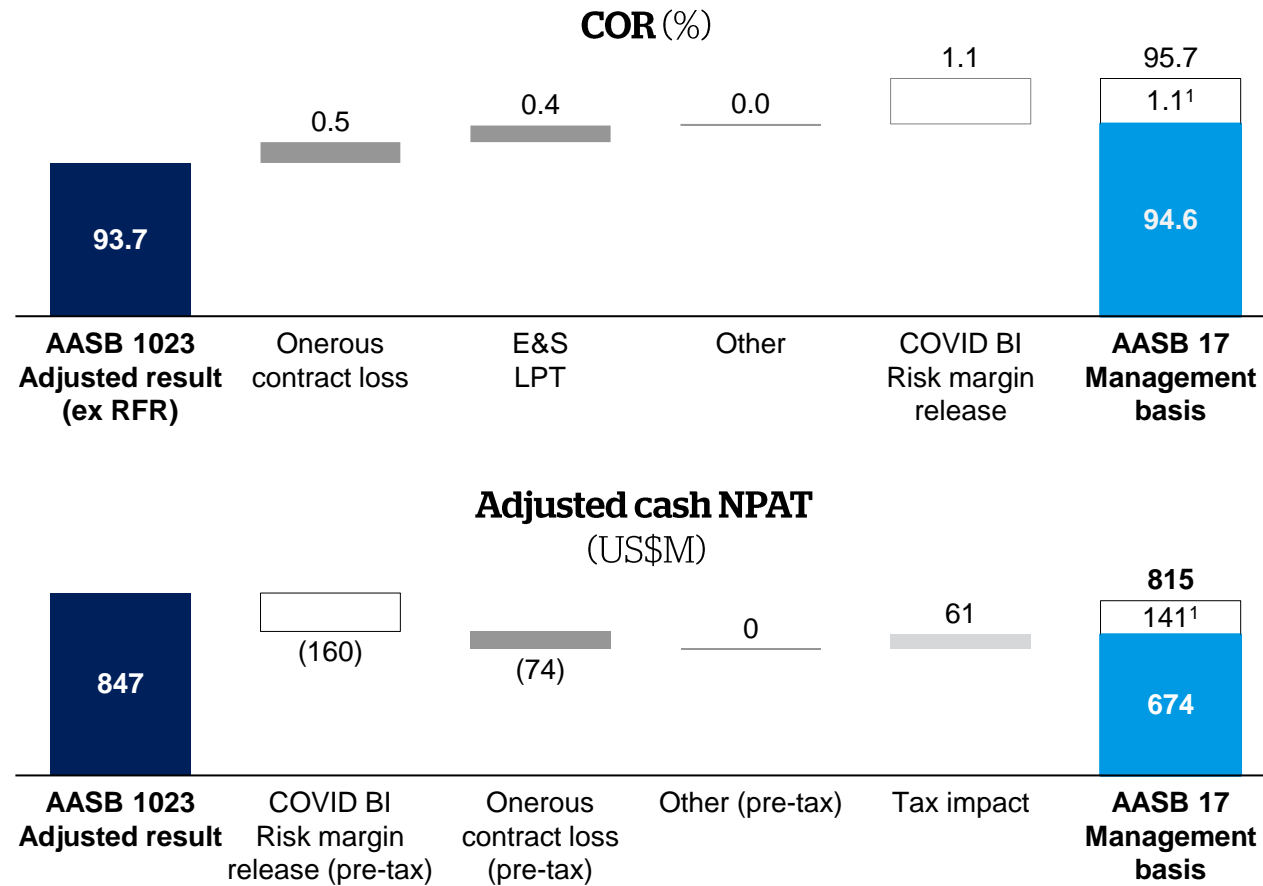


PYD will include the development of central estimate and the unwind of Risk adjustment from prior accident years



Restated FY22 profit metrics

Management COR and adjusted cash NPAT remain broadly consistent



- **Risk Margin \$160M** pre-tax (1.1pts impact on COR). Difference is attributable to COVID BI Risk margin released under AASB 1023 which would not feature under AASB 17 due to accounting definitions
- **E&S LPT initial cost \$68M** (AASB 17 basis) pre-tax reflects decision to include the impact in the AASB 17 Management result, whereas it was previously adjusted for in the AASB 1023 result
- **Onerous contract loss \$74M** pre-tax. Increase in onerous contract liability mainly driven by adverse claims inflation impacts in Australia Pacific home and motor, plus certain run-off portfolios and Retail in North America

Notable changes in restated metrics

Comparison of key metrics in FY22

Key metric		AASB 1023 Adj result	AASB 17 Mgmt result	Commentary
Gross written premium	\$M	20,054	19,993	<ul style="list-style-type: none"> Reinstatement premiums previously in Gross written / earned premiums move to Reinsurance expenses and Insurance service expenses under AASB 17
Net earned premium / Net insurance revenue	\$M	14,770	14,856	<ul style="list-style-type: none"> Ceding commissions previously recorded as part of Net commission expense move to Reinsurance expenses, impacting the Net insurance revenue line item Upfront impact of reinsurance transactions (loss portfolio transfers) previously recorded across multiple line items now netted and recorded in Reinsurance expenses
Ex-cat claims	\$M	(8,601)	(9,184)	<ul style="list-style-type: none"> Strain from establishment of current accident year Risk adjustment, and impact from onerous contract losses are recorded in Ex-cat claims
Prior accident year claims development	\$M	(141) ¹	326	<ul style="list-style-type: none"> The benefit of prior year Risk adjustment unwind (~\$470M) is recorded in prior accident year claims development
Net claims	\$M	(9,891) ²	(9,918)	<ul style="list-style-type: none"> Reflects line item geography changes from ceding commissions, reinstatement premiums and differences in claims discounting
Net commission expense	\$M	(2,119)	(2,540)	<ul style="list-style-type: none"> Ceding commission income moves to Net insurance revenue
Combined operating ratio	%	93.7²	95.7	<ul style="list-style-type: none"> Impacted by COVID-19 BI risk margin release (1.1%) – see slide 19 Onerous contract losses contributed 0.5%, inclusion of upfront E&S LPT cost 0.4%

Balance sheet

Simplified presentation for insurance and reinsurance contracts

AASB 1023 Summary balance sheet

Cash and investments
Trade and other receivables
Current tax assets
Deferred insurance costs
Reinsurance & other recoveries on outstanding claims
Deferred tax assets
Intangibles
Other assets
Total assets
Trade and other payables
Current tax liabilities
Unearned premium
Outstanding claims
Deferred tax liabilities
Borrowings
Other liabilities
Total liabilities
Shareholders' funds
Capital notes
Non-controlling interests
Total equity

AASB 17 Summary balance Sheet

	Jun-22 US\$M	Dec-22 US\$M
Cash and investments	26,713	28,132
Trade and other receivables	439	423
Current tax assets	54	45
Insurance contract assets	-	-
Reinsurance contract assets	5,770	4,336
Deferred tax assets	479	574
Intangibles	2,014	2,018
Other assets	830	825
Total assets	36,299	36,353
Trade and other payables	(860)	(723)
Current tax liabilities	(30)	(39)
Insurance contract liabilities	(23,084)	(22,951)
Reinsurance contract liabilities	-	-
Deferred tax liabilities	(18)	(110)
Borrowings	(2,755)	(2,744)
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

- Under AASB 1023, the assets and liabilities related to insurance and reinsurance contracts were reported across multiple lines, including trade receivables / payables, unearned premium, outstanding claims, and deferred insurance costs
- AASB 17 combines presentation of items that are related to insurance and reinsurance contracts
- Insurance and reinsurance contracts related amounts are aggregated and reported in either:
 - (Re)insurance contract assets
 - (Re)insurance contract liabilities
- Issued insurance contracts (which includes direct insurance and inward reinsurance) are presented separately from reinsurance held (outwards reinsurance)

Conclusion and Q&A



Key messages

AASB 17 accounting principles are broadly consistent with AASB 1023, resulting in limited changes for QBE

Business impact

No change to underlying business fundamentals or strategy

Profitability

No material change to Group profitability, or shape of profit recognition

Balance sheet

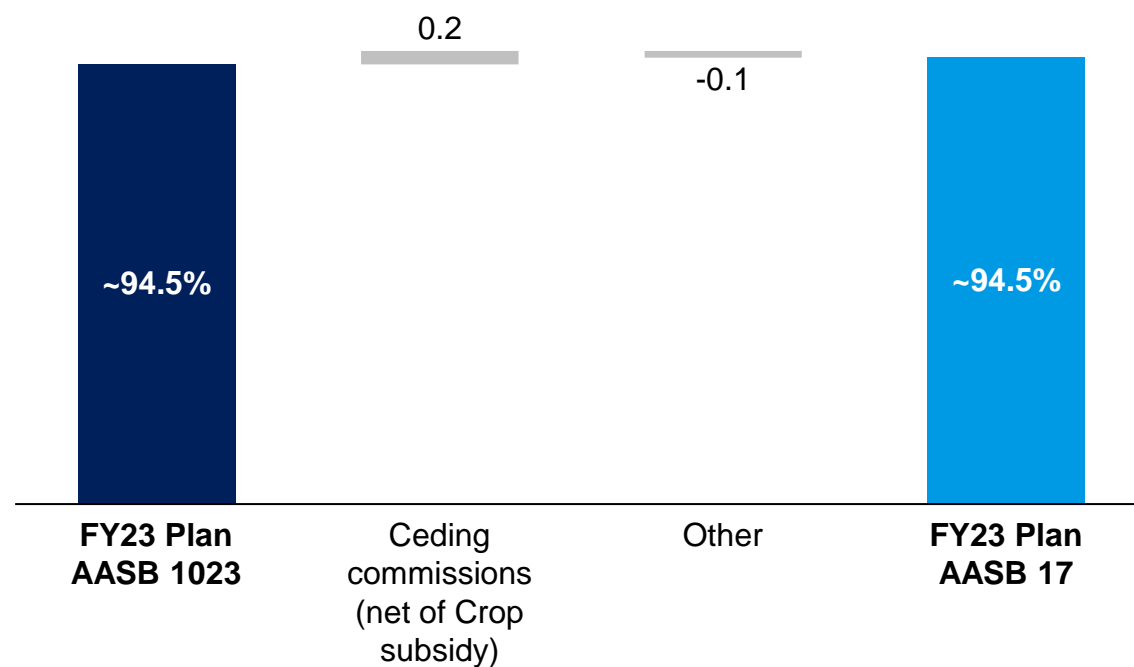
No notable change to capital, gearing or dividend policy

Key performance
indicators

Consistent use of key metrics such as combined operating ratio and ROE

FY23 Plan COR – AASB 17 basis

FY23 Plan COR remains 94.5%, with limited impact from new standard



No change to FY23 outlook from new standard

- Constant currency GWP growth expected at ~10%
- Group Plan combined operating ratio of ~94.5%
- Plan COR continues to exclude upfront impact of reserve transaction announced in February

Appendix



Glossary

AASB 1023	AASB 1023 <i>General Insurance Contracts</i> was the accounting standard that previously applied to accounting for insurance and reinsurance contracts. This standard was replaced by AASB 17 <i>Insurance Contracts</i> which became effective from 1 January 2023.
Acquisition costs	Commission and other costs incurred in selling, underwriting and starting insurance contracts.
Attributable expenses	Administrative, general and other expenses that directly relate to fulfilling insurance contracts.
Catastrophe claims ratio	Total of all net claims resulting from catastrophe events as a percentage of net insurance revenue.
Combined operating ratio (COR)	The sum of the net claims ratio, net commission ratio and expense ratio as a percentage of net insurance revenue. A combined ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss.
Confidence level	A statistical measure of the level of confidence that the insurance contract liabilities will be sufficient to pay claims as and when they fall due. This was previously referred to as 'probability of adequacy'.
Ex-cat claims ratio	Net claims excluding catastrophe claims and prior accident year claims development as a percentage of net insurance revenue.
Expenses and other income	The sum of attributable expenses (within Insurance service expenses), other expenses and other income.
Expense ratio	Expenses and other income as a percentage of net insurance revenue.
Insurance profit or loss	The sum of the insurance operating result, net insurance finance income or expenses and net investment income or loss on assets backing policyholders' funds (including gains (losses) from risk-free rate movements).
Insurance profit margin	The ratio of insurance profit or loss to net insurance revenue.
Insurance revenue	The proportion of gross written premium recognised as revenue in the current accounting period, reflecting insurance coverage provided during the period. This is the equivalent of gross earned premium under the previous insurance accounting standard, AASB 1023.

Glossary

Liability for incurred claims (LIC)	The amount of liability established for claims and attributable expenses that have occurred but have not been paid. This replaces the outstanding claims liability under the previous insurance accounting standard, AASB 1023.
Liability for remaining coverage (LfRC)	The amount of liability that represents insurance coverage to be provided by QBE after the balance date. This is the equivalent of unearned premium net of premium receivable, unclosed premium, deferred commission and deferred acquisition costs under the previous insurance accounting standard, AASB 1023.
Loss component	A component of the LfRC within the insurance contract liability that relates to losses recognised on onerous contracts.
Loss-recovery component	A component of the asset for remaining coverage (AfRC) within the reinsurance contract assets that represents recoveries on reinsurance contracts held that correspond to losses recognised on onerous contracts.
Net claims	The portion of insurance service expenses related to gross claims expenses, net of reinsurance income associated with reinsurance recoveries on claims. Management analysis of net claims expense includes the impacts of unwind of discount on claims reserves.
Net claims ratio	Net claims expense as a percentage of net insurance revenue.
Net commission	The portion of insurance service expenses related to commission expenses, net of commission income from reinsurance contracts held that are recognised within reinsurance income.
Net commission ratio	Net commission as a percentage of net insurance revenue.
Net insurance revenue	Insurance revenue net of reinsurance expenses. This is the equivalent of net earned premium under the previous insurance accounting standard, AASB 1023.
Reinsurance	An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance (or referred to as reinsurance contract issued). The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance (or referred to as reinsurance contract held).
Risk adjustment	A component of insurance and reinsurance contract assets and liabilities that represents the compensation QBE requires for bearing the uncertainty in the net discounted estimate of future cash flows.

THANK YOU

Enabling a more resilient future

