Enabling a more resilient future

QBE

2022 Annual Report

QBE INSURANCE GROUP LIMITED

Important information

Basis of presentation (unless otherwise stated)

All amounts in this report are US dollars.

Premium growth rates are quoted on a constant currency basis.

Premium rate changes exclude North America Crop and/or Australian compulsory third party motor (CTP).

Adjusted net cash profit after tax adjusts statutory net profit for Additional Tier 1 capital coupon accruals, as well as any gain on disposal, amortisation or restructuring costs.

APRA PCA calculations at 31 December 2022 are indicative. Prior period calculation has been updated to be consistent with APRA returns finalised subsequent to year end.

Basis of presentation (Section 1)

Results presented on statutory basis.

Combined operating ratio, net claims ratio and underwriting result exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Basis of presentation (Section 2)

Combined operating ratio and net claims ratio exclude the impact of changes in risk-free rates used to discount net outstanding claims.

2022 figures exclude the transaction to reinsure North America Excess & Surplus (E&S) lines liabilities, and the charge in relation to the Australian pricing promise review.

2021 figures exclude the impact of COVID-19 and the transaction to reinsure Australian CTP liabilities.

Prior accident year claims development excludes North America Crop development that is matched by premium cessions under the MPCI scheme, and any other divisional development that is matched by an underwriting adjustment in the current period.

Fixed income excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit.

2021 pro forma adjusts for GBP327 million pre-funded May 2022 debt repayment.

2020 figures exclude the impact of COVID-19.

2019 is presented on a continuing operations basis and adjusted basis as presented in prior year reports.

North America and International results (2019 and earlier) have been restated for the transfer of North America's inward reinsurance business to QBE Re, part of International.

Analysis of the Group by division excludes Corporate & Other segment.

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Our strategic priorities

Our purpose, vision and strategic priorities create a foundation to further strengthen and grow our business and to enable a more resilient future.

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Our areas of sustainability focus

Our Sustainability Framework helps us drive performance, manage risks and identify opportunities across the areas of sustainability that are most important to our business, customers and stakeholders. ▼ Page 14

Group Chief Underwriting Officer's report

We are striving for greater consistency across everything we do.

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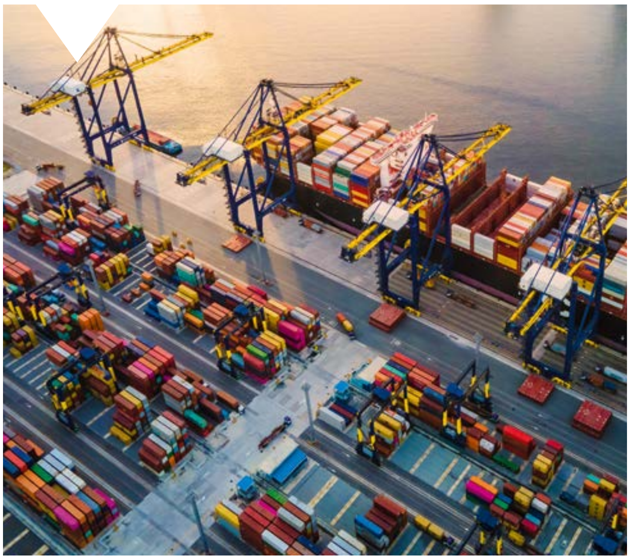

Group Chief Financial Officer's report

We are focused on delivering improved and more consistent financial performance.

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This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Acrobat Reader. Click on the links on the contents pages or use the home button in the footer to navigate the report.

Chair's message

Commitment to consistent profitability and growth

The past year has seen unique challenges and uncertainties for people and businesses across the globe. We are acutely aware that these challenges are global, vast and complex, and we remain conscious of their ongoing impact.

Providing support in a challenging year

As a global insurer, we understand how devastating natural disasters are for our customers and the communities in which we operate

Our purpose of enabling a more resilient future remains acutely relevant and meaningful

2022 in review

Around the world, our changing climate has brought significant challenges for people and their way of life. As an insurer, we witness first-hand the impact of these events, working alongside our customers to help restore their lives following devastating catastrophes.

Flooding in the eastern states of Australia through early 2022 was one of the largest Australian catastrophes on record, while Hurricane Ian in North America was the second largest on record. Reflecting on the devastation faced by many communities, our purpose of enabling a more resilient future remains acutely relevant and meaningful.

We are living in extraordinary times. After the global pandemic, we are faced with heightened geopolitical tensions, global inflationary pressures, significant market volatility and supply chain challenges.

The situation in Ukraine remains deeply saddening and we hope for a speedy resolution to the crisis facing the Ukrainian people.

Against this backdrop, QBE has maintained its focus and its commitment to delivering improved profitability and growth. We are pleased with our statutory net profit after tax of $770 million and the growth across our divisions. Our capital position and balance sheet remain prudently positioned. Reflecting our confidence in the outlook, the Board has declared a final dividend of 30 Australian cents per share, compared to the final dividend of 19 Australian cents per share in 2021.

Operating sustainably

QBE remains dedicated to sustainably meeting our commitments, today and for the future. We continue to evolve to meet the rapidly changing needs of our people, environment, customers and community. As Andrew Horton outlines in his Group Chief Executive Officer's report, QBE has refreshed its sustainability strategy and this provides clear direction for our ongoing sustainability commitments. We have made pleasing progress against our 2022 Sustainability Scorecard which can be found in the 2022 Sustainability data book on our website.

In January 2022, QBE was proud to become the first Australian listed insurer to join the United Nations (UN)-convened Net-Zero Insurance Alliance (NZIA), a group of leading insurers and reinsurers that have pledged to contribute to limiting warming to 1.5 degrees by the end of 2100, through a NZ2050 underwriting portfolio.

QBE is committed to transitioning our insurance and reinsurance underwriting portfolios to net-zero greenhouse gas emissions (GHG) by 2050. This commitment complements our 2020 commitment to become the first Australian-based insurer to join the UN-convened Net-Zero Asset Owner Alliance (NZAOA), committing to transition our investment portfolio to net-zero GHG by 2050. We also set a new target to achieve net-zero emissions for our global operations by 2030 and remain focused to reduce our overall energy use and source 100% renewable electricity for our operations by 2025.

In the past year, we have made pleasing progress through our involvement with the NZIA working groups. QBE has participated in the collaborative working group between the Partnership for Carbon Accounting Financials (PCAF) and NZIA members to develop the first global GHG accounting and reporting standard to measure and disclose insurance-associated emissions for specific commercial classes and private motor. The first NZIA Target-Setting Protocol (Protocol) was published in January 2023 and QBE will publish one or more interim targets in accordance with the Protocol.

We remain proud of our impact investment initiative, Premiums4Good, which achieved another year of growth. There are now 108 securities invested to help make a positive environmental and social impact and now totals $1.6 billion. We maintain our ambition to reach $2 billion in impact investments by 2025.

Throughout 2022, we continued to use our 2021 Human Rights Policy to guide our approach and commitment to human rights. Our consideration of human rights in our employment, procurement, investment, and underwriting practices is part of how we enable a resilient future.

In January 2022, we launched our new Inclusion of Diversity Policy. One of the ways we are taking action is to drive diverse leadership representation, and across the Group we have a target of 40% women in leadership by 2025.

Over the last year, we have seen an increase from 35.9% to 38.6%, supported by our ongoing focus on inclusion at every stage of the employee life cycle. Across QBE, we are cognisant of gender diversity, as well as all the ways we differ, including diversity of thought, skills and experience.

The appointment of Yasmin Allen to our Board in July 2022 supports our commitment to diversity, with our Board now comprising 44% women, already meeting our target of 40% by 2025. Non-Executive Directors John Green and Stephen Fitzgerald made the decision to retire from the QBE Board in May and we are grateful for their many years of service and commitment to QBE.

Supporting our customers and communities

Around the world, we continue to experience increased catastrophe events. The impact of these events is often overwhelming for families, businesses and communities.

Our teams have continued to respond to these extreme weather events: expanding and scaling up to be there for our customers, paying claims efficiently and working with partners and suppliers to get people and businesses back on their feet as quickly as possible. As an insurer, this is fundamentally why we exist – to deliver for our customers when they need us most.

In October 2022, we were proud to announce a new three-year global Disaster Relief and Resilience Partnership between QBE, Red Cross and Save the Children. We increased our funding to A$1.5 million for each partner over three years. We have a key emphasis on supporting strategic initiatives focused on climate adaptation and mitigation to support communities to be better prepared and build resilience. Since this unique partnership began in 2019, we have helped over 490,000 people in 19 countries respond to and recover from catastrophic events and supported our partners to deliver their programs and relief efforts through the deployment of US$2.7 million. We look forward to our continued partnership efforts to help make a difference for people and communities in need.

Looking ahead

Over the past few years QBE has refined its purpose and operations, building a platform for future success. In establishing this platform, it is important to recognise the vital role that all our people play and to that end I extend my sincere thanks to the people of QBE who live our purpose of enabling a more resilient future and deliver each day for our customers.

Andrew and the Group Executive Committee have set a clear strategy for the organisation, underpinned by a purpose and vision that resonates well with our people. I also thank them for the focus and leadership they have displayed during the year.

Equally, I thank my Board colleagues for their expertise and perspectives which have guided our collective and considered decision making this year.

Finally, thank you to our shareholders for your continued support.

Mike Wilkins AO
Independent Chair

2022 snapshot[1]

Shareholder highlights

Dividend per share (A¢)

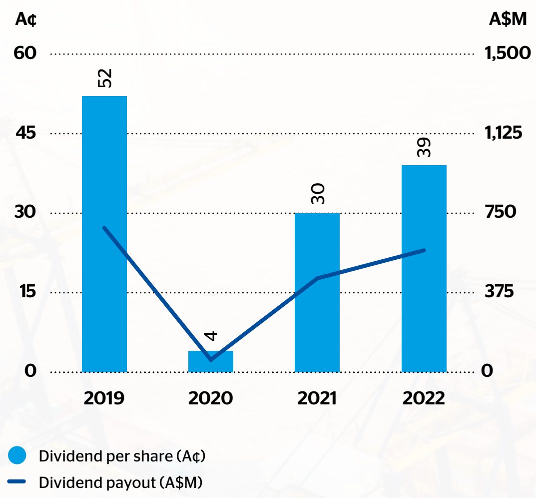
39

2021 **30**

Dividend payout (A$M)

578

30% from 2021



Return on average shareholders' equity – adjusted cash basis

10.5%

2021 **10.3%**

Basic earnings per share – adjusted cash basis (US¢)

57.2

2021 **54.6**

Sustainability highlights

Foster an orderly and inclusive transition to a net-zero economy

2025

Progressing our targets:
5% Investing in the transition[2] **4.8%**
25% energy reduction **now 20%**
RE100[3] target **maintained**

2030

Committed to net-zero emissions across our global operations and one or more interim targets for underwriting

2050

Committed to net-zero emissions across our underwriting and investment activities[4]

Enable a sustainable and resilient workforce

Achieved our 2025 goal of

40%

women on Group Board (44%)

Advanced our 2025 goal of

40%

women in Leadership (38.6%)

Included in the Bloomberg Gender-Equality Index for the 6th year

Bloomberg Gender-Equality Index 2023 Member

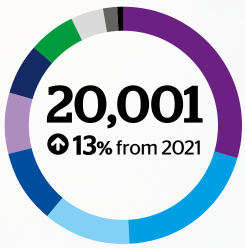
Recognition of our Culture Transformation by AHRI

AHRI AWARDS WINNER 2022

1 Financial information above is extracted or derived from the Group's audited financial statements on pages 87 to 170 of this Annual Report. The Group Chief Financial Officer's report also provides further analysis of the results.
2 For more information, please see Climate change – our approach to risks and opportunities.
3 RE100 is a global corporate leadership initiative bringing together influential businesses committed to 100% renewable electricity by 2050.
4 Commitments as per UN-Convened Net-Zero Asset Owners Alliance for our investment portfolio, and Net-Zero Insurance Alliance for our underwriting portfolio.

Financial highlights

Gross written premium by class of business (US$M)



	2022 %	2021 %
Commercial & domestic property	29.5	29.4
Agriculture	19.8	16.6
Public/product liability	11.9	12.1
Motor & motor casualty	10.1	11.1
Professional indemnity	8.4	9.8
Marine, energy & aviation	6.9	7.2
Workers' compensation	6.2	6.3
Accident & health	4.5	4.3
Financial & credit	2.0	3.2
Other	0.7	-

Net earned premium (US$M)

14,327

13% from 2021

Net earned premium by type

90% direct and facultative insurance

10% inward reinsurance

Combined operating ratio

94.2%

2021 **93.7%**

Underwriting result (US$M)

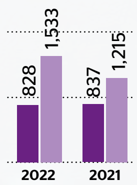
828

2021 **837**

Insurance profit (US$M)

1,533

2021 **1,215**



Net profit after tax (US$M)

770

2021 **750**

Ex-cat claims ratio

Group

60.1%

2021 **59.4%**

North America **77.4%**

International **51.6%**

Australia Pacific **56.4%**

Catastrophe claims (US$M)

1,060

15% from 2021

Catastrophe claims ratio

7.4%

2021 **6.9%**

Operational highlights

Gross written premium growth

13%

2021 **22%**

Average renewal premium rate increase

Group

7.9%

2021 **9.7%**

North America **9.2%**

International **6.5%**

Australia Pacific **9.5%**

Premium retention

84%

2021 **84%**

Building resilience **and strengthening returns**

Our new purpose of enabling a more resilient future has been a great foundation for QBE in another particularly dynamic year for the insurance industry. Our vision to become the most consistent and innovative risk partner provides clear guardrails as we seek to build deep and lasting relationships with our customers.

Strong momentum against strategic priorities

Our new purpose, vision and strategic priorities launched at the start of 2022 have been embraced by our people

Bringing the enterprise together sits at the core of our strategy

As I reflect on my first year at QBE, I am incredibly impressed and proud of our people and how they show up for our customers and the communities we serve.

Our new purpose, vision and strategic priorities launched at the start of 2022 have been embraced by our people, helping to bring us together and become a more consistent organisation. As part of this strategy, we remain focused on our commitment to culture and living our QBE DNA, which is the heartbeat of our organisation and supports everything we do.

Earlier this year, QBE released a new sustainability strategy following extensive consultation and a thorough review of the external landscape. Our refined strategy has clear sustainability objectives that are embodied within our strategic priorities. These are to foster an orderly and inclusive transition to a net-zero economy, enable a sustainable and resilient workforce, and partner for growth through innovative, sustainable and impactful solutions.

The foundational work in 2022 will allow us to move faster over the coming 12 months. I see great opportunity to leverage the expertise across our markets and unlock the value of our global organisation. I look forward to updating you on our progress and achievements over the coming year.

Business performance

The operating backdrop has been marked by a number of challenges for the industry, including geopolitical tensions, elevated catastrophe experience and a surge in inflation.

Despite these headwinds, the business is demonstrating improved resilience, achieving a combined operating ratio of 93.7% compared to 95.0% in the prior period. Our return on equity of 10.5% has been impacted by adverse investment mark-to-market impacts, though this should improve meaningfully into 2023 on account of higher interest rates.

The rating environment remained supportive, and I am pleased with the growth we have achieved, which importantly has been calibrated to refreshed medium-term portfolio mix and growth targets. We expect recent momentum will continue into 2023.

Achieving an appropriate risk-adjusted return on capital in North America remains a key priority, and the turnaround in profitability this year is encouraging. We are making good progress on our strategy to further optimise and grow the portfolio, to achieve better balance and reduced volatility.

North America achieved a combined operating ratio of 98.9%, compared to 102.9% in the prior period. I am pleased with the return to profitability for the division in what was a tough year in many aspects, though we have further work to do to ensure the division trends towards our Group combined operating ratio target range.

We now have quite a narrow product focus in the division, great people and strong distribution relationships. I am confident in our strategy for the division, and see a clear pathway towards improved and more consistent returns.

Strategic priorities

Our new direction will define our priorities for the medium to long term and further integrate our sustainability strategy. It is my commitment to provide transparency on our progress and focus on each of our six strategic priorities, as we look to deliver on our vision of being the most consistent and innovative risk partner. In all this work we are fundamentally guided by our purpose of enabling a more resilient future.

We have made good progress against our strategic priorities this year. Work commenced on our portfolio optimisation targets and these have been incorporated into 2023 business planning. Going forward, QBE will adopt a five-year portfolio planning model and identify the capabilities required to successfully grow in selected classes.

To ensure sustainable growth, we completed a comprehensive reassessment of our geographical footprint and lines of business that will support QBE's medium to long-term growth aspirations. We will take a longer-term view, and these growth opportunities have been reflected in business planning across the Group.

Work continues on initiatives for cross-divisional opportunities and establishing stronger links between our growth initiatives, to be more aligned with our broader strategic priorities.

Bringing the enterprise together sits at the core of our strategy, and the key objective is to unlock the value of QBE through initiatives that help us better organise and leverage capabilities across our markets. The focus for 2023 is to build on our enterprise focus, improve and simplify how we operate to ensure that we can achieve greater consistency and innovation across our global organisation.

To support our ambition, we need to thoughtfully modernise our business, with many initiatives already underway. We made good progress with our digitisation efforts across divisions and functions. There is ongoing focus on core platforms and further IT estate simplification, all centred around making QBE an easier partner to deal with, and work for, ensuring we fully leverage our data and global scale.

Against our people priority, we have made good progress in key areas of reward and performance, leadership and capability; and workforce planning. We launched our 2022 Annual Performance Incentive plan to enable a clear link between culture and performance, which is driving improved outcomes. We established enterprise leadership capabilities through three new leader forums to evolve the way our leaders learn, connect and help embed our enterprise strategy. We have focused on workforce planning to better understand capabilities, and plan and ensure QBE has the right people in the right roles to deliver on its priorities.

I am pleased with the progress made in 2022 against our stated culture priorities. We have clear objectives through our Culture Blueprint initiatives, including an enterprise recognition program and programs aimed at improving meeting effectiveness. The Blueprint initiatives will continue to be informed by data, employees, and key stakeholders across QBE. We established a new Culture Governance approach to drive priority enterprise initiatives and both the Group Executive Committee and Board remain engaged with our culture work through regular updates on progress.

Outlook

We remain focused on delivering our strategic priorities and consistently supporting our customers, partners and communities. I am proud of what we have achieved together in 2022 and I am optimistic about the year ahead.

We expect the risks associated with inflation, ongoing economic uncertainty and climate change should serve to maintain pricing discipline across the insurance industry. Across property classes in particular, these themes will be compounded by the withdrawal of property reinsurance capacity, which should result in higher reinsurance costs for the industry. We expect gross written premium growth to be in the mid-to-high single digits in 2023, and our Plan combined operating ratio on a AASB 1023 basis is ~93.5%.

It has been a pleasure to work with my colleagues on the Group Executive Committee and the stability in our leadership team has reflected positively across the organisation. I thank our people for their dedication and support of our customers. I have been humbled this year as I met so many people across our divisions and witnessed their genuine care and pride in our company. I look forward to continuing to work with them to help enable a more resilient future and demonstrate the positive role insurance plays for economies and people. Finally, I wish to thank our shareholders for their support over the year.

Andrew Horton
Group Chief Executive Officer

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Our strategic priorities building momentum

Our purpose is to enable a more resilient future. As an organisation, we have been helping our customers grow, innovate, explore, prepare and recover from setbacks since 1886. Our strategy should ensure we build on this legacy.

Portfolio optimisation

Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility

Sustainable growth

Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill set across the enterprise

Bring the enterprise together

Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale

Modernise our business

Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people

Our people

Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets

Our culture

Be a purpose-led organisation. Strengthen the alignment, trust and collaboration across the enterprise. Make sure our purpose is visible every day, in all our interactions

What we have achieved in 2022	Future focus
• 2023 business planning more deliberately calibrated to multi-year enterprise portfolio mix and growth targets • Refined property catastrophe appetite to reduce volatility and ensure more targeted deployment of in-demand capacity	• Further refine the Group's volatility framework, with a focus to more deeply integrate the framework into our cell review and planning process • Conduct strategic review of QBE's market position and capability across select casualty classes to refine growth and mix targets
• Positive operating leverage to support expanded investment in people and capability surrounding growth focus areas • With NZIA insured emissions measurement methodology now finalised, work is progressing to set targets in accordance with the NZIA Target-Setting Protocol	• Market conditions expected to remain supportive in 2023, with further opportunity for selective growth across our focus areas • To support a successful transition, focus will continue on more deeply embedding environment and social factors into our planning and underwriting
• More structured collaboration across certain global lines of business driving more consistency, and improved distribution and capital allocation outcomes • Simplification of internal delegated authorities to empower leaders and lift pace of decisions and workflow	• Accelerate and better define next wave of enterprise opportunities unlocked through better sharing of knowledge and relationships • Build out capabilities to create a globally consistent underwriting platform that can leverage market opportunities and support the resilience of our clients in an increasingly complex risk environment
• Establishment of multi-year Australia Pacific modernisation program to support leading commercial market shares through an uplift in digital capability • Continued to execute on the simplification of our IT estate with a significant shift of infrastructure and applications to the cloud	• Build and improve operational capability, effectiveness and resilience in a sustainable way as we grow • Leverage the foundational investment over recent years to further digitise underwriting workflows across the business, and better embed the use of data in decision making
• New remuneration model launched for 2022 more directly linked to culture (how) and performance (what) driving organisational uplift across both areas • QBE Voice people survey highlights improvement in employee wellbeing, sense of belonging and engagement	• Develop globally consistent approach in performance management, career and development, underpinned by investment in leadership capability • Increase the diversity of our workforce in line with targets (such as HESTA's 40:40 Vision) including increasing representation of women in all leadership roles
• Established Culture Insights Panel to inform ongoing culture assessment and identification of new opportunities • Developed bold new Inclusion of Diversity targets for launch in 2023	• Develop internal and external campaigns to help further embed, and bring our new purpose to life • Embed our new Safety to Speak up framework into our DNA, encouraging more inclusive and respectful behaviours

Group Chief Underwriting Officer's report

Navigating **uncertainty**

In a period characterised by significant economic, geopolitical and climate-related challenges, QBE's underwriting performance demonstrated strong discipline and much improved resilience. Material effort to improve underwriting quality, consistency and capability is now translating into better financial outcomes and deeper relationships with our customers and partners.

Sam Harrison Group Chief Underwriting Officer

Average renewal premium rate increase (%)

7.9

1.8% from 2021

Underwriting result (US$M)

933

238 from 2021

Group COR (%)

93.7

2021 95.0

QBE has demonstrated adaptability, discipline and resilience in a dynamic and challenging year. The insurance industry navigated new geopolitical and inflation challenges, alongside a continuation of COVID-19 litigation and extreme weather. Despite challenges, we maintained our focus and pleasing progress was made around performance, portfolio optimisation, and our desire to be a successful sustainable insurer. We continue to modernise and improve data capability, which has supported improved financial performance and enhanced relationships with our customers and partners.

QBE achieved a combined operating ratio of 93.7% compared to 95.0% in the prior year, which supported a double digit ROE of 10.5%, QBE's strongest in over a decade following 10.3% achieved in the prior period. Looking ahead, we remain confident in our primary ambition for QBE to achieve a consistent combined operating ratio in the low-to-mid 90s.

Rate adequacy continued to improve in 2022, where markets remained disciplined in most lines of business. While inflation was a significant challenge for the business, I am pleased with our preparedness, collaboration and response. We expect higher inflation will remain persistent in the year ahead, which, combined with the impact of higher reinsurance costs and an uncertain economic outlook, suggests a pressing need for further rate increases and discipline across the industry.

Our reinvigorated focus on portfolio optimisation and volatility has driven meaningful cultural change over the year, resulting in continued refinement of our cell review and planning process. We enter 2023 with more deliberate and defined enterprise level portfolio growth and mix targets, with our first formal interim target for our underwriting portfolio to be published in line with the Protocol. Environmental and social considerations continue to play a larger role in our planning and underwriting process, where we see a great opportunity surrounding QBE's role in supporting an orderly and inclusive transition towards net zero.

2022 focus areas

Inflation: our experience and approach

Inflation has proven a major challenge for the industry in 2022, and question-marks around its persistency remain a key uncertainty in the year ahead

While inflation was a significant challenge for the business, we were well prepared with the early establishment of a co-ordinated global inflation working group, which helped to both detect and respond to inflation. Over the past two years, we have progressively embedded higher inflation assumptions across a number of classes of business to reflect a mix of experience, and uncertainty regarding the emergence of inflation.

Looking ahead

While there are increasing signals suggesting inflation may have peaked, the persistency of inflation remains a key risk. We remain focused on maintaining dynamic feedback loops between claims, pricing and underwriting teams, and ensuring exposure and rating remains commensurate with inflation.

Portfolio optimisation: more deliberate planning

The portfolio optimisation strategy has been pivotal in leveraging the foundational enhancement undertaken over recent years into a more deliberate and focused enterprise planning process

Our global underwriting teams are collaborating more effectively than ever before. This has supported the evolution and success of our portfolio optimisation strategy, where our planning process is now calibrated to more defined and deliberate portfolio mix targets, determined as an enterprise. This cohesion has been particularly important in navigating a more challenging reinsurance marketplace, in which we recalibrated our global property catastrophe strategy and appetite.

Looking ahead

Growth opportunities in 2023 remain attractive, and we expect to achieve further measured growth across our focus areas. Our approach to volatility has matured over the year, and we continue to improve our tools and data to better integrate volatility analysis into our cell review and planning process.

Sustainability: underwriting a successful transition

Our desire is for QBE to be a successful sustainable insurer, and we have made pleasing progress around integrating environmental and social considerations into our underwriting culture

We are proud to have played an active role in the NZIA, as the industry works towards a consistent approach to measuring insured emissions. With this methodology now finalised, QBE's focus for the year ahead will centre around underwriting emission measurement and target setting. This will be a significant and challenging body of work, though we see great opportunities ahead as we begin working more closely with our customers to ensure a successful transition.

Looking ahead

To support our transition plan, we remain focused on the ongoing development of the tools needed to improve our underwriting emission measurement depth and quality. We are optimistic and continue to explore transition opportunities that will arise, both relating to nascent industries and technology, and product innovation.

Future fit: an innovative underwriting culture

We want to foster an innovative and modern underwriting culture, and continually explore ways to modernise, expand our data capability and assess new product lines and opportunities

In 2022, we successfully launched our new global property pricing tool, which established an enterprise-consistent approach to risk selection, pricing and terms. We continue to explore opportunities in cyber insurance and have collaborated to take our existing capability and establish a new global product. We remain focused on product innovation, particularly where we can encourage and reward sustainable behaviours, and were proud to launch our new green Lenders' Mortgage Insurance (LMI) product in Australia.

Looking ahead

QBE has an underwriting platform that continues to attract top talent, and is known in our key markets for being innovative and dynamic. The benefit of material positive operating leverage in recent periods has allowed for the opportunity to invest in further data analytics capability and tools to ensure we can maintain and build on our leading reputation.

Sustainability review

QBE continues to focus on embedding sustainability into our business activities and culture. Our sustainability strategy focuses on the environmental and social challenges most relevant to our business, and delivering on our purpose of enabling a more resilient future.

Climate risks and opportunities and the associated economic, social and environmental implications, remain a priority for our stakeholders. Addressing the impacts of severe weather and supporting the transition to a net-zero economy will require considerable capital investment, innovation, and change. Additionally, we know that climate change can exacerbate socio-economic inequalities and that it will take focus for the transition to a net-zero economy to be inclusive.

QBE supports an orderly and inclusive transition to a net-zero economy. We have committed to supporting the objectives of the Paris Agreement by working towards being a net-zero emissions organisation across our operations by 2030 and through our investment and underwriting activities by 2050 with consideration of the latest science. We recognise the important role we can play as an insurer. Our success is reliant on many factors and is intrinsically linked to the progress we all can make collectively, particularly in developed countries with net-zero commitments.

Ensuring that sustainability is a fundamental part of our organisational culture, and partnering to develop innovative solutions to address climate and other sustainability challenges, form the other two focus areas of our sustainability strategy.

The story **so far...**

2016

- Developed Sustainability Framework
- Launched Premiums4Good
- Developed Group Diversity & Inclusion Policy
- First participated in annual PSI public disclosures

2017

- Premiums4Good grew to $455 million in first year
- Signed up to the Women's Empowerment Principles (WEPs)

2018

- Adopted the Task Force on Climate-related Financial Disclosures (TCFD)
- Achieved carbon neutrality[1] for our business operations and have maintained this since
- Released our Supplier Sustainability Principles

2019

- Launched the Global Disaster Relief and Resilience partnerships with Save the Children and Red Cross
- Joined RE100, committing to 100% renewable electricity across global operations by end of 2025
- Released our Group Environment Policy
- Developed our Sustainability Scorecard to drive sustainability commitments
- Joined Business for Social Impact (B4SI) and implemented social impact measurement framework

2020

- Net zero 2050 investment commitment in line with UN-convened NZAOA
- Membership of the UN Global Compact (UNGC)

2021

- Committed to net-zero emissions across global operations by 2030
- Developed our Environmental and Social Risk Framework
- Released our Group Human Rights Policy
- Celebrated 10 years of the QBE Foundation with new strategy launch

2022

- Net zero 2050 underwriting commitment in line with UN-convened NZIA
- Extended our Global Disaster Recovery and Relief Partnerships with Red Cross and Save the Children for a further three years
- Incorporated sustainability-aligned metrics based on culture, women in leadership and risk in executive variable remuneration scorecard

1 On defined emissions inventory related to our operations, see Data Book.

2022 highlights

37 initiatives and targets completed or on track in 2022.
See our data book for progress on our 2022 scorecard.

Sustainable insurance

Laying the foundation to publish one or more interim targets in accordance with the

NZIA Target-Setting Protocol

Impact and responsible investments

$1.6B

Market value of Premiums4Good investments

↑ **$200 million from 2021**

108 securities

Number of Premiums4Good investments

↑ **25 securities in 2021**

Operational excellence

RE100

Sourced 100% renewable electricity for our operations globally [1]

20% reduction

Energy usage reduction against baseline year of 2019

Customer and community

408,698

People supported through QBE Foundation

↑ **135,962 people in 2021**

Australian Red Cross | Save the Children

Relaunched our Global Disaster Relief and Resilience Partnership for another three years

People and culture

Recognition of our Culture Transformation by AHRI

AHRI AWARDS WINNER 2022

AUSTRALIAN LGBTQ INCLUSION AWARDS 2022 | AWEI PLATINUM EMPLOYER

Awarded Platinum Employer status in the Australian Workplace Equality Index

Governance

99.4%

Percentage of employees who completed mandatory training

↑ **97.4% in 2021**

AUSTRALIAN INSURANCE INDUSTRY AWARDS ANZIIF WINNER 2022

Winner of ANZIIF ESG Change Award

1 Based on RE100 Materiality Threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 5000MWh/year) and where it is not feasible to source renewable electricity.

Our areas of sustainability focus

QBE's purpose is enabling a more resilient future. We've been enabling resilience for 136 years through products and services that transfer risk and allow customers to recover after loss.

Focus area 1

Foster an orderly and inclusive transition to a net-zero economy

We support an orderly and inclusive transition to a net-zero emissions economy. We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our decision making, facilitating a resilient future for our business, customers and people. QBE has made net-zero commitments in relation to our own operations, investments, and underwriting. In line with our NZAOA net zero 2050 investment portfolio commitments, we are progressing on our interim targets for 2025.

Since joining the NZIA in 2022, we are laying the foundations to set interim targets for our underwriting portfolio. QBE has contributed to the development of insurance-associated emissions through the Partnership for Carbon Accounting Financials (PCAF) and NZIA. In January 2023, the NZIA issued the first Target-Setting Protocol for the global insurance sector. The Protocol will guide the form of QBE's interim targets for 2030.

Our supply chain can also be a significant source of emissions and we have committed to commencing formal engagement on net-zero progress with large suppliers in our global supply chain, with the goal of setting targets for those large suppliers by 2025. We have initiated contact with a sub-set of suppliers, with engagement scheduled to commence in early 2023.

Focus area 2

Enable a sustainable and resilient workforce

The culture and capability of our people are drivers of value for QBE. A sustainable and resilient workforce is underpinned by how we engage and connect our people to our purpose and vision. Investing in our people's career development, and supporting flexibility and wellbeing can allow us to continue to attract and retain the best talent.

Our people strategy is focused on driving culture through performance and reward, growing leadership capability and improved internal succession. We continue to prioritise investing in our people and strategic workforce planning for the future.

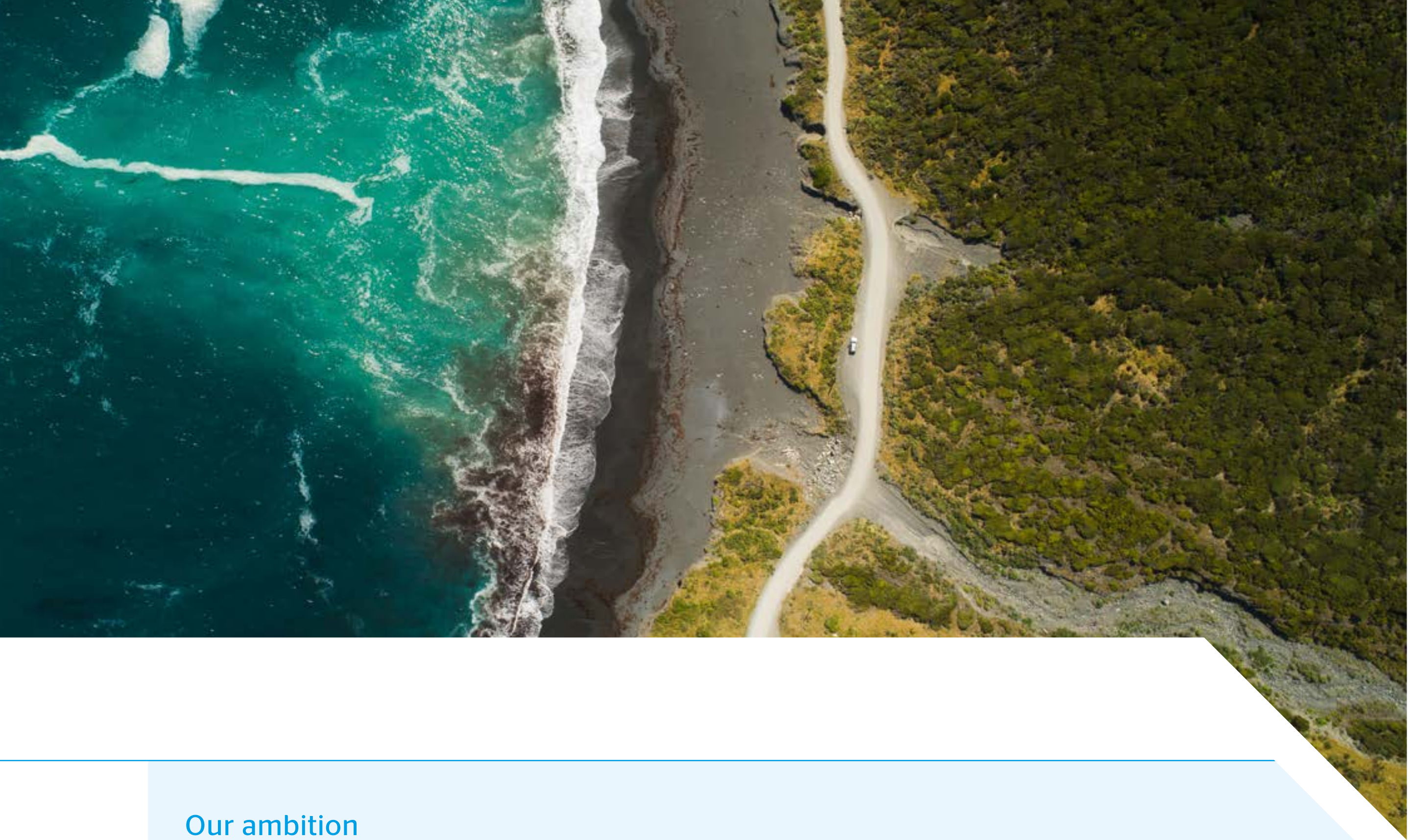
Our strategy enables us to support our workforce and our customers and communities to adapt in response to economic, environmental and social changes, such as climate adaptation and emissions reduction.

We recognise the value of developing our people. We will seek to integrate sustainability and drive engagement by harnessing the energy and enthusiasm of our people. Everyone will have a role to play.

Focus area 3

Partner for growth through innovative, sustainable and impactful solutions

Our landscape is changing, presenting opportunities to partner with our customers and others for growth through innovation. There are opportunities beyond insurance products to partner on impactful solutions through our investments, supplier and broker relationships, the QBE Foundation and QBE Ventures. We can explore ways to co-create solutions to meet the changing needs of our customers, and support communities affected by climate impacts, the net-zero transition and rising inequality.



Our ambition

We are working to support an orderly and inclusive transition to a net-zero economy, aligned with UN objectives of limiting warming to 1.5 degrees by the end of 2100. We will take actions within our control, engage for impact and advocate to influence progress on the decarbonisation of the real economy. We are setting interim targets and engaging with our customers and other partners to foster an orderly transition.

Our ambition includes consideration of the social implications of climate risk and transition.

Through our QBE Foundation partners, we continue to support initiatives that increase the resilience to, and mitigation of, the impacts of a changing climate. We focus on helping communities experiencing vulnerability to adapt and expand their food and water security, especially those at risk of displacement. We will continue to strive to meet our existing sustainability commitments through our underwriting, investments, own operations, and how we engage with our supply chain. This includes turning our focus to sustainable claims management practices.

Our ambition

By 2025, we seek to increase our enterprise-wide understanding of sustainability to better deliver on our strategic priorities. We are strengthening a sustainability connection to our purpose, vision and DNA, and ensuring our people understand the role they play and have opportunities to engage and meaningfully contribute.

Sustainability metrics are embedded into our executives' variable remuneration and will evolve over time to reflect our sustainability ambitions. In addition, we will expand our Inclusion of Diversity targets beyond gender to focus on ethnicity, disability, and LGBTIQ+ to continue to foster a culture of belonging.

Across the enterprise, we will continue to strengthen and build our workplace culture, and embed sustainability into strategic decision making, linked to our purpose of enabling a resilient future.

Our ambition

Our ambition by 2025 is to have explored new partnership opportunities across the many stakeholders with which we can work, to grow through innovative, sustainable and impactful solutions. We will seek to amplify any successful solutions in one division across our global enterprise to improve outcomes for customers, communities, society, the environment and the economy.

We continue to support programs that respond to catastrophes, often caused by severe weather events, and in October 2022, we renewed our three-year partnership with the Red Cross and Save the Children. We will also continue to collaborate with industry, government and civil society to support the achievement of our priority UN Sustainable Development Goals.

Group Chief Financial Officer's **report**

In a challenging backdrop characterised by heightened inflation and catastrophe activity, geopolitical tensions and significant investment market volatility, QBE achieved an improvement in profitability, further growth, and importantly demonstrated greater resilience in its financial performance.

Financial performance

QBE reported a statutory net profit after tax of $770 million compared with $750 million in the prior year.

Adjusted cash profit after tax increased to $847 million from $805 million in the prior year, and equates to an annualised return on equity of 10.5%.

Statutory gross written premium increased 13% as a result of continued favourable premium rate increases, stable retention and targeted new business growth. For a second year, growth in our Crop business was particularly strong, supported by commodity prices and organic momentum.

There was a remarkable recalibration of interest rates globally, resulting in higher risk-free rates across all currencies. This resulted in a $1,214 million favourable impact to the statutory underwriting result, which was more than offset by unrealised losses of $1,343 million in our fixed income portfolio.

The statutory combined operating ratio excluding the impact from risk-free rates deteriorated to 94.2% from 93.7% in the prior year. This largely reflected the adverse impact from the Australian pricing promise review, and the impact of the transaction to reinsure North America Excess and Surplus (E&S) lines prior accident year liabilities. These items impacted the underwriting result by $60 million and $45 million respectively.

To support comparability of year-on-year results, we have adjusted for these items. On this basis, the combined operating ratio improved to 93.7% from 95.0% in the prior year, representing underwriting profit of $933 million compared to $695 million in the prior period.

The total investment loss for the year was $(776) million or (2.7)%, compared with a return of $122 million or 0.4% in the prior year. Excluding the impact of risk-free rates, the investment return was $567 million or 2.0%, compared with $382 million or 1.3% in the prior year.

In fixed income, the portfolio running yield increased materially over the year, to an exit yield of 4.1%, from 0.7% in the prior year. This supported higher core yield income which was partially offset by adverse credit spread marks. In risk assets, unrealised losses on equities and fixed income were more than offset by favourable returns from infrastructure and unlisted property.

In May, QBE sold the Westwood Insurance Agency in North America for $374 million. The transaction had an $8 million positive impact in the period, after accounting for $328 million of goodwill which was allocated to Westwood, and $30 million in restructuring expenses.

This transaction alongside improved profitability and lower insurance and asset risk charges primarily due to higher risk-free rates, supported a meaningful improvement in QBE's capital position. The indicative APRA PCA multiple increased to 1.79x from the pro forma view of 1.75x at 31 December 2021, and is now at the top of our 1.6–1.8x target range.

QBE's effective statutory tax rate was 15.3% compared with 17.1% in the prior year, and reflects the mix of corporate tax rates in the countries where we operate, alongside the recognition of $95 million of previously unrecognised tax losses in the North American tax group.

Summary income statement and underwriting performance

FOR THE YEAR ENDED 31 DECEMBER	STATUTORY 2022 US$M	STATUTORY 2021 US$M	ADJUSTMENTS PRICING REVIEW 2022 US$M	ADJUSTMENTS E&S 2022 US$M	ADJUSTMENTS CTP 2021 US$M	ADJUSTMENTS COVID 2021 US$M	ADJUSTED BASIS 2022 US$M	ADJUSTED BASIS 2021 US$M
Gross written premium	**20,001**	18,457	**(53)**	**–**	–	4	**20,054**	**18,453**
Gross earned premium	**19,067**	17,035	**(53)**	**–**	–	4	**19,120**	**17,031**
Net earned premium	**14,327**	13,408	**(53)**	**(390)**	(365)	(6)	**14,770**	**13,779**
Net claims expense	**(8,330)**	(8,371)	**–**	**327**	349	141	**(8,657)**	**(8,861)**
Net commission	**(2,119)**	(2,070)	**–**	**–**	19	2	**(2,119)**	**(2,091)**
Underwriting and other expenses	**(1,836)**	(1,829)	**(7)**	**(2)**	–	2	**(1,827)**	**(1,831)**
Underwriting result	**2,042**	1,138	**(60)**	**(65)**	3	139	**2,167**	**996**
Net investment (loss) income on policyholders' funds	**(509)**	77	**–**	**–**	–	–	**(509)**	**77**
Insurance profit	**1,533**	1,215	**(60)**	**(65)**	3	139	**1,658**	**1,073**
Net investment (loss) income on shareholders' funds	**(267)**	45	**–**	**–**	–	–	**(267)**	45
Financing and other costs	**(245)**	(247)	**(15)**	**–**	–	–	**(230)**	(247)
Gain on sale of entities and businesses	**38**	–	**–**	**–**	–	–	**38**	–
Share of net loss of associates	**(7)**	(7)	**–**	**–**	–	–	**(7)**	(7)
Remediation	**–**	–	**75**	**–**	–	–	**(75)**	–
Restructuring and related expenses	**(106)**	(72)	**–**	**–**	–	–	**(106)**	(72)
Amortisation and impairment of intangibles	**(27)**	(21)	**–**	**–**	–	–	**(27)**	(21)
Profit before income tax	**919**	913	**–**	**(65)**	3	139	**984**	771
Income tax expense	**(141)**	(156)						
Profit after income tax	**778**	757						
Non-controlling interests	**(8)**	(7)						
Net profit after income tax	**770**	750						

KEY RATIOS	STATUTORY 2022 %	STATUTORY 2021 %	ADJUSTED BASIS 2022 %	ADJUSTED BASIS 2021 %
Net claims ratio (ex risk-free rate)	**66.6**	**64.6**	**67.0**	**66.5**
Ex-cat claims	***60.1***	*59.4*	***58.2***	*57.4*
Prior accident year claims development	***(0.5)***	*(1.1)*	***1.0***	*1.4*
Risk margin (release) charge	***(0.4)***	*(0.6)*	***(0.2)***	*0.7*
Net commission ratio	**14.8**	**15.5**	**14.3**	**15.2**
Expense ratio	**12.8**	**13.6**	**12.4**	**13.3**
Combined operating ratio (ex risk-free rate)	**94.2**	**93.7**	**93.7**	**95.0**
Combined operating ratio	**85.7**	**91.5**	**85.3**	**92.8**
Insurance profit margin	**10.7**	**9.1**	**11.2**	**7.8**

Significant items impacting the underwriting result

The summary income statement above shows the statutory result excluding the following items to provide better year-on-year comparability of performance.

Australian pricing promise review

As part of a broader industry review, focused around the delivery of pricing promises for retail products, QBE has investigated pricing practices dating back several years across a range of retail products.

Following the review, QBE has identified instances where the policy pricing promise was not fully delivered.

$75 million (including $15 million in financing and other costs) before tax was recorded in the first half to account for expected customer remediation, interest payable and the costs associated with administering the program.

North America E&S reinsurance transaction

As reported at the first half result, the Group entered into a transaction to reinsure E&S prior accident year liabilities. The transaction had a material impact on the comparison of net earned premium and key underwriting ratios.

The loss portfolio transfer reduced net earned premium and net claims expense by $390 million and $327 million respectively, while impacting underwriting expenses by $2 million.

As a result, the transaction had a $65 million upfront net adverse impact (including a risk-free rate impact of around $20 million) on the underwriting result.

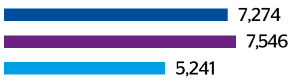
Unless otherwise stated, the Group and business commentary following excludes the impact of both items from the 2022 result, along with the previously disclosed CTP reinsurance transaction and COVID-19 impacts in the 2021 result.

Premium income and pricing

Gross written premium (US$M)

20,054

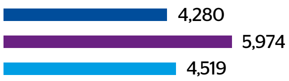
13% from 2021



Net earned premium (US$M)

14,770

13% from 2021



- North America
- International
- Australia Pacific

Average renewal premium rate increase

Group

+7.9%

North America	+9.2%
International	+6.5%
Australia Pacific	+9.5%

Group

Gross written premium increased 9% on a headline basis to $20,054 million, from $18,453 million in the prior year.

On a constant currency basis, gross written premium increased 13%, reflecting continued rate increases coupled with steady retention levels, organic growth, and another year of material growth in Crop.

Excluding Crop, gross written premium growth was 10% on the same basis.

The Group achieved an average renewal premium rate increase of 7.9% compared with 9.7% in the prior year. Rate increases moderated in lines that have seen the largest increases during the current cycle, particularly casualty classes.

Excluding premium rate increases and Crop, constant currency growth was 4% compared to 10% in the prior period.

North America

North America delivered 16% growth in gross written premium. Excluding Crop, premium increased by 4%, where premium rate increases of 9.2% were down marginally from 10.7% in prior year.

Crop premium increased by 31% as a result of significantly higher commodity prices coupled with strong organic growth.

Premium rate increases and growth in Crop more than offset a planned reduction in property catastrophe exposed programs business. Excluding premium rate increases and Crop, gross written premium declined 1%.

International

International reported a 14% increase in gross written premium.

Premium rate increases remained supportive at 6.5%, albeit moderated through the year from 10.2% achieved in the prior year. Excluding premium rate increases, constant currency growth was 9%.

Premium growth was broad-based. Within Insurance, premium increased by 12%, with particularly strong contributions from the International Markets and UK segments. Within QBE Re, premium growth of 25% reflected strong growth across all segments and offices.

Australia Pacific

Australia Pacific reported a 9% increase in gross written premium. Premium rate increases built over the year to 9.5%, compared with 8.3% in the prior year.

Growth across many segments, particularly in commercial lines, was partially offset by lower volumes in LMI.

Reinsurance expense

Reinsurance expense increased 34% to $4,350 million from $3,252 million in the prior year. The majority of the increase can be attributed to Crop, where much of the premium growth was ceded to a new external quota share reinsurance contract, and the government reinsurance program.

Average renewal premium rate increases

FOR THE YEAR ENDED 31 DECEMBER	2022 %	2021 %	2020 %	2019 %
North America	**9.2**	10.7	10.2	5.7
International	**6.5**	10.2	12.8	6.0
Australia Pacific	**9.5**	8.3	5.4	7.3
Group	**7.9**	9.7	9.8	6.3

Foreign exchange rates

FOR THE YEAR ENDED 31 DECEMBER		2022		2021	
		PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
Australian dollar	A$	**0.693**	**0.678**	0.751	0.727
Sterling	£	**1.232**	**1.203**	1.375	1.353
Euro	€	**1.051**	**1.067**	1.182	1.138

Segment underwriting performance

Combined operating ratio

93.7%

Underwriting result (US$M)

933

- North America
- International
- Australia Pacific

North America

North America reported a combined operating ratio of 98.9%, an improvement from 102.9% in the prior year, and an encouraging return to underwriting profitability.

While elevated inflation and higher claims in Crop had an adverse impact on the ex-cat claims ratio, this was more than offset by further improvement in total acquisition costs, a reduced level of adverse prior year development and lower catastrophe claims.

Catastrophe claims decreased 1.9% to 5.8% of net earned premium, and were slightly below allowance. This included the impact of Hurricane Ian, and a higher frequency of smaller events.

Crop recorded a combined operating ratio of 95.5% which deteriorated from 92.7% in the prior year, and reflected higher claims primarily as a result of drier conditions across a number of states. This offset lower total acquisition costs on account of improved scale, and new external quota share reinsurance.

International

International reported a combined operating ratio of 92.5% compared with 90.6% in the prior year.

The result reflected a challenging operating environment underpinned by heightened inflation, costs relating to the Russia/Ukraine conflict and elevated catastrophe costs including Hurricane Ian and the French storms.

The ex-cat claims ratio improved by 1.5% to 51.6%, where the benefit of significant rate increases partly offset increased allowances for inflation, and higher claims frequency in certain classes.

Adverse prior year development of $142 million or 2.4% compared with favourable development of $66 million or 1.2% in the prior year. This reflected additional, largely proactive strengthening for inflation across a number of classes, and an adverse COVID-19 business interruption court ruling.

Australia Pacific

Australia Pacific reported a combined operating ratio of 90.1%, which improved from 91.4% in the prior year.

The impact of severe weather was exacerbated by short-tail inflationary challenges, which resulted in deterioration in the catastrophe and ex-cat claims ratios.

This was more than offset by improved operating leverage from premium growth and efficiency initiatives, alongside favourable prior accident year development.

The LMI current accident year combined operating ratio improved to 15.4% from 35.4% in the prior year, where delinquency and claim payment trends remain supportive.

	GROSS WRITTEN PREMIUM		NET EARNED PREMIUM		COMBINED OPERATING RATIO		UNDERWRITING RESULT	
FOR THE YEAR ENDED 31 DECEMBER	2022 US$M	2021 US$M	2022 US$M	2021 US$M	2022 %	2021 %	2022 US$M	2021 US$M
North America	**7,274**	6,289	**4,280**	3,965	**98.9**	102.9	**46**	(118)
International	**7,546**	6,958	**5,974**	5,545	**92.5**	90.6	**447**	522
Australia Pacific	**5,241**	5,215	**4,519**	4,265	**90.1**	91.4	**446**	370
Corporate & Other	**(7)**	(9)	**(3)**	4	**–**	–	**(6)**	(79)
Group adjusted basis	**20,054**	18,453	**14,770**	13,779	**93.7**	95.0	**933**	695
Risk-free rate impact	**–**	–	**–**	–	**(8.5)**	(2.2)	**1,214**	301
Australian pricing promise review	**(53)**	–	**(53)**	–	**0.4**	–	**(60)**	–
E&S reinsurance transaction	**–**	–	**(390)**	–	**0.1**	–	**(45)**	–
NSW CTP reinsurance transaction	**–**	–	**–**	(365)	**–**	(0.2)	**–**	3
COVID-19 impact	**–**	4	**–**	(6)	**–**	(1.1)	**–**	139
Group statutory	**20,001**	18,457	**14,327**	13,408	**85.7**	91.5	**2,042**	1,138

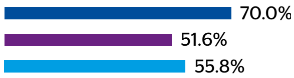
Claims

Net claims ratio

67.0%

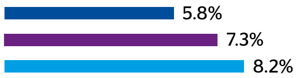
Ex-cat claims ratio

58.2%



Catastrophe claims ratio

7.2%



- North America
- International
- Australia Pacific

Prior accident year claims development (US$M)

(141)

Incurred claims

Excluding the impact of changes in risk-free rates used to discount net outstanding claims, the net claims ratio increased to 67.0% from 66.5% in the prior year.

This increase was primarily driven by an increase in the ex-cat claims ratio alongside higher catastrophe claims.

Adverse prior year development of $141 million primarily reflected additional strengthening of inflation allowances. Consistent with normal practice the calculation of prior year movements excludes positive development relating to Crop insurance that is matched by additional premium cessions under the MPCI scheme ($14 million, 2021 $1 million), and adverse development which is more than offset by related adjustments in the current period underwriting result ($137 million, 2021 $55 million).

The net risk margin movement reflects the release of the COVID-19 risk margin, offset by new business strain.

Catastrophe claims

The net cost of catastrophe claims increased to $1,060 million or 7.2% of net earned premium, from $905 million or 6.6% in the prior period. This exceeded the Group's catastrophe allowance for the year of $962 million.

Elevated catastrophe activity continued, with industry insured losses expected to settle around $130 billion in 2022.

Catastrophe costs were underscored by Hurricane Ian, which is expected to be the second-costliest North American hurricane on record. On the east coast of Australia, the February-March floods have been declared the most costly natural disaster in Australian history.

French storms in June, South African flooding, plus storms Eunice and Elliot also proved significant events for the year.

Catastrophe costs include an allowance for the Russia/Ukraine conflict, which reflects exposure through political risk, political violence and aviation classes.

Ex-cat claims

The ex-cat claims ratio increased to 58.2% from 57.4% in the prior year.

The ex-cat claims ratio of our Crop business increased due to the impact of adverse weather. Excluding Crop, the Group ex-cat claims ratio increased by 0.2% to 54.6%.

Higher inflation was observed across all regions, though most concentrated in short-tail classes. While higher inflation assumptions were incorporated across the business, rate increases remained at or above inflation in most classes.

In North America, increased severity observed in certain property segments had an adverse impact.

In International, claims frequency increased in some portfolios as economic activity returned to more normal levels.

In Australia Pacific, an above normal frequency of non-catastrophe weather claims impacted many classes.

Prior accident year claims development

Prior accident year claims development was $141 million adverse or (1.0)% of net earned premium, which reduced from $192 million adverse or (1.4)% in the prior year.

North America reported $43 million of adverse development, largely reflecting strengthening in discontinued books.

International reported $142 million of adverse development, reflecting higher inflation allowances, and an adverse COVID-19 business interruption court ruling in the UK.

Australia Pacific reported positive development of $44 million.

Weighted average risk-free rates

CURRENCY		31 DECEMBER 2022	30 JUNE 2022	31 DECEMBER 2021
Australian dollar	%	**3.69**	**3.16**	1.12
US dollar	%	**4.21**	**3.09**	1.44
Sterling	%	**3.64**	**2.15**	0.86
Euro	%	**2.50**	**1.19**	(0.33)
Group weighted	%	**3.60**	**2.49**	0.87
Estimated risk-free rate benefit	US$M	**1,234**	**804**[1]	**301**

1 Estimated risk-free rate benefit for the six months to 30 June.

Underwriting expenses, commission and tax

Expense ratio

12.4%

2021 13.3%

Net commission ratio

14.3%

2021 15.2%

Tax rate

15.3%

2021 17.1%

Underwriting and other expenses

The Group's expense ratio improved to 12.4% from 13.3% in the prior year, reflecting disciplined cost management and efficiencies, favourable business mix, and ongoing benefit from operating leverage as a result of strong premium growth.

International and Australia Pacific achieved further improvement in their expense ratios, as a result of cost control coupled with positive operating leverage.

North America reported a minor deterioration in its expense ratio to 11.8% from 11.6% in the prior year, where the benefit of positive operating leverage and mix was offset by targeted reinvestment and the loss of fee income following the Westwood sale.

Net commission

The net commission ratio reduced to 14.3% from 15.2% in the prior year, primarily due to higher income from the increased Crop quota share and favourable business mix.

North America's commission expense ratio reduced following further growth in Crop, where outwards commissions are reimbursed by the US Government, alongside higher commission income from new quota share reinsurance.

International and Australia Pacific's commission ratio also improved on the prior year due to favourable business mix shift, and a continued focus on trading and distribution negotiations.

Income tax expense

QBE's effective statutory tax rate was 15.3% compared with 17.1% in the prior year, and reflects the mix of corporate tax rates in the countries where we operate, alongside the recognition of $95 million of previously unrecognised tax losses in the North American tax group.

This recognition of tax assets was supported by the improved outlook for North America profitability, primarily due to the higher running yield on investment assets.

During the year, QBE paid $74 million in corporate income tax globally, with no payments in Australia due to our tax loss position.

The balance of the franking account stood at A$54 million as at 31 December 2022. Having regard to QBE's franked AT1 distribution commitments and our tax loss position, the dividend franking percentage is expected to remain around 10% for the foreseeable future.

Operational efficiency

Underwriting and other expenses (US$M)

1,827

6% on 2021[1]

Expense ratio

12.4%

QBE has achieved considerable momentum against efficiency targets, calibrated to a Group expense ratio of 13% by 2023.

The expected $150 million restructuring charge related to the three-year program has now been fully incurred, with a $78 million expense recognised in the current period.

While our efficiency agenda has delivered material technology and operating cost savings, we have benefited from positive operating leverage supported by a stronger and longer premium rate cycle than was originally planned for.

This position now affords increased capacity to pursue additional initiatives to modernise the business and support growth.

Our modernisation agenda is primarily focused on improving connectivity and ease of doing business with our customers and partners, supporting the digitisation and efficiency of our core underwriting and claims processes, better leveraging data across our organisation and providing better tools for our employees to meet customer needs.

We have good alignment around the key target growth opportunities across the organisation. Our investment spend will be targeted towards this pipeline of opportunities across both our core franchises as well as related adjacencies.

To support the expanded investment slate, we continue to expect a Group expense ratio of around 13% in 2023.

1 Constant currency basis.

Investment performance and strategy

Total investment (loss) income (US$M)

(776)

898 from 2021

Total investment return

(2.7)%

2021 0.4%

Fixed income Vs Risk assets

(3.1)% | **1.2%**

2021 (0.4)% | 2021 13.5%

The total investment loss for the year was $(776) million or (2.7)%, compared with a return of $122 million or 0.4% in the prior year. The result was heavily impacted by unrealised losses associated with the significant increase in bond yields over the year.

Adjusting for the impact of changes in risk-free rates on fixed income securities, the total investment return was $567 million or 2.0% for the year, an increase from 1.3% in the prior year. In fixed income, higher core yield income was partially offset by adverse credit spread marks. In risk assets, unrealised losses on equities and enhanced fixed income were more than offset by favourable returns from infrastructure and unlisted property.

Fixed income

The significant recalibration in global interest rates supported meaningful improvement in the fixed income running yield, with the 31 December 2022 exit running yield of 4.1% many multiples higher than 0.7% at 31 December 2021.

Our corporate credit portfolio delivered strong relative performance. Credit quality remained sound with fewer rating downgrades compared to levels seen more broadly across fixed income markets.

Risk assets

The risk asset portfolio delivered a total return of 1.2%. This portfolio has meaningful exposure to asset classes with a positive correlation to inflation, partly in recognition of the corresponding sensitivity of our claims liabilities.

To this end, our unlisted property and infrastructure assets performed well, delivering a 7.7% return for the year. This helped to offset weaker performance across other risk asset classes including listed equities, high yield, and emerging market debt.

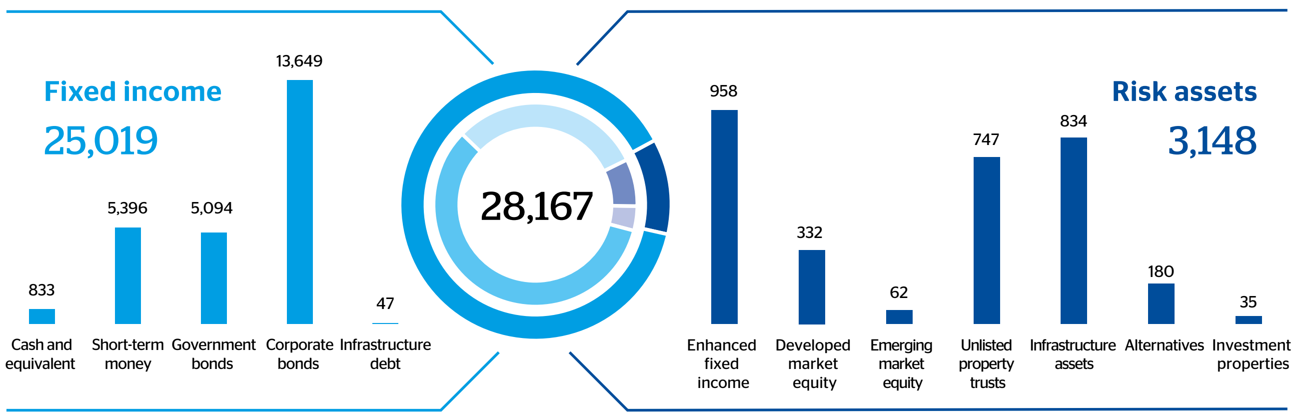
Funds under management

The overall investment book remains conservatively positioned, with around 89% invested in high quality fixed income securities and the remaining 11% invested in risk assets.

We continued to rebalance the portfolio toward our 15% target risk asset allocation, albeit we did slow the pace of re-risking in recent months to reassess opportunities and relative returns, given significant market volatility.

Funds under management declined by 3% compared to the prior period, however increased by 2% on a constant currency basis after accounting for a $1,514 million foreign exchange headwind. The balance was also impacted by adverse mark-to-market losses, the pre-funded redemption of a Tier 2 note and the E&S transaction.

Total cash and investments (US$M)



	POLICYHOLDERS' FUNDS	SHAREHOLDERS' FUNDS
Cash and cash equivalents	547	286
Short-term money	3,543	1,853
Government bonds	3,344	1,750
Corporate bonds	8,961	4,688
Infrastructure debt	31	16

Fixed income
- Policyholders' funds
- Shareholders' funds

Risk assets
- Policyholders' funds
- Shareholders' funds

	POLICYHOLDERS' FUNDS	SHAREHOLDERS' FUNDS
Enhanced fixed income	629	329
Developed market equity	218	114
Emerging market equity	41	21
Unlisted property trusts	490	257
Infrastructure assets	548	286
Alternatives	118	62
Investment properties	23	12

Balance sheet and capital management

Capital

QBE's indicative APRA PCA multiple improved to 1.79x from 1.75x[1] in the prior year. The sale of the Westwood Insurance Agency in North America added around 0.05x to the PCA multiple, which also benefited from improved profitability, plus lower insurance liabilities and asset risk charges reflecting the material increase in interest rates.

These factors more than offset capital absorbed through organic growth, investment portfolio rebalancing and an increase in the insurance concentration risk charge reflecting exposure growth and the 2023 reinsurance renewal.

In May 2022, QBE redeemed GBP327 million of subordinated Tier 2 notes. These notes were capital qualifying under APRA's capital adequacy framework. The redemption was pre-funded by the September 2021 issuance of GBP400 million of capital qualifying Tier 2.

QBE has $900 million of perpetual fixed rate resetting capital notes that are AT1 qualifying under APRA's capital adequacy framework. The notes are classified as equity, pay franked after-tax distributions and do not impact the weighted average number of shares for earnings per share calculations (since the notes are written off in whole or in part if APRA determines QBE is, or would become, non-viable).

The after-tax distribution on QBE's AT1 capital was $50 million.

Net outstanding claims

At 31 December 2022, the risk margin was $1,287 million or 8.0% of the net discounted central estimate of outstanding claims, compared with $1,418 million and 8.8% at 31 December 2021.

Excluding foreign exchange and the E&S reinsurance transaction, the risk margin decreased by $34 million.

The result included significant strain associated with ongoing momentum in new business and exposure growth.

This was more than offset by the impact of higher risk-free rates, which reduced the net discounted central estimate, and the release of remaining COVID-19 related risk margin of $160 million. This release reflects reduced COVID-19 related uncertainty, particularly regarding residual COVID-19 business interruption risk following favourable court rulings in Australia and the UK.

The probability of adequacy (PoA) of net outstanding claims reduced to 90.0%, at the midpoint of the Group's 87.5–92.5% target range.

Borrowings

At 31 December 2022, total borrowings were $2,744 million, a reduction of $524 million from $3,268 million at 31 December 2021.

The decrease in borrowings primarily reflects the redemption of GBP327 million subordinated Tier 2 notes in May 2022.

Debt to total capital was 23.4% at 31 December 2022, a minor decrease from 24.1%[1] at 31 December 2021.

Gross interest expense on borrowings for the year was $166 million, down from $177 million in the prior year, due to the redemption of the 6.115% GBP327 million Tier 2 notes in May 2022, which were pre-funded with 2.50% GBP400 million Tier 2 notes in September 2021, representing an interest saving of approximately GBP10 million per annum.

The average annualised cash cost of borrowings at 31 December 2022 was 6.0%, an increase from 5.4% at 31 December 2021 due the pre-funding of the Tier 2 notes redemption in May. Adjusting for the pre-funding, the average annualised cost of borrowings was 5.8%.

At 31 December 2022, all but $6 million of the Group's borrowings continued to count towards regulatory capital.

Key balance sheet and capitalisation metrics

AS AT			31 DECEMBER 2022	31 DECEMBER 2021	
		BENCHMARK	STATUTORY	STATUTORY	PRO FORMA[1]
Net discounted central estimate	US$M		**16,141**	16,107	16,107
Risk margin	US$M		**1,287**	1,418	1,418
Net outstanding claims	US$M		**17,428**	17,525	17,525
Net assets	US$M		**8,992**	8,882	8,882
Less: intangible assets	US$M		**(2,018)**	(2,449)	(2,449)
Net tangible assets	US$M		**6,974**	6,433	6,433
Add: borrowings	US$M		**2,744**	3,268	2,826
Total tangible capitalisation	US$M		**9,718**	9,701	9,259
Probability of adequacy	%		**90.0**	91.7	91.7
Risk margin to central estimate	%		**8.0**	8.8	8.8
Debt to total capital	%	15–30	**23.4**	26.9	24.1
Debt to equity	%		**30.5**	36.8	31.8
Debt to tangible equity	%		**39.3**	50.8	43.9
Premium solvency[2]	%		**47.2**	46.7	46.7
QBE's regulatory capital base	US$M		**10,373**	10,389	9,947
APRA's PCA	US$M		**5,797**	5,732	5,699
PCA multiple		1.6–1.8x	**1.79x**	1.81x	1.75x

1 Pro forma adjusting for GBP327 million pre-funded debt repaid in May 2022.
2 The ratio of net tangible assets to management net earned premium.

Cash profit and dividends

Reconciliation of cash profit

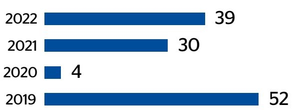
FOR THE YEAR ENDED 31 DECEMBER	2022 US$M	2021 US$M
Net profit after tax	**770**	750
Amortisation and impairment of intangibles after tax [1]	**72**	53
Write-off of deferred tax assets	**–**	–
Write-off of capitalised tax assets	**–**	–
Net cash profit after tax	**842**	803
Restructuring and related expenses after tax	**93**	52
Net gain on disposals after tax	**(38)**	–
Additional Tier 1 capital coupon	**(50)**	(50)
Adjusted net cash profit after tax	**847**	805
Return on average shareholders' equity – adjusted cash basis (%)	**10.5**	10.3
Basic earnings per share – adjusted cash basis (US cents)	**57.2**	54.6
Dividend payout ratio (percentage of adjusted cash profit) [2]	**48%**	41%

1 $63 million of pre-tax amortisation expense is included in underwriting expenses (2021 $50 million).

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

Dividends per share (A¢)

39



Dividend payout (A$M)

578

Dividends

The Group's dividend policy is calibrated to pay out 40%–60% of adjusted cash profit annually. This approach provides a balance between supporting the Group's growth ambitions and providing flexibility to effectively navigate through phases of the global insurance cycle.

The final dividend for 2022 is 30 Australian cents per share, compared with the 2021 final dividend of 19 Australian cents per share.

The final dividend will be 10% franked and is payable on 14 April 2023. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

The combined 2022 interim and final dividend of 39 Australian cents per share is up from 30 Australian cents per share in 2021, and equates to a total payout of A$578 million or 48% of adjusted cash profit.

QBE enters the new year with conservative balance sheet settings and a strong solvency position. The payout for the current period reflects the strength of the Group's capital position, as well as what remains a positive outlook for premium growth.

Closing remarks

In an ultimately challenging year for the insurance industry, the strength and resilience of QBE's financial performance are a testament to the ongoing work to de-risk, simplify and modernise our business. We enter 2023 with a broader and more diversified earnings base and strong growth momentum across our key markets.

Outlook focus

Maximise market opportunity

Drive targeted growth and enhance returns

Reduce volatility

Mitigate volatility through evolving portfolio optimisation framework

Build greater consistency

In our operations and financial results

Sustainability

Make a positive contribution to the economies and communities in which we operate

Although the macroeconomic backdrop remains uncertain, we remain confident in our outlook for the year ahead, entering 2023 with strong business momentum, a broader and more diversified earnings base, significant support from earned rate, and a capital position at the top end of our target range.

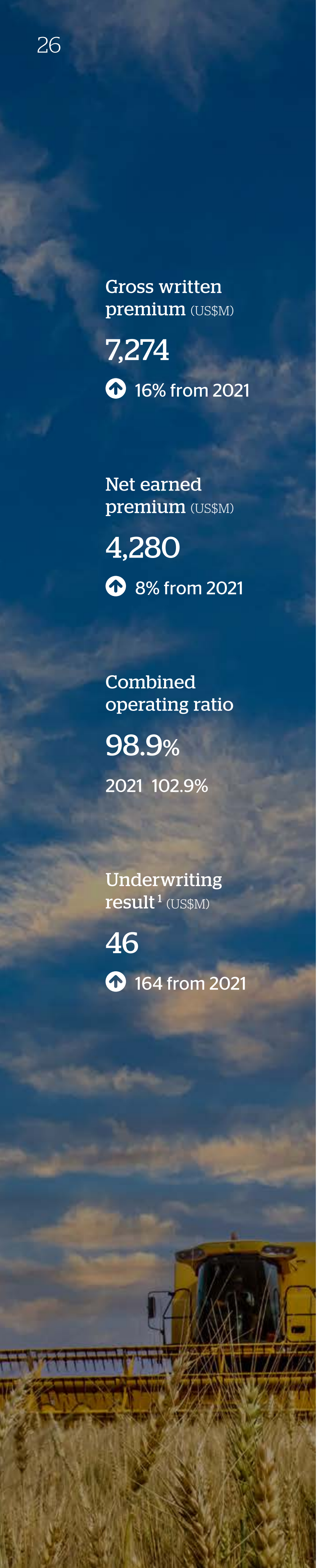
Our portfolio optimisation strategy remains focused on reducing volatility and improving risk-adjusted returns across our business. The progress in reducing property catastrophe exposure proved critical in navigating a challenging reinsurance renewal. Initiatives focused on reassessing reserve risk helped inform the scope of the reserve transaction announced recently, which will significantly reduce reserve volatility, enhance returns and provide greater capital flexibility to support growth.

The benefit of expense discipline alongside positive operating leverage has been meaningful in recent periods, and now affords increased capacity to pursue further modernisation and growth of our business. In 2023, we will be executing against a targeted set of growth opportunities, as well as initiatives to develop deeper connectivity and improve the ease of doing business with our customers, digitise our underwriting and claims processes, and provide better tools for our people.

We are progressing with integrating environmental and social considerations into our business planning and financial reporting processes. Material work is underway to lift capability around underwriting emission measurement, as we work towards setting an emission reduction target. We see great opportunity as we work more closely with our customers to ensure a successful transition, and will continue actively exploring transition opportunities that will arise associated with new industries, products and technologies.

Insurance market conditions remain supportive and we expect rate increases and premium growth to continue through 2023 and support further improvement in the underwriting account. The reset in interest rates is translating into substantially higher investment returns supporting a better balance in our earnings profile, and we remain confident of achieving a stronger, more consistent level of financial performance over the medium term.

Inder Singh
Group Chief Financial Officer



Gross written premium (US$M)

7,274

16% from 2021

Net earned premium (US$M)

4,280

8% from 2021

Combined operating ratio

98.9%

2021 102.9%

Underwriting result[1] (US$M)

46

164 from 2021

North America business review

The favourable premium rate environment alongside expanding benefits associated with portfolio optimisation initiatives, exposure management, and the pursuit of targeted organic growth have supported a return to underwriting profit for North America.

Todd Jones Chief Executive Officer, North America

2022 overview

Challenges associated with higher inflation and elevated catastrophe activity resulted in the need for further rate increases and disciplined risk selection. North America delivered on its organic growth strategy while improving portfolio balance, exiting a cohort of unprofitable programs and successfully executing the divestiture of the Westwood Insurance Agency. Alongside further improvement in underwriting quality, North America delivered a combined operating ratio of 98.9%, which compares to 102.9% in 2021, and represents an encouraging return to underwriting profitability.

Gross written premium growth was strong at 16%, supported by ex-rate growth of 12.5%. Pricing remained supportive despite moderating in certain pockets such as management liability and workers' compensation, supporting an average renewal rate increase of 9.2%, compared to 10.7% in the prior year.

North America executed on a number of portfolio optimisation initiatives calibrated around a multi-year shift in portfolio risk profile and balance. Technical rate adequacy improved from another year of compound rate increases while property catastrophe risk was reduced, with coastal wind exposure down by over 30%. We deployed a number of reinsurance solutions to manage earnings-at-risk in classes such as property and crop.

There is good momentum across our modernisation and efficiency initiatives. Foundational investments in policy administration and data architecture are nearing completion, including the migration of a number of key systems. Models were improved by integrating additional third-party data for better pricing and improved risk selection tools, while investments are underway to modernise and digitise underwriter workflows.

North America executed a loss portfolio transaction during the first half to facilitate the transfer of $327 million of outstanding claims reserves related to the runoff legacy E&S portfolio, resulting in an adverse pre-tax impact $65 million. All discussion of performance within has been adjusted for the impact of this transaction.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2022	EX-E&S 2022	2021	2020	2019
Gross written premium	US$M	**7,274**	**7,274**	**6,289**	4,775	4,361
Gross earned premium	US$M	**7,213**	**7,213**	**5,838**	4,551	4,375
Net earned premium	US$M	**3,890**	**4,280**	**3,965**	3,351	3,692
Net claims expense	US$M	**2,669**	**2,996**	**3,046**	2,917	2,929
Net commission	US$M	**456**	**456**	**512**	486	536
Underwriting expenses	US$M	**508**	**506**	**460**	469	488
Underwriting result	US$M	**257**	**322**	**(53)**	(521)	(261)
Net claims ratio	%	**75.2**	**76.4**	**78.4**	84.2	77.9
Net commission ratio	%	**11.7**	**10.7**	**12.9**	14.5	14.5
Expense ratio	%	**13.1**	**11.8**	**11.6**	14.0	13.2
Combined operating ratio	%	**100.0**	**98.9**	**102.9**	112.7	105.6
Statutory combined operating ratio	%	**93.4**	**92.5**	**101.3**	115.5	107.0
Insurance profit (loss) margin	%	**4.1**	**5.2**	**(0.6)**	(14.6)	(3.7)

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

Underwriting performance

North America reported a combined operating ratio of 98.9%, which improved by 4.0% from 102.9% in the prior year.

The result reflected a lower level of catastrophe claims, which fell to $251 million and accounted for 5.8% of net earned premium, slightly below allowance and down from 7.7% in the prior period.

The Crop combined operating ratio deteriorated by 2.8% to 95.5%, primarily relating to drier conditions across a number of states.

Heightened inflation, which alongside higher claims in Crop and elevated severity from terminated programs, saw a 3.3% deterioration in the ex-cat claims ratio to 70.0%.

Premium income

Gross written premium increased 16% to $7,274 million. This reflected particularly strong growth in Crop, and broader property and casualty business growth of 8.1% driven by continued strong rate increases, new business growth, and improved retention. Overall, growth excluding rate was 12.5% compared to the prior period, or negative 1.1% excluding Crop.

Crop gross written premium rose 30.7% primarily due to heightened commodity prices and organic growth of 14%. QBE continued to grow market share with its leading technology-oriented customer proposition, deeply ingrained agent loyalty and investment in new talent.

Commercial gross written premium growth of 17% was supported by strong premium rate increases across most lines and organic growth in targeted areas including middle market and workers compensation. We exited a number of programs representing around $400 million of gross written premium which reduced exposure to convective storm and social inflation exposed classes.

Specialty gross written premium was broadly steady as strong new business growth and rate capture in both accident and health, and professional liability was offset by moderation in management and transaction liability, in response to less supportive market conditions.

Net earned premium increased 8% to $4,280 million, a slower pace than on a gross basis due to growth in heavily reinsured portfolios such as Crop, which had a new quota share in place for 2022.

Claims expense

The ex-cat claims ratio deteriorated by 3.3% to 70.0%, or 1.5% excluding Crop to 58.6%.

This reflected increased severity observed in certain property segments, and higher social inflation across a discrete portion of the portfolio. These trends ultimately underscore the importance of our decision to terminate a number of program relationships.

The ex-cat claims ratio for Crop deteriorated by 7.6% compared to the prior period, primarily as a result of drier conditions across a number of states.

Catastrophe claims decreased 1.9% to 5.8% of net earned premium from 7.7% in the prior year. Catastrophe claims were driven by Hurricane Ian, and the high frequency of smaller events.

Adverse prior accident year claims development was $43 million, or 1.0% of net earned premium, compared to adverse development of $148 million, or 3.7% in the prior period. This reflected strengthening in older accident years for certain discontinued books of business. Further strengthening was also made to incorporate higher inflation assumptions across several lines.

Commission and expenses

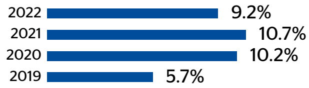
The total acquisition cost ratio improved by 2.0% to 22.5%, compared with 24.5% in the prior period. This partly reflected the benefit from efficiency initiatives and ongoing improvement in operating leverage, but also mix benefits associated with strong growth in Crop, which operates on a cost base below the North American average.

Excluding Crop, North America's combined commission and expense ratio improved by 1.0% to 32.4%, which has declined meaningfully from historical levels.

Average renewal premium rate increase

9.2%

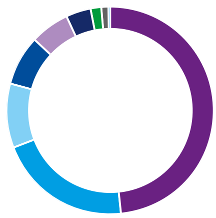
1.5% from 2021



Gross written premium by segment

	2022 %
Crop	48.6
Commercial	26.1
Specialty	25.3

Gross written premium by class of business



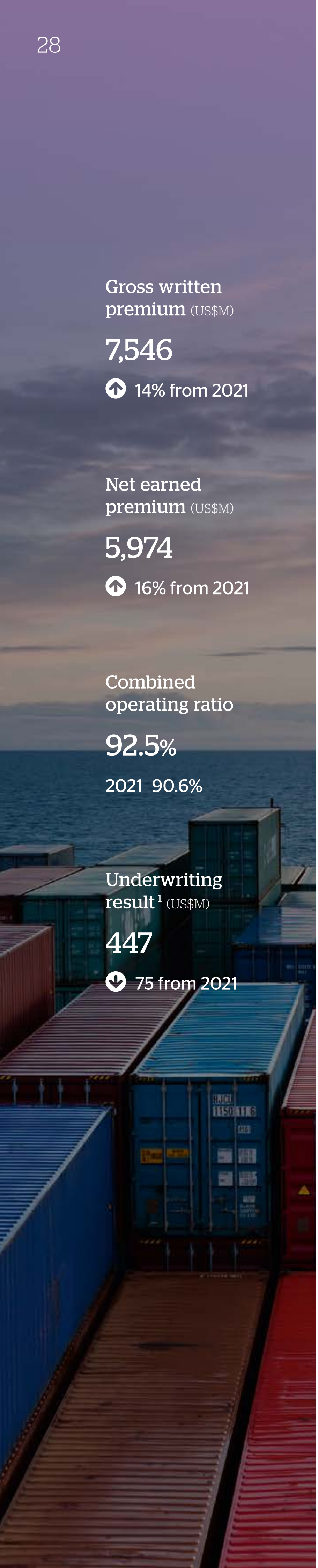
	2022 %
Agriculture	48.5
Commercial & domestic property	20.8
Professional indemnity	10.0
Accident & health	7.9
Workers' compensation	5.9
Public/product liability	4.0
Marine, energy & aviation	1.7
Motor & motor casualty	1.0
Financial & credit	0.2

Combined commission and expense ratio

22.5%

2.0% from 2021

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information



Gross written premium (US$M)

7,546

14% from 2021

Net earned premium (US$M)

5,974

16% from 2021

Combined operating ratio

92.5%

2021 90.6%

Underwriting result[1] (US$M)

447

75 from 2021

International business review

In a year characterised by numerous external challenges, the benefits from International's ongoing focus on resiliency, portfolio optimisation and targeted growth were clear in a combined operating ratio of 92.5%.

Jason Harris Chief Executive Officer, International

2022 overview

International recorded further progress in its pursuit of targeted growth, with gross written premium increasing 14% compared to the prior year. New business volumes were particularly strong, with ex-rate growth of 8.8%, underpinned by successful growth initiatives across both insurance and reinsurance segments. Mid-single digit premium rate increases continue to compound on multi-year rating improvement across most classes.

Within the Insurance division, new business momentum was achieved in the International Markets tracker portfolio, and liability and property lines for our UK segment. In Continental Europe, new branches in both France and the Netherlands helped to build our profile in marine and liability products respectively.

In the Reinsurance division (QBE Re), organic growth has been achieved across all key markets and offices. Focus has centred around deepening relationships with core clients, improving portfolio quality, and reshaping property catastrophe exposure to better complement the Group's overall global portfolio. Rate increases trended higher through the year, with the Property market hardening meaningfully on the back of concerns around loss experience, inflation, and climate change.

Benefits from the ongoing focus on underwriting quality and portfolio optimisation were present in the resiliency of International's underwriting result. International delivered a combined operating ratio of 92.5% compared with 90.6% in the prior year. The result was adversely impacted by heightened inflationary pressures, an adverse COVID-19 business interruption judgement, costs associated with the Russia/Ukraine conflict and elevated catastrophe experience.

In an increasingly competitive marketplace for talent, we have been focused on establishing QBE as an employer of choice. Pleasingly, QBE Europe was awarded Employer of the Year from a major industry publication.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2022	2021	2020	2019
Gross written premium	US$M	**7,546**	6,958	5,856	5,200
Gross earned premium	US$M	**6,908**	6,476	5,542	5,010
Net earned premium	US$M	**5,974**	5,545	4,812	4,339
Net claims expense	US$M	**3,017**	3,134	3,106	2,918
Net commission	US$M	**1,045**	980	877	752
Underwriting expenses	US$M	**678**	726	655	652
Underwriting result	US$M	**1,234**	704	174	17
Net claims ratio	%	**63.7**	59.8	59.4	64.5
Net commission ratio	%	**17.4**	17.7	18.3	17.3
Expense ratio	%	**11.4**	13.1	13.6	15.0
Combined operating ratio	%	**92.5**	90.6	91.3	96.8
Statutory combined operating ratio	%	**79.3**	87.3	96.4	99.6
Insurance profit margin	%	**13.7**	12.9	5.5	7.9

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

Underwriting performance

International reported a combined operating ratio of 92.5% compared with 90.6% in the prior period.

The result reflected a challenging operating environment underpinned by heightened inflation, costs relating to the Russia/Ukraine war and elevated catastrophe costs including Hurricane Ian and the June French storms.

These external headwinds were partly offset by the benefit of increased premium income driven by continued rate increases, targeted new business, and underlying exposure growth.

The result included adverse prior year development of $142 million, which represented strengthening for higher inflation assumptions across multiple lines, and the impact of an adverse COVID-19 business interruption legal judgement.

Premium income

Gross written premium increased by 14% to $7,546 million. International achieved an average renewal premium rate increase of 6.5% compared to 10.2% in the prior year.

The market became more bifurcated for rating, where moderation was observed in many casualty classes, while property lines remained firm.

Within Insurance, gross written premium increased by 12%, with most portfolios achieving mid-single digit rate increases. Ex-rate growth of 7% was robust, with particularly strong contributions from our portfolio tracker business, UK liability and property, alongside natural resources where we have established a new Sustainable Energy unit.

Within QBE Re, gross written premium growth of 25% reflected strong growth across all segments and offices. The recent January 2023 renewal has seen further momentum, which should support the outlook for both growth and underwriting profitability.

Asia's gross written premium remained stable at $455 million, where COVID-19 has continued to impact travel.

Growth in gross written premium continues to translate into momentum in net earned premium, which increased 16% during the year.

Claims expense

The net claims ratio increased to 63.7% from 59.8% in the prior year.

The ex-cat claims ratio improved by 1.5% to 51.6%, where the benefit of significant rate increases offset increased allowances for inflation and an increase in frequency observed in certain classes as global economic activity returned to more normal levels.

The net cost of catastrophe claims was $438 million or 7.3% of net earned premium, compared with 6.5% in the prior period. Heightened catastrophe activity continued, underscored by Hurricane Ian, Storms Eunice and Elliott, the June French storms and flooding in Australia and South Africa.

Higher catastrophe costs also include an allowance for exposure to the ongoing Russia/Ukraine conflict.

Adverse prior accident year development of $142 million or 2.4%, reflected additional allowances for inflation across a number of classes, where we have proactively looked to address risks associated with the persistency of inflation. The result also reflects an adverse COVID-19 business interruption legal judgement in the UK.

Commission and expenses

The combined commission and expense ratio improved by 2.0% to 28.8% compared to the prior year, supported by an ongoing focus on efficiency, positive operating leverage and lower commissions.

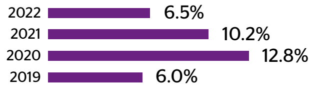
The net commission ratio improved by 0.3% to 17.4%, mainly representing favourable changes in portfolio mix.

The expense ratio improved by 1.7% to 11.4%, reflecting ongoing expense discipline combined with the benefit of positive operating leverage.

Average renewal premium rate increase

6.5%

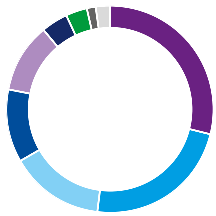
3.7% from 2021



Gross written premium by segment

	2022 %
International markets	32.8
QBE Re	25.0
UK	22.4
Continental Europe	13.9
Asia	5.9

Gross written premium by class of business

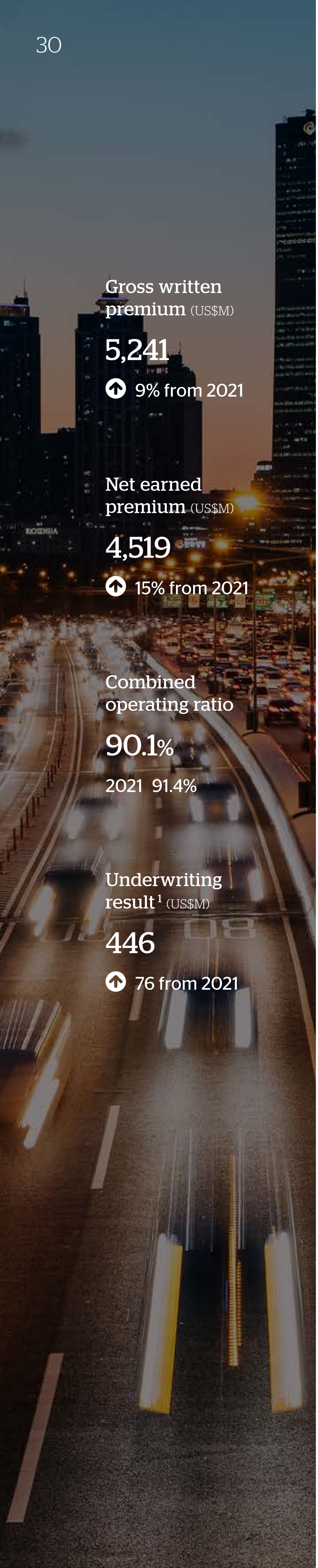


	2022 %
Commercial & domestic property	28.9
Public/product liability	23.3
Marine, energy & aviation	14.7
Motor & motor casualty	11.2
Professional indemnity	10.9
Workers' compensation	4.2
Accident & health	3.2
Other	2.1
Financial & credit	1.5

Combined commission and expense ratio

28.8%

2.0% from 2021



Gross written premium (US$M)

5,241

9% from 2021

Net earned premium (US$M)

4,519

15% from 2021

Combined operating ratio

90.1%

2021 91.4%

Underwriting result[1] (US$M)

446

76 from 2021

Australia Pacific *business review*

Australia Pacific recorded an improvement in combined operating ratio to 90.1%, sustaining positive rating momentum and targeted volume growth, alongside foundational investment to support medium-term modernisation initiatives.

Sue Houghton Chief Executive Officer, Australia Pacific

2022 overview

Australia Pacific continued to deliver targeted growth in 2022. Ex-rate growth was 2%, or 5% excluding the impact of lower LMI volumes. Growth was broad based across a wide range of classes, though it remains strongest in small and medium sized business customer segments.

The operating environment proved challenging, with elevated natural peril activity and heightened cost inflation. The La Nina climate pattern produced significant flood and storm events across Eastern and Southern Australia in the first and fourth quarters. The frequency and size of natural peril activity exacerbated economic inflationary trends, as the impact of disrupted supply chains was amplified by increased demand for materials and tradespeople.

Against this backdrop, Australia Pacific's result demonstrated encouraging resilience, with a combined operating ratio of 90.1%, which improved by 1.3% compared to the prior period.

In response to claims pressures, premium rates continued to firm, with an average renewal premium rate increase of 9.5% compared to 8.3% in 2021. Pricing momentum built over the course of the year, with fourth quarter average renewal rate increases of 10.4%. Rate increases were most pronounced in short-tail classes due to weather and inflation effects, with several portfolios recording double digit increases alongside favourable adjustment to terms and conditions.

During the year, modernisation initiatives focused on further uplifting capability across customer and partner connectivity, claims, underwriting and pricing. Australia Pacific commenced preparations for the introduction of the Northern Australia Reinsurance Pool, while foundational investment was made to support commencement of a medium-term digitisation project focused on commercial customer segments.

Australia Pacific conducted a review of pricing promises in conjunction with the broader Australian Securities and Investments Commission (ASIC) industry review. As announced in July 2022, this gave rise to a charge of $75 million in relation to instances where policy pricing promises were not fully delivered. Work is progressing to remediate impacted customers.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2022	EX-PRICING 2022	2021	2020	2019
Gross written premium	US$M	**5,188**	**5,241**	5,215	4,079	3,920
Gross earned premium	US$M	**4,944**	**4,997**	4,731	3,985	3,885
Net earned premium	US$M	**4,466**	**4,519**	4,265	3,626	3,568
Net incurred claims	US$M	**2,688**	**2,688**	2,640	2,316	2,223
Net commission	US$M	**613**	**613**	600	534	526
Underwriting expenses	US$M	**607**	**600**	601	555	519
Underwriting result	US$M	**558**	**618**	424	221	300
Net claims ratio	%	**64.0**	**63.3**	63.2	62.8	60.7
Net commission ratio	%	**13.7**	**13.5**	14.1	14.7	14.8
Expense ratio	%	**13.6**	**13.3**	14.1	15.3	14.5
Combined operating ratio	%	**91.3**	**90.1**	91.4	92.8	90.0
Statutory combined operating ratio	%	**87.5**	**86.3**	90.1	93.9	91.6
Insurance profit margin	%	**12.2**	**13.3**	10.4	6.9	13.6

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

Underwriting performance

Australia Pacific reported a combined operating ratio of 90.1% compared with 91.4% in the prior period.

Underwriting profit of $446 million increased by 31% relative to the prior year in constant currency terms.

Strong results were delivered across LMI, New Zealand, Pacific, CTP and Australian commercial portfolios. Partly offsetting this were higher catastrophe and weather-related claims in Householders and Strata.

The combined commission and expense ratio improved to 26.8% from 28.2% in the prior period.

In the fourth quarter, the High Court declined leave to appeal test cases relating to COVID-19 business interruption claims. As a result, uncertainty relating to the range of outcomes has reduced, leading to a release of divisional claims provisions and centrally held risk margin.

Claims are now being processed and paid based on the Federal Court ruling.

Premium income

Gross written premium increased by 9% to $5,241 million, reflecting premium rate increases, sustained strong retention levels and new business, partially offset by lower volumes in LMI.

Premium rate increases improved to 9.5% from 8.3% in the prior period. Increases were broad based, though more pronounced in short-tail portfolios exposed to heightened natural peril activity and increased inflation. Premium retention remained strong at 87%, broadly consistent with the prior period.

Commercial gross written premium grew 14% underpinned by farm, commercial motor, commercial packages and engineering.

New Zealand & Pacific achieved gross written premium growth of 6% despite exiting the Smartpak facility in April.

Excluding LMI, Consumer achieved gross written premium growth of 12%, primarily reflecting higher rate increases. LMI gross written premium declined 43% to $167 million, driven by reduced housing market activity following strong transaction volumes in the prior year.

Claims expense

Australia Pacific's net claims ratio was stable over the year at 63.3%.

The ex-cat claims ratio of 55.8% increased 1.6% relative to the prior period. The benefit of higher earned premium rates and lower claims handling costs was offset by increased frequency of non-catastrophe weather claims, and heightened inflation in property and motor portfolios.

The net catastrophe claims ratio of 8.2% increased by 2.5% compared to the prior period. The result was underscored by the significant East Coast flood and storm event in the first quarter, and the multiple flood and storm events impacting South-Eastern Australia in the fourth quarter.

The size, breadth, frequency and mix of natural peril activity (both catastrophe and non-catastrophe) has compounded inflationary impacts by increasing demand for tradespeople and materials, and supply chain disruption.

Short-tail inflation assumptions were strengthened, to reflect observed trends in average claims cost. In long-tail reserves, assumptions have also been increased for average wage growth and inflation.

Notwithstanding, the result included favourable prior accident year claims development of $44 million, compared with strengthening of $111 million in the prior period. Favourable experience in LMI and CTP more than offset the aforementioned inflation related strengthening, and strain in workers' compensation excess of loss, which was closed during the year.

In LMI, asset quality continued to improve, with 90-day arrears at 0.52%, down from 0.68% at 31 December 2021 and approximately 40 basis points below pre-COVID-19 levels. As a result, claims experience has been favourable and prior accident year claims liabilities held in relation to COVID-19 were released.

Commission and expenses

The combined commission and expense ratio improved to 26.8% from 28.2% in the prior period.

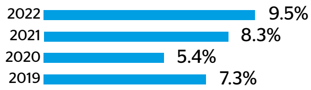
The net commission ratio reduced to 13.5% from 14.1% in the prior period reflecting business mix, commission income associated with the LMI quota share reinsurance.

The expense ratio improved to 13.3% from 14.1% in the prior period, despite higher investment in modernisation and technology initiatives, and investment in staff to support business growth.

Average renewal premium rate increase

9.5%

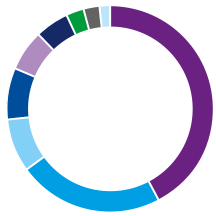
1.2% from 2021



Gross written premium by segment

	2022 %
Commercial	60.4
Consumer	30.9
New Zealand & Pacific	8.7

Gross written premium by class of business



	2022 %
Commercial & domestic property	42.3
Motor & motor casualty	22.7
Agriculture	8.4
Public/product liability	8.0
Workers' compensation	6.6
Financial & credit	5.1
Marine, energy & aviation	3.0
Professional indemnity	2.4
Accident & health	1.5

Combined commission and expense ratio

26.8%

1.4% from 2021

Group Chief Risk Officer's report

Managing risk – our business

Fiona Larnach Group Chief Risk Officer

As QBE emerges into a post-pandemic world, we continue to manage the residual risks from supply chain disruptions, business interruptions and hybrid working. However, given the volatility and rapid evolution of the geopolitical environment, new international challenges arise. The invasion of Ukraine by Russia resulted in a material deterioration in the global security environment and increased macroeconomic uncertainty. QBE is focused on managing the risks and impact to the Group while supporting our customers.

In addition, QBE continues to be exposed to natural disasters, with the 2022 eastern Australia floods recorded as some of the costliest in the nation's history. As the frequency and severity of these weather events continue to increase, QBE is focused on continuously improving understanding and management of climate-related risks. Catastrophe modelling continues to be updated in order to inform underwriting and reserving decisions.

Enterprise risk management framework

The enterprise risk management framework describes QBE's approach to managing risk and is embedded in our Risk Management Strategy which is annually reviewed to assess its effectiveness. To achieve the integration of risk in business planning and supporting our strategic objectives, material risks are identified and assessed, with QBE focused on ensuring there is a globally consistent process for individual risk assessments. Group-wide stress testing is performed to help develop mitigation strategies and actions to achieve our business plans.

Alongside strategic planning, our Capital Management Plan and risk appetite statements ensure a balance between risk and return as we allocate resources for sustainable growth. QBE's risk appetite statements define the threshold for our risk appetite, and are subject to periodic updates. Monitoring this enables QBE management to be aware of potential earnings volatility risks within the business plan and take action accordingly.

QBE's Group Risk and Control Self-Assessment Standard sets minimum requirements for identifying, documenting, and assessing key risks that QBE faces in delivering our strategic and business objectives, and assessing the effectiveness of those controls in place to manage those risks. The Incident and Issue Management Standard sets the minimum requirements for managing incidents and issues across QBE. This allows QBE to better manage risk and drive continuous improvement by understanding our risk exposure, identifying the root causes and proactively improving the overall control environment.

Risk governance

QBE's approach to managing risk is set out in the Risk Management Strategy, which is implemented through a three lines of defence model with oversight from the Board. The first line is business, responsible for identifying and controlling risks within our risk appetite according to our enterprise risk management framework. The second line is the risk and compliance function which establishes relevant risk frameworks and has an independent role to support and challenge the first line. The third line is the internal audit function which is the independent review and assurance function. QBE's approach to assurance seeks to integrate assurance-related activities across all three lines of defence to provide assurance that the key risks are being appropriately managed.

During 2022, QBE has sought to improve the effectiveness of risk management through a number of initiatives including strengthening the organisation's risk culture, developing an earnings volatility risk approach and simplifying the risk framework and internal governance documentation. Management expects to continue this program of risk management enhancements in 2023.

Risk culture

QBE recognises the importance of risk culture for supporting risk management and is committed to developing an appropriate level of skills to support a strong risk mindset. The QBE Group Risk Culture Standard outlines our framework through which we assess and manage risk culture.

Our risk culture is a key element of the QBE organisational culture and is strongly intertwined with the QBE DNA. We use a variety of processes and tools to understand and continually evolve our risk culture and risk maturity.

Our top risks

Geopolitical and economic uncertainty

Political instability or conflict resulting in disruption to international trade and economic downturn could result in financial loss to QBE. Heightened risk of conflicts, such as the ongoing geopolitical tensions between the US and China, and Russia's invasion of Ukraine has led to energy concerns and additional disruption to supply chains which were already strained from a global economy emerging from COVID-19. This has contributed to inflation, interest rate increases, heightened risk of recession and volatile foreign exchange rates and stock markets across major developed economies to which QBE's business is exposed, driving potential financial loss.

QBE is focused on understanding the potential impacts of geopolitical and economic uncertainty through scenario analysis and ensuring appropriate action is taken, such as through pricing to manage the impact of future claims costs, setting an appropriate business plan and determining appropriate reserves and capital requirements.

Inflation

Heightened inflation is a key driver of the current global macro-economic environment. Ongoing global political crises impacting energy and commodities pricing also threaten to exacerbate the fragility of the global supply chain. Central bank interest rates are the primary policy response to manage future inflation; however, the economic risk associated is economic slowdown and recession. There is the possibility that central banks choose not to increase interest rates substantially, leading to heightened inflation becoming embedded within Western economies.

As such, the rising cost of insurance claims, wage inflation and materials (both cost and availability), increasing litigation and litigation funding as well as broader definitions of covered liabilities, could impact profitability targets. Inflation assumptions, impact on reserves and pricing adequacy form a key part of the analysis within the inflation and recession stress tests and Group business planning process. Our inflation working group brings together cross-functional leaders to consider predicted inflationary trends and propose actions to be taken across all dimensions of QBE's business.

Climate change

As an international insurer, reinsurer and investor, there are a range of risks and opportunities associated with climate change that will present over the short, medium and long term. The increased frequency and severity of natural disasters due to climate change, as well as the transition to a net-zero economy, drive risks and opportunities. There is the potential for climate change to have significant impacts on certain perils and regions particularly floods in Europe and Australia, and hurricanes in North America, over the longer term. Regulatory pressures continue to grow, as policy action and stakeholder expectations around disclosure become more ambitious over the shorter term.

Further details on our approach to manage climate risks and opportunities are on pages 34–43.

Insurance accumulations

The influence of climate change, technological advances, increased globalisation and interdependency emphasise the importance of appropriate accumulations management towards large insurance loss events.

To manage this risk, QBE monitors and manages its insurance accumulations. Sophisticated modelling is used to understand both our current and forecast exposures and is viewed against the Board's risk appetite in relation to extreme loss events. We use multiple methodologies to evaluate the concentration risk from exposure to natural and man-made catastrophes, controlling this exposure with the appropriate purchase of reinsurance. QBE maintains an inventory of catastrophe models that cover global perils and regions to match our global portfolio. Scenario analysis focused on underwriting risk elements is employed to understand the potential impact of unexpected events across multiple classes of business. The breadth and depth of scenarios are reviewed and challenged regularly to reinforce new learnings, reflect best practice and to ensure the suite of catastrophes covered are in line with current events and new risks. Reinsurance and broader portfolio management strategies are integral to ensuring that our insurance accumulations remain at acceptable levels.

Reserving, large losses and prior year claims development

Inflation continues to drive uncertainty around the ability of QBE's current reserves to meet future claims with the risk of adverse prior year claims development. Both price and social inflation contribute to the rising claims costs and must be considered in reserving assumptions.

Cyber

QBE continues to adapt and optimise its operations and strategy in response to the ever-evolving threat landscape. To support QBE's innovative and fast-paced business, QBE aims to effectively manage cyber risk to ensure cyber resilience. QBE leverages the breadth of knowledge and expertise globally to deliver consistent and effective services that address our existing and emerging risks.

QBE's Cyber Security Strategy is informed by recommendations from internal and external reviews and takes a risk-based approach to the current and emerging threat environment. The strategic initiatives for 2022 to 2024 relate to ongoing improvements in our security posture, resilience, enhancing governance of partners and suppliers, investing in our people's security awareness and obligations, and further enabling security solutions in keeping pace with the threat landscape. In line with implementing these strategic initiatives, QBE is also focusing on assurance over our retention, management and disposal of data and datasets.

Climate change – our approach to risks and opportunities

QBE's approach to climate change is being embedded into our strategic priorities and risk management framework and supports our purpose of enabling a more resilient future. One of our three sustainability strategy focus areas is to foster an orderly and inclusive transition to a net-zero economy which directly supports our climate activities. We continue to develop our metrics, taking data availability and reliability into account, as well as set targets and make progress against our commitments.

Governance

The Board approves QBE's strategic priorities, which includes consideration of climate risks and opportunities. The Group Executive Committee (GEC) is accountable for developing and implementing the strategy.

The Board and the GEC receive regular reporting on sustainability issues and our progress towards our sustainability and climate-related goals and targets, as outlined in our 2022 Sustainability Scorecard. The GEC is supported by the Environmental and Social GEC Sub-Committee which focuses on environmental and social strategic issues including climate change. The Sub-Committee is chaired by our Group Executive, Corporate Affairs and Sustainability and meets at least every two months.

As part of the oversight of the Group's Risk Management Strategy, the Board Risk & Capital Committee (BRCC) and the Executive Risk Committee (ERC) receive regular reports on environmental, social and governance (ESG) risks, including deep dives on climate change risk, QBE's approach to managing this risk, and our scenario analysis for 2022. The ESG Risk Committee continues to play a key role in supporting the ERC in its identification and management of ESG risks, including climate change. The ESG Risk Committee is chaired by the Group Chief Risk Officer and has oversight of the Environmental and Social Risk Framework and its implementation, as well as climate scenario analysis and climate disclosures.

Our Board and Executives participate in regular training to enhance climate change capability. In 2022, the BRCC and ERC joined externally facilitated education sessions covering the evolving and accelerating liability landscape, board and management duties and exposures, reporting and disclosure, and regulatory expectations.

Strategy

QBE has committed to be a net-zero emissions organisation across our operations by 2030, and across our underwriting and investment portfolios by 2050. Addressing the risks and opportunities associated with climate change is a priority for QBE and our stakeholders.

In 2022, climate change was a key consideration in the evolution of our sustainability strategy and is highly relevant to our three areas of focus:

1. Foster an orderly and inclusive transition to a net-zero economy
2. Enable a sustainable and resilient workforce
3. Partner for growth through innovative, sustainable and impactful solutions

We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our strategic priorities, business planning and decision-making to meet our environmental and social commitments and enable a resilient future for our business and our customers.

To underpin our understanding of climate risks and opportunities, we have continued to undertake physical and transition scenario analysis. Understanding the changing nature of weather-related risks is critical to considering how we can help our customers manage their physical risks and how we price for and manage the accumulation of this risk.

This year, we have undertaken a global, economy-wide transition scenario analysis which has highlighted the risks and opportunities associated with the pathways to achieving net-zero emissions. While there is more work to be done to deepen our understanding and response to the decarbonisation journey, current data indicates QBE is broadly resilient. There are environmental and social benefits to an orderly transition to 1.5°C through greater economic stability and lower physical risks of climate change. As a global insurer and reinsurer, we have the ability to support the transition across many industries and regions through the products and partners we work with across our insurance portfolio, investment portfolio and own operations.

QBE's sustainability commitments in relation to these focus areas for 2023+ are detailed in our 2022 Sustainability Report.

QBE Foundation

This year, QBE announced a three-year extension to its global disaster relief and climate resilience partnership with two of the world's leading humanitarian agencies, Red Cross and Save the Children.

This partnership enables rapid mobilisation of funds for relief activities during disasters and supports preparedness and climate adaptation initiatives for communities around the world. We work together with communities to build resilience and save lives by improving their capacity to prepare, anticipate, respond and recover from disasters.

To date, the partnership has been activated in 19 of the 27 countries in which QBE operates and has reached over 490,000 people through the deployment of $2.7 million in funding and a further $2 million in investments through the Save the Children Impact Investment Fund. Our strategic framework outlines four key pillars: Disaster Preparedness and Risk Reduction, Anticipatory Action and Mitigation, Disaster Response and Disaster Recovery, underpinned by the Sendai Framework for Disaster Risk Reduction, UN Sustainable Development Goals and our organisational policies and frameworks.

Our strategy seeks to address:

Building community resilience

Local communities facing increased risk of natural disasters and emergencies are supported to effectively implement systems and practice

Disaster financing

By developing forecast-based funding models, we can minimise impact and reduce human suffering and losses from disasters

Underinsurance

Supporting customers to prepare for disasters and avoid significant impacts

Responding to disasters

Communities across 27 countries are supported to respond to disasters effectively

Scenario **analysis**

Physical	Transition

Scope of portfolios

Physical	Transition
Underwriting (property) Investment (unlisted property funds)	Underwriting (casualty, financial lines) Investment (fixed income)

Scenarios

less than 2°C, low emissions consistent with Representative Concentration Pathway (RCP) 2.6

greater than 2°C (3.2°C to 5.4°C), high emissions consistent with RCP 8.5

Network for Greening the Financial System

Orderly	Net zero 2050	1.5°C
	Below 2°C	1.7°C
Disorderly	Divergent net zero	1.5°C
	Delayed transition	1.8°C
Hot house world	Nationally Determined Contributions	2.4°C
	Current policies	3.0°C+

Timeframe

Physical	Transition
2030, 2050 and 2090	2025, 2030, 2040 and 2050

Scope of assessment

Hurricane/ cyclone/ typhoon	Australia, North America, Japan
Convective storm/hail	Australia, North America
Windstorm	Europe
Flood	Australia, Europe
Bushfire	Australia
Wildfire	North America

The impact of climate change on sectoral profit at a global level.

Climate scenario analysis

Catastrophe models
Business planning
Portfolio optimisation
NZIA target setting

Capital models and planning

Reinsurance programs

Physical risks and opportunities

QBE's property exposures most impacted by shorter-term physical risks of climate change are typically driven by exposure to North American hurricanes, and perils such as floods, bushfires and convective storms. The evaluation of the impact is supported by our accumulations management process, including regularly updated natural perils models, monitoring of property accumulations across the portfolio to simulate weather-related loss potential, budgeting, price setting, and the use of reinsurance to protect capital and reduce earnings volatility.

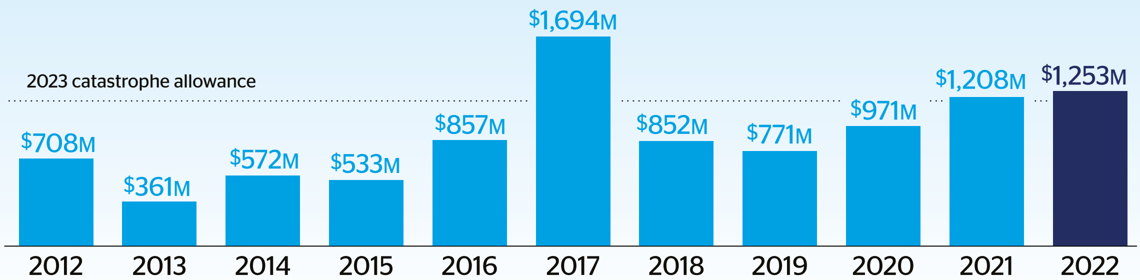
Our analysis concludes that the impact of climate change will differ significantly across both regions and the type of catastrophes. From the perils and regions studied so far, flood claims in Europe and Australia potentially could be the most impacted, while cyclones and convective storms in North America and Australia may take a little longer (mid-century) before the impact of climate change becomes more significant.

As part of our portfolio optimisation, we have reduced our exposure to North American hurricane given its significance in terms of its exposure to physical climate risk and driving potential losses for our business.

We expect climate change will increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change versus the normal short-term variability in weather and natural catastrophes. QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning. We also purchase a comprehensive Group catastrophe reinsurance program. Our catastrophe allowance in 2023 has been established at well above the long-term average of our modelled catastrophe costs. We effectively planned for the elevated level of catastrophe activity experienced in recent years.

2023 catastrophe allowance 'as-if' analysis

Annual catastrophe claims restated using 2023 reinsurance program



Strategy continued

Transition risks and opportunities

In 2022, we refreshed our climate transition scenario analysis to align with six of the latest Network for Greening the Financial System scenarios [1].

We then overlayed QBE's exposure, where data allowed, to better understand which segments of our insurance and investment portfolios may be exposed to high growth or contraction sectors as a result of the transition to a net-zero economy.

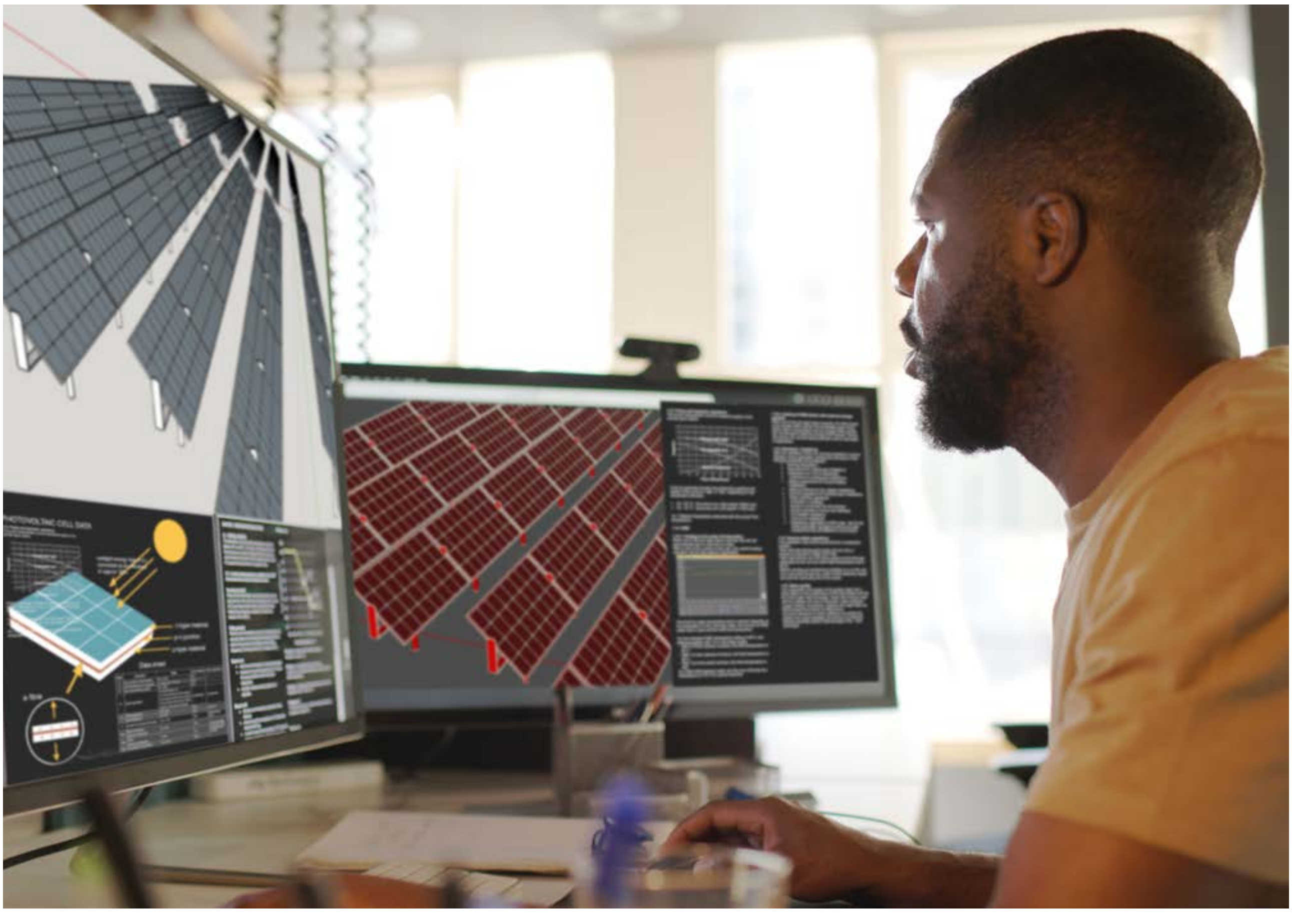
For investment, this was the fixed income (core fixed income (ex cash and cash equivalents), high yield, emerging market debt and private credit) portfolio and for underwriting it was the casualty and financial lines portfolios. The portfolios initially covered represent the material proportion of the underwriting portfolio that is likely to be affected by transition risk. Our property portfolio is more exposed to physical risk and we assess that separately, as outlined in this report.

In 2022, we have made a significant investment in data, people and systems to allow us to better understand our underwriting exposure at a sectoral level.

This work is ongoing as it supports our insurance-associated emissions baseline and target setting. We expect that data coverage and reliability will improve over time.

QBE has a diverse portfolio and operates in many industry sectors and geographies. In relation to the in-scope portfolios, QBE continues to be resilient with respect to climate transition risks as both our investment and underwriting portfolios broadly have limited exposure to highly impacted sectors.

There is an expectation that governments will follow through on their own commitments under the Paris Agreement and the transition will require insurance capacity to support activities essential to the global economy and society. We need to work with the most impacted industry sectors to transition in an orderly and inclusive manner to achieve a net-zero economy.



1 Further details on the scenarios is available here: www.ngfs.net/ngfs-scenarios-portal/

Underwriting

In January 2022, we announced the commitment to transition our insurance and reinsurance underwriting portfolios to net-zero GHG emissions by 2050. We also became the first listed Australian insurer to join the NZIA, a group of leading insurers and reinsurers that have pledged to help accelerate the transition to net zero within insurance and reinsurance underwriting portfolios.

This cemented our ongoing commitment to help support the transition of our customers, encouraging businesses to decarbonise and adopt more sustainable business models. NZIA's key objective is to set a common global standard to assess, understand and disclose the emissions intensity for underwriting, and a protocol based on science-based targets. This establishes a foundation and enables the insurance industry to set interim decarbonisation-related targets every five years, with the first interim target being 2030, and begin the process of annual reporting.

Our involvement in the NZIA has enabled participation within the working groups centred around delivering the NZIA's key objectives. QBE has been part of the collaborative working group between PCAF and NZIA to develop the first GHG gas accounting and reporting standard to measure and disclose insurance-associated emissions for specific commercial lines classes of business and private motor, published in November 2022. QBE led the reporting and metrics sub-working group on the methodology work, is a member of the NZIA target-setting protocol working group that commenced in September 2022 and was co-lead for the focus group on setting the overall emissions target for the NZIA Target-Setting Protocol. In January 2023, the NZIA published the Protocol and QBE is expecting to develop and disclose interim targets in line with this Protocol.

This is uncharted territory for the insurance industry, and we recognise that there is a material gap in emissions data reported, especially by private corporations and small to medium enterprises. Despite these challenges, we expect, with appropriate engagement and changes in government policy, this should improve over time.

We are also cognisant that the world needs a sustained shift in energy supply away from fossil fuels and towards low carbon. The situation in Ukraine and its impact on energy supply further underlines the need to find alternative, sustainable sources of energy. Our net-zero re/insurance strategies consider the social consequences, aligned to our sustainability focus area of fostering an orderly and inclusive transition to a net-zero economy. We recognise that not all countries or communities can be expected to transition at the same pace. Our internal target setting strategies will seek to look to minimise these disparities and achieve overall emissions reductions in line with our commitment.

Refer to the 2022 Sustainability Report for more information.

Insuring the transition

In 2022, QBE launched a Sustainable Energy unit to support customers as they transition to lower carbon energy. The unit aligns QBE underwriting capabilities with the growing range of companies and energy systems that form part of a rapidly changing energy mix throughout the world.

Helping our customers adapt

As a business, we continually explore new ways to support our customers on their mitigation and adaptation journeys.

To encourage green home ownership and increase affordability of green home ownership, this year we launched a new benefit for lenders' mortgage insurance (LMI) customers. Customers who purchase or refinance a home with a green mortgage (through our participating partners) receive a premium reduction for their LMI. 100% of the LMI premiums for green mortgages are contributed to our Premiums4Good initiative.

Operations

In 2022, we continued to deliver on our net-zero roadmap and broaden our focus, extending our 2030 commitment to net zero for our global operations to include material Scope 3 emissions (in addition to Scope 1 and 2 emissions). We have also committed to commencing engagement on net-zero progress with large suppliers in our global supply chain, with the goal of setting targets for those large suppliers by 2025 and developing our approach for 2023 to 2025.

Further details on our approach to net zero within our operations is available in the 2022 Sustainability Report.

ICA climate change roadmap

To support broader action across the Australian general insurance sector, QBE has, through our role as co-chair of the Insurance Council of Australia's (ICA) Net-Zero Working Group, worked with our peers and the ICA to develop a climate change roadmap for the sector. The roadmap provides guidance for ICA members on the role they can play in the decarbonisation of the Australian economy and is aligned with our broader global commitments, including our commitments through the NZAOA and NZIA.

Investments

Net-Zero Asset Owner Alliance

Aligned with our broader climate strategy and our commitment to impact and responsible investments, QBE was the first Australian-headquartered insurance company to become a member of the NZAOA in 2020, joining a growing group of institutional investors committed to transitioning their investment portfolios to net-zero emissions by 2050. As asset owners, we have a unique role at the top of the investment value chain, and we acknowledge both the responsibilities and opportunities that come with this role. In 2022, we have continued to utilise guidance, tools and support of the NZAOA, as well as collaborated with other members, both one on one, and in the relevant NZAOA working groups with which QBE is involved. In 2021, to deliver on our commitment to transition our investment portfolio to net zero by 2050 and set our initial intermediate targets, we established cross functional working groups. In 2022, these working groups continued this work with a key focus on implementation.

Engagement

All external managers

across our investment portfolio

20 highest emitters

in our investment grade corporate credit portfolio

Engagement

We believe that having meaningful dialogue on climate change is a critical component of our responsibility as an asset owner and in ensuring sustainable financial outcomes. We have been engaging with our external managers on climate-related issues since 2019 and each year we evolve the conversation by improving, expanding and tailoring the questions we ask. In 2021, as part of our target setting work, we engaged all our external managers across our investment portfolio and our 20 highest emitters in investment grade corporate credit, providing a baseline for us to monitor progress. In 2022, we have further enhanced our engagement approach by including asset class specific climate due diligence questions. Each year, we will engage with all of our external managers to continue to track progress across key climate-related issues, including net-zero commitments and emissions target setting. For our top 20 highest emitters in our investment grade corporate credit portfolio, we enhanced our engagement approach to be more tailored, identifying material areas of focus per issuer and directing targeted questions to each company allowing for more meaningful and relevant dialogue.

Financing the transition

5% by 2025

of assets under management in climate solutions investments

Financing the transition

We have set a target to increase our exposure to climate solution investments that will finance the transition. These investments will directly contribute to climate change mitigation and/or adaptation and follows guidance from the NZAOA Target Setting Protocol. In 2022, this has increased to 4.8% from 3% at the end of 2021. Notably, in 2022 we added $134 million in green bonds. Green bonds fund projects that have positive environmental benefits and support the transition to a net-zero economy. We will continue to actively invest in green bonds as well as search for additional opportunities that support the transition to a net-zero economy including negative emissions investments.

Carbon intensity reduction

25% by 2025

of our Scope 1 and 2 emissions in our equity portfolio

Carbon intensity reduction

QBE has set the target of 25% reduction in the carbon intensity of our developed market equity portfolio by 2025, relative to a 2019 baseline. Over the course of 2022, we worked towards developing a more resilient portfolio by changing the way we will primarily invest in developed market equity by moving from passive strategies via exchange traded funds to tailored mandates with external equity managers. As part of our due diligence, we considered prospective managers' commitments to net zero and decarbonising the real economy as well as their ability to incorporate our emissions reduction targets into the investment management agreements. We expect to make this transition of our investment approach in 2023. Over the course of 2023 we will continue to progress and expect to set additional asset class emissions reduction targets in line with the NZAOA Target Setting Protocol.

Data, monitoring and reporting

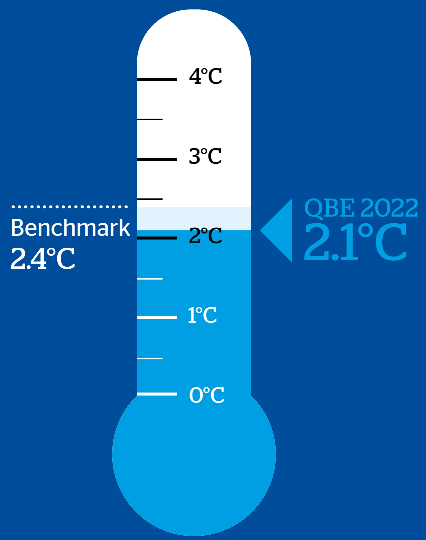
As part of our learnings from the work we undertook in 2021, we also introduced a new working group, to deliver our data, monitoring and reporting requirements. The working group is focused on the sourcing and gathering of relevant data as well as implementing system solutions for monitoring and reporting to support decision making and progress tracking to achieve our goals. A key output for the working group this year has been the development of tools to provide attribution, monitoring and overall tracking of emissions across the developed market equity portfolio. We are also in the process of implementing a new investment system, which will provide enhanced data capabilities, consistency of reporting and ongoing accuracy to improve the way we incorporate climate-related considerations into our investment process to achieve our commitment to decarbonisation.

Climate scenario analysis

We have continued to undertake climate-related analysis of our investments portfolio, such as scenario analysis, temperature alignment and carbon footprinting to assess our overall exposure to climate risks and opportunities.

Temperature alignment

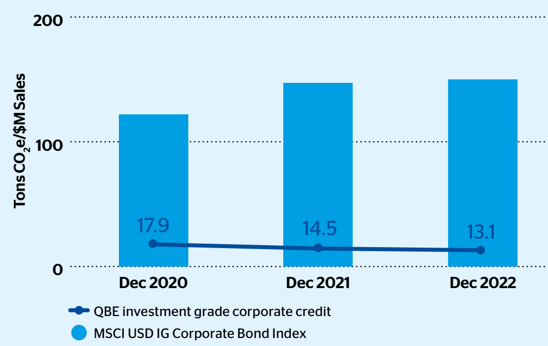
We have commenced implementation of a new investment system which has allowed us to undertake a new temperature alignment assessment of the investment grade corporate credit portfolio. This forward-looking analysis was undertaken utilising the temperature alignment metric[1] which shows how well aligned an issuer's, and also a portfolio's, emission projections are to the Paris Agreement. This level of analysis will allow us to target our engagement to those companies that are not aligned and work with them to decarbonise. Our investment grade corporate credit temperature alignment is 2.1°C, against a benchmark of 2.4°C. We will continue to engage with our highest emitters in pursuit of 1.5°C alignment.



Carbon footprinting

We assessed the carbon footprint of our investment grade corporate credit portfolio, which constitutes over 50% of assets under management, and remains in line with our commitment to maintaining a low carbon risk rating[2]. We use weighted average carbon intensity[3] (WACI) as a measure of our portfolio's exposure to carbon-related potential market and regulatory risks. The WACI is significantly below the MSCI USD Investment Grade Corporate Bond Index, given our low exposure to high emitting sectors.

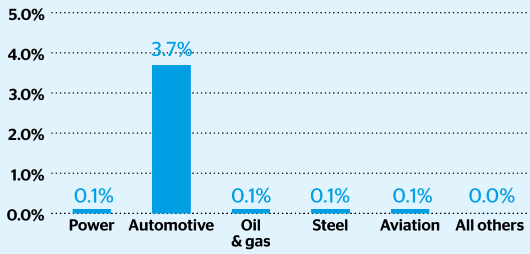
Weighted average carbon intensity



High emitting sectors

To assess our transition risk, we have looked at the exposure of our investment grade corporate credit, high yield debt and emerging market debt portfolios (approximately 53% of our total assets under management) to high emitting sectors using the Paris Agreement Capital Transition Assessment (PACTA) tool. Collectively, these sectors account for about 75% of global emissions and understanding our exposure to these industries will enable us to continue to target our engagement strategies. Our transition risk remains low, with less than 5% of our portfolio exposed to these high emitting sectors.

High emitting sector exposures (PACTA)[4]



1 Temperature alignment is calculated as the weighted average of each portfolio company's individual contribution to rising temperatures.
2 Carbon risk rating measures exposure to carbon intensive companies. MSCI Carbon Risk is categorised as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525) and Very High (>=525).
3 WACI is calculated as the sum product of the portfolio companies' carbon intensities and weights (tCO_2-e/$M sales).
4 Data sourced as of 30 September 2022.

Risk management

The risk of inaction on climate change continues to be a significant global risk. QBE manages climate risk through integration into decision-making and our processes and frameworks.

Managing climate risk is integrated into our assessment of natural perils modelling, our management of exposure accumulations, the design of our reinsurance program and our portfolio optimisation and sustainable growth strategic priorities. Further, managing the risks and opportunities of climate is integrated into the three focus areas of our sustainability strategy.

The sustained increase in the frequency and severity of natural catastrophes represents a challenge where we provide cover for physical loss or damage to assets. It also increases the potential for third party injury and/or damage. Given this, we have spent considerable time over the past two years analysing what the potential impacts of climate change may be from a physical, liability and transition risk perspective, and we have used this analysis to assess the resilience of our strategic responses, improve our underwriting, pricing and business planning, and to set our risk appetite.

QBE has a Risk Management Strategy to ensure we achieve our strategic priorities while also establishing effective governance and fundamental principles for the management of risk across all levels of the organisation. Climate change is part of ESG risk, which is classified as a strategic risk sub-class in our Strategic Risk Policy and Risk Management Strategy. Climate-related risks are also considered across our other risk classes such as insurance, credit, market and operational risk.

Our approach to identifying and managing ESG risks, including climate-related risks, is outlined in our Group ESG Risk Standard. Climate change continued to be our top ESG risk in 2022, alongside modern slavery and human rights, biodiversity, and sustainable procurement.

One of the ways we can identify and assess ESG risks is through the Group Risk and Control Self-Assessment (RCSA) process. QBE's Group RCSA Standard sets minimum requirements for identifying, documenting, and assessing key risks that QBE faces in delivering our strategic and business objectives. The Standard is also used to assess the effectiveness of the controls in place to manage those risks.

Training

This year, training modules were developed and rolled out Group-wide on ESG risk and climate change. These are voluntary and available to all employees with the aim of improving the understanding of what are ESG and climate risks, and QBE's approach to identifying and managing these risks.

Environmental and Social Risk Framework

Our Environmental and Social Risk Framework came into effect on 1 January 2022. Through our positions in the Framework, we have committed to reduce our exposure to higher transition risks in the energy sector. QBE has no direct investments in coal, oil or gas and will no longer directly invest in these sectors. We no longer underwrite new coal and oil sands projects, and only support oil sands and Arctic drilling where the company is on a pathway consistent with achieving the Paris Agreement objectives.

Metrics and targets

We continue to set relevant targets and assess our progress and performance against them.

More details on QBE's Sustainability Framework and our performance and progress are available in QBE's 2022 Sustainability Report.

MEASURE	TARGET	2022	2021	STATUS
Operations				
Energy use (GJ)	25% reduction by 2025 [1] *2019 baseline*	**192,429** ↓ *20%*	180,004	On track
Renewable electricity use (MWh)	100% by 2025 [2]	**18,513** *100%*	20,199	Achieved
Scope 1 and 2 emissions (1.5°C trajectory aligned science-based target) (tCO_2e)	30% reduction by 2025 [3] *2018 baseline*	**7,732** ↓ *75%*	6,880	Achieved
Scope 1 and 2 emissions	Net-zero emissions (Scope 1 and 2) across operations by 2030 [4] *2019 baseline*	**7,732** ↓ *45%*	6,880	On track
Operational Scope 3 emissions	Net-zero emissions on material Scope 3 by 2030 [5]	**15,896**	2022 baseline	New target
Underwriting				
Underwriting portfolio emissions	Net-zero emissions (Scope 1 and 2) in underwriting portfolio by 2050	**N/A**	N/A	Interim targets to be set
Investments				
Engagement	• All external managers across our investment portfolio • 20 highest emitters in investment grade corporate credit portfolio	**Achieved**	N/A	Ongoing
Financing the transition	Increase our climate solutions investments to 5% of assets under management by 2025	**4.8%**	N/A	On track
Carbon intensity reduction	25% reduction by 2025 of Scope 1 and 2 emissions in equity portfolio [6]	**In progress**	N/A	Ongoing
Impact investing ambition	$2 billion by 2025	**$1.6 billion**	$1.4 billion	On track

1 In 2022, we broadened our energy use indicator to include company vehicle fuel consumption, in addition to electricity and gas usage. As a result, the 2019 baseline has been restated to include 86,228 GJ of company vehicle fuel consumption.
2 Based on RE100 Materiality Threshold guidance and excludes electricity use from countries with small electricity loads (<100 MWh/year) up to a total of 500 MWh/year and where it is not feasible to source renewable electricity.
3 In 2022, we reclassified previously reported Scope 3 – indirect gas to Scope 2 – heat for disclosure purposes. The 2018 baseline has been restated to include 1,186 tCO_2e of Scope 2 – heat.
4 In 2022, we reclassified previously reported Scope 3 – indirect gas to Scope 2 – heat for disclosure purposes. The 2019 baseline has been restated to include 1,274 tCO_2e of Scope 2 – heat.
5 Net-zero emissions on material Scope 3 includes emissions related to business travel, fuel-and energy-related activities and capital goods. Refer to the 2022 Sustainability Data Book – Metrics Criteria for details.
6 We have worked with preferred managers to ensure these are considered in mandate design and implementation, and will continue to track and monitor.

Board of Directors

Michael (Mike) Wilkins AO BCom, MBA, FCA, FAICD

Independent Chair

Mike became a non-executive director of QBE in 2016 and was appointed Chair in March 2020. He is Chair of the Governance & Nomination Committee and a member of the Audit, People & Remuneration, Risk & Capital Committees. Mike has more than 30 years' experience in financial services. He was the Managing Director and CEO of Insurance Australia Group Limited until November 2015 and previously served as Managing Director and CEO of Promina Group Limited and Managing Director of Tyndall Australia Limited. He is currently Chair of Medibank Private Limited and a non-executive director of Scentre Group Limited. He previously served as a non-executive director of AMP Limited, Alinta Limited, Maple-Brown Abbott Limited, The Geneva Association and the Australian Business and Community Network. Mike was the founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities from 2013 until his retirement in 2015.

Andrew Horton BA Natural Sciences, ACA

Group Chief Executive Officer

Andrew joined QBE as Group Chief Executive Officer in September 2021. He was previously the CEO, and before that the Finance Director, of Beazley Group, a specialist insurer based in the United Kingdom with operations in Europe, the United States and Asia. Prior to this, he held various senior finance roles in ING, NatWest and Lloyds Bank. Andrew has more than 30 years' experience across insurance and banking, and has extensive experience across international markets.

Yasmin Allen BCom

Independent Director

Yasmin became a non-executive director of QBE in July 2022. She is a member of the Audit and People & Remuneration Committees. Yasmin has more than 20 years' experience as a company director and Chair serving companies across a wide range of sectors, including natural resources and financial services. She is currently a non-executive director of Cochlear Limited, Santos Limited and ASX Limited. She chairs Tic Toc Online, a digital home loan platform company, the Harrison Riedel Foundation, a charity supporting young mental health, and the Digital Skills Organisation. Yasmin is a member of the Federal Government Takeovers Panel and has been acting President since 2019 and is a member of Chief Executive Women. She has served as a non-executive director for a number of companies including Insurance Australia Group Limited and was the former Chair of Macquarie Group's Global Infrastructure Funds. She was previously a senior investment banking executive specialising in equity markets in Australia and the United Kingdom.

Tan Le BCom (Hons), LLB (Hons)

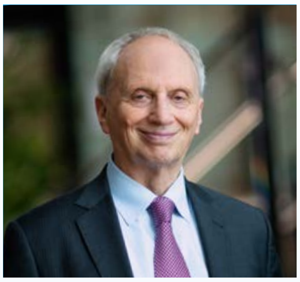
Independent Director

Tan became a non-executive director of QBE in September 2020. She is Chair of the People & Remuneration Committee and a member of the Governance & Nomination Committee. Tan is the founder and CEO of EMOTIV, a neuroinformatics company advancing understanding of the human brain. She was previously co-founder and President of SASme, a wireless technology company. Tan has been a contributor at the World Economic Forum (WEF) and previously served on the WEF Global Future Council and on the WEF Board of Stewards on Shaping the Future of Information & Entertainment.

Kathryn (Kathy) Lisson BSc (Hons)

Independent Director

Kathy became a non-executive director of QBE in 2016. She is Deputy Chair of the People & Remuneration Committee and a member of the Risk & Capital Committee. Kathy has over 30 years' experience across insurance and banking in technology, operations and management. She was previously Chief Operating Officer for two insurance companies (QBE Europe (a QBE regulated entity) and Brit Insurance) and Operational Transformation Director at Barclays Bank, which included delivering global solutions in digital technology, cyber security and IT risk. Kathy also held executive positions at Bank of Montreal, including as President of its Mortgage Corporation and EVP Technology Strategy and Delivery. Kathy was a senior partner at Ernst & Young and Price Waterhouse in Canada, leading their insurance and banking advisory practices. Kathy has also held several other non-executive director roles in the United Kingdom and in Canada.



Sir Brian Pomeroy MA, FCA

Independent Director

Sir Brian became a non-executive director of QBE in 2014. He is Deputy Chair of the Audit Committee and a member of the Risk & Capital Committee. He has extensive insurance industry experience, including in his previous role as a Nominated Member of the Council of Lloyd's and as Chair of the Independent Commission on Equitable Life Payments. He was formerly a non-executive member of the board of the Financial Conduct Authority in the United Kingdom and a non-executive director on QBE's European regulated boards. Sir Brian also chaired the United Kingdom Treasury's Financial Inclusion Taskforce, the Payments Council and the Gambling Commission. He was the Senior Partner of Deloitte Consulting in the United Kingdom until 1999.

Jann Skinner BCom, FCA, FAICD

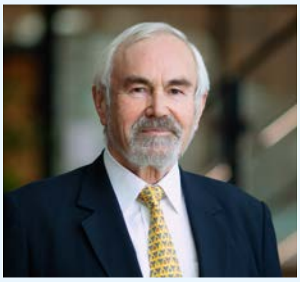
Independent Director

Jann became a non-executive director of QBE in 2014. She is Chair of the Audit Committee, Deputy Chair of the Risk & Capital Committee and a member of the Governance & Nomination Committee. Jann has over 30 years' professional experience in audit and accounting with a focus on financial services, particularly the insurance industry. She was an audit partner for 17 years with PricewaterhouseCoopers before retiring in 2004. Jann is a non-executive director of Telix Pharmaceuticals Limited, HSBC Bank Australia Limited and Create Foundation Limited. Previously, Jann was a non-executive director of Enstar Australia Group and the Tasmanian Public Finance Corporation. Jann was also a non-executive director on QBE's Australian regulated boards.

Eric Smith MBA, BSc

Independent Director

Eric became a non-executive director of QBE in September 2020. He is a member of the Audit and Risk & Capital Committees. Eric has more than 40 years' experience in insurance and financial services, and was most recently President and Chief Executive Officer of Swiss Re Americas from 2011 to 2020. Eric has held a number of executive roles in his career including President of USAA Life Insurance Co and President of Allstate Financial Services, Allstate's business unit that distributes life insurance, annuities and other financial products. He has also held various roles in property and casualty insurance with Country Financial over a 20-year period. Eric was a non-executive director of Deutsche Bank Americas. Eric is currently a member of Jefferies Global Advisory Board and on the Board of Pine Technology.



Rolf Tolle Dipl. Pol

Independent Director

Rolf became a non-executive director of QBE in 2016. He is Chair of the Risk & Capital Committee and a member of the People & Remuneration and Governance & Nomination Committees. He has significant experience in specialist insurance and reinsurance businesses, having held senior positions in a number of global companies. He was the first ever Franchise Performance Director at Lloyd's, for which he was awarded the Silver Medal for Services at Lloyd's, an honour bestowed on only a few individuals since its creation in 1917. Rolf is a director of Marco Insurance PCC Limited and British Reserve Insurance Company Limited and is also on the advisory board of Wrisk Ltd. Rolf was previously a director of Beazley plc and Beazley Furlonge Ltd.

Stephen Fitzgerald AO BEc

Retired Independent Director

Stephen served as an independent non-executive director of QBE from 2014 until his retirement on 5 May 2022. Stephen was Chair of the Investment Committee, Deputy Chair of the People & Remuneration Committee and a member of the Risk & Capital and Governance & Nomination Committees. Stephen joined Goldman Sachs in 1992 and held a number of leadership roles in London, Tokyo, Hong Kong and Australia. He was Chair of Goldman Sachs, Australia and New Zealand when he retired in 2012.

John M Green BJuris/LLB, FAICD, SF FIN

Retired Independent Deputy Chair

John served as an independent non-executive director of QBE from 2010 until his retirement on 5 May 2022. He was Deputy Chair of the Board, Chair of the People & Remuneration Committee and Deputy Chair of the Investment, Operations & Technology and Governance & Nomination Committees. He was also a member of the Risk & Capital and Audit Committees.

Group Executive Committee

Andrew Horton BA Natural Sciences, ACA

Group Chief Executive Officer

Andrew joined QBE as Group Chief Executive Officer in September 2021. He was previously the CEO, and before that the Finance Director, of Beazley Group, a specialist insurer based in the United Kingdom with operations in Europe, the United States and Asia. Prior to this, he held various senior finance roles in ING, NatWest and Lloyds Bank. Andrew has more than 30 years' experience across insurance and banking, and has extensive experience across international markets.

Inder Singh BCom

Group Chief Financial Officer

Inder joined QBE in 2015 and was appointed Group Chief Financial Officer in 2018. His previous roles at QBE include Chief Financial Officer for Australian & New Zealand Operations and Group Head of Corporate Development and Financial Planning & Analysis. Inder has more than 20 years' experience in financial services spanning property and casualty, life insurance and banking. He started his career at Arthur Andersen before working in investment banking in Sydney and London with Deutsche Bank and UBS. Prior to joining QBE, he was Group M&A Director at Aviva plc in London where he led a number of transformational transactions.

Vivienne (Viv) Bower BA Organisational Communication

Group Executive, Corporate Affairs and Sustainability

Viv joined QBE in 2017 and was appointed Group Executive, Corporate Affairs and Sustainability in 2019. She previously held senior investor relations and corporate affairs roles, including Group Head of Corporate Affairs and Investor Relations at Lendlease, Head of Group Internal Communications at Westpac and Group General Manager of Communications at Multiplex Group.

Jason Harris BSc (Hons) Geology

Chief Executive Officer, International

Jason joined QBE as Chief Executive Officer, International in October 2020. Prior to joining QBE, Jason held a number of global and international leadership roles at XL Group including most recently as Chief Executive, Global Property and Casualty and previously as Chief Executive, International Property and Casualty. He previously worked at AIG/Chartis in several senior roles including Executive Director, Commercial Lines. He is an underwriter by background and started his career in offshore energy. He has worked in insurance for over 25 years.

Sam Harrison BA (Hons) Economics

Group Chief Underwriting Officer

Sam was appointed Group Chief Underwriting Officer in April 2021. Having worked at QBE for more than 24 years, Sam has held a number of senior roles including most recently as Managing Director, Insurance, for QBE's International division and prior to this as Managing Director of International Markets. Sam joined QBE in 1998 as an offshore energy underwriter and has over 30 years' experience in underwriting across the global market.

Sue Houghton BA History, ACA

Chief Executive Officer, Australia Pacific

Sue joined QBE as Chief Executive Officer, Australia Pacific in August 2021. She was previously Managing Director, Insurance for the Westpac Group. Sue has more than 20 years' experience in the financial services sector, having held senior leadership and management roles at Wesfarmers Insurance, Insurance Australia Group and Arthur J Gallagher. She is a member of the Champions of Change Coalition and is a director and immediate past President of the Insurance Council of Australia.

Amanda Hughes BCom, MBA, CA, GAICD

Group Chief People Officer

Amanda joined QBE in June 2020 as Group Head of Culture, Performance and Reward and was appointed Group Executive, People and Culture in December 2021. Prior to joining QBE, she was the Director of People and Culture at AMP and she previously held senior HR roles at Lendlease and Macquarie Group. Amanda began her career as a chartered accountant and has worked in Sydney, London and Auckland.

Todd Jones BSc, MBA

Chief Executive Officer, North America

Todd joined QBE in October 2019 as Chief Executive Officer, North America. Prior to joining QBE, Todd held a number of senior roles at Willis Towers Watson, including most recently as Head of Global Corporate Risk and Broking, and previously as CEO for Willis North America. Todd began his career as a technical broker in management liability insurance serving large, complex and middle market clients. Todd has over 25 years' experience in the insurance and financial services industry.

Fiona Larnach FCPA, MAICD

Group Chief Risk Officer

Fiona joined QBE in March 2021 as Group Chief Risk Officer. She has previously held senior executive roles at major financial services companies in Australia and the United Kingdom and was, most recently, the Chief Risk Officer for Barclays UK. Prior to this, she has held senior management roles including as Chief Risk Officer, Retail Banking for Commonwealth Bank of Australia and as a risk advisory partner at Ernst & Young consulting to insurance, banking and wealth management clients, and has worked at Westpac, AMP Limited, GE Mortgage Insurance and Citibank.

Matt Mansour MBA

Group Executive Technology and Operations

Matt joined QBE in 2018 as Group Chief Information Officer and was appointed to the Group Executive Committee in 2019. Prior to joining QBE, he held senior global roles in Barclays Bank and GE Capital. Matt has over 25 years' experience in technology, operations and digital business leadership roles.

Carolyn Scobie BA, LLB, MA, AGIA, GAICD

Group General Counsel and Company Secretary

Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, she was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

Corporate governance statement

QBE is committed to the highest standards of corporate governance. The QBE DNA consists of seven interwoven elements that are fundamental to QBE and how QBE needs to operate to succeed, recognising its customers, people, shareholders and communities. QBE believes that a culture that rewards transparency, integrity and performance will promote its long-term sustainability and the ongoing success of its business.

Board and management

Board functions

The Board charter sets out the role and responsibilities of the Board, including matters expressly reserved for the Board and those delegated to its Committees and management. The role of the Board is to represent and serve the interests of shareholders by providing guidance and oversight of QBE's strategies, policies and performance. This includes demonstrating leadership, setting the strategic direction for QBE. The Board also promotes QBE values that underpin the desired culture and monitors the performance of management in the delivery of strategy. The Board's principal objective is to maintain and increase shareholder value while ensuring that the activities of QBE are properly managed.

The Board reviews strategy on an ongoing basis. To help the Board maintain its understanding of the business and to effectively assess management, directors receive regular presentations from the divisional chief executive officers and other senior managers of the various divisions on relevant topics, including budgets, three-year business plans and operating performance. The Board receives updated forecasts during the year. The non-executive directors also have contact with senior executives in various forums throughout the year.

Visits by non-executive directors to QBE's offices in key locations are encouraged. The Board meets regularly in Australia and, due to QBE's substantial overseas operations spends time in the United Kingdom and the United States each year.

Each formal Board meeting normally considers reports from the Group Chief Executive Officer and the Group Chief Financial Officer, together with other relevant reports. The non-executive directors regularly meet in the absence of management. The Chair and Group Chief Executive Officer in particular, and directors in general, including those on the divisional boards, have substantial contact outside Board and Committee meetings.

Details of the number of Board meetings held during the 2022 financial year and attendance by directors are set out in the Directors' Report. Directors are expected to attend all Board meetings.

Senior management functions

Management's responsibilities are to:

- develop a draft strategy, make recommendations to the Board and implement the Board-approved strategy, subject to market conditions;
- instil and reinforce QBE's values and desired culture;
- prepare annual budgets and three-year business plans;
- carry on day-to-day operations within the Board-approved annual budget and three-year business plans, subject to market conditions;
- design and maintain internal controls;
- establish and monitor the effectiveness of the risk and compliance management systems, and monitor and manage all material risks consistent with the strategic objectives, risk appetite statements and policies approved by the Board;
- provide the Board with accurate, timely and clear information on the Group's operations, including on compliance with material legal and regulatory requirements and any conduct materially inconsistent with the Group Code of Ethics and Conduct;
- inform the Board of material matters and keep the Board and market fully informed of any matters which a reasonable person would expect to have a material effect on the price or value of QBE's shares; and
- monitor that succession plans exist for all Group executive positions other than the Group Chief Executive Officer. The succession plans for the Group Chief Executive Officer are managed by the Governance & Nomination Committee, and are discussed in more detail below.

The Board delegates responsibility to the Group Chief Executive Officer for the day-to-day management of the business.

QBE has operated under an extensive written system of delegated authorities for many years. In particular, a written delegated authority with specified limits is approved by the Board each year to enable the Group Chief Executive Officer to conduct QBE's business in accordance with detailed budgets and business plans. This delegated authority deals with topics such as underwriting, reinsurance protection, claims, investments, acquisitions and expenses. The Group Chief Executive Officer delegates authority to management throughout the Group on a selective basis, taking into account expertise and past performance. Compliance with delegated authorities is monitored by management and adjusted as required based on performance, market conditions and other factors. Management and the Group's internal audit teams review compliance with delegated authorities and a breach can lead to disciplinary procedures, including dismissal.

Chair

The independent Chair of the Board is Mike Wilkins AO, who was appointed to that role in March 2020. The Chair is responsible for ensuring that the Board functions as an effective and cohesive group. The Chair works closely with the Group Chief Executive Officer to determine the strategic direction for QBE and to establish high standards of governance and leadership.

Committees

The Board is supported by several Committees which meet regularly to consider audit, risk management, remuneration, and other matters. The main Committees of the Board are the Audit, Governance & Nomination, People & Remuneration and Risk & Capital Committees. Further sub-committees of the Board may be convened to confer on particular issues from time to time. Any non-executive director may attend a Committee meeting.

The Committees have free and unfettered access to QBE's senior managers and may consult external advisers at QBE's cost with the consent of the Committee Chair. A report on each Committee's last meeting is provided at the next Board meeting.

Each Committee comprises at least three independent directors and each Committee Chair is an independent director who is not the Chair of the Board (excluding the Governance & Nomination Committee, the Chair of which is Mike Wilkins). Each Committee operates under a written charter approved by the Board. These charters are available at www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution. The membership of each Committee is provided at www.qbe.com/about-qbe/group-board-of-directors and details of the number of Committee meetings held during the 2022 financial year and attendance by Committee members at Committee meetings is set out in the Directors' Report.

Further information regarding the Committees can be found throughout this corporate governance statement.

Company Secretary

The Company Secretary acts as secretary to the Board and all of the Committees and is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All directors have direct access to the Company Secretary.

The Company Secretary's role is described in the Board charter and includes communication with regulatory bodies and the Australian Securities Exchange (ASX). The Company Secretary overseas statutory and other filings and assisting with good information flows within the Board and its Committees and between non-executive directors and senior management, as well as facilitating induction and professional development of directors as required. The Company Secretary may also provide guidance to directors in relation to governance matters.

Board skills and experience

Directors are selected to provide to QBE a broad range of skills, experience and expertise complementary to QBE's insurance activities. The Board comprised nine directors at 31 December 2022, being an independent Chair, seven other independent directors and the Group Chief Executive Officer.

The Board has a skills matrix covering the range of competencies and experience of each director. When the need for a new director is identified, the required experience and competencies of the new director are considered in the context of this matrix and any gaps that may exist.

The Board's skills matrix is summarised below:

SKILLS	
Financial literacy	Government relations
Legal	Executive leadership
Governance	Digital technology
Strategy	Cyber security
Commercial expertise	IT risks
Risk management	Data analytics

INDUSTRY	
General insurance	Financial services
Reinsurance	Accounting
Investment banking	

Details of individual directors, including their qualifications and experience, independence status and period of Board tenure, are set out in the Board of Directors section of the Annual Report and can also be found on the QBE website at www.qbe.com/about-qbe/group-board-of-directors.

Independence of the Board

During the 2022 year, the majority of the directors on the Board were independent directors, applying the 'independence' definition of the ASX Corporate Governance Council. When applying this definition, the Board has determined that an independent director's relationship with QBE as a professional adviser, consultant, supplier, customer or otherwise is not material unless amounts paid under that relationship exceed 0.1% of QBE's annual revenue. The roles of the Chair and Group Chief Executive Officer are generally also not exercised by the same individual.

Directors are required to advise the Board on an ongoing basis of any interest they have that they believe could conflict with QBE's interests. If a potential conflict does arise, either the director concerned may choose not to, or the Board may decide that he or she should not, receive documents or take part in Board discussions while the matter is being considered. Conflicts of interest, including related party transactions, are a standing agenda item and are considered by the Board at each Board meeting.

Corporate governance statement continued

Tenure

The mere fact that a director has served on the Board for a lengthy period of time does not, of itself, suggest a lack of independence; however, the Board has agreed that a non-executive director's term should be approximately 10 years. Under the Company's Constitution, there is no maximum fixed term or retirement age for non-executive directors. The Board considers that a mandatory limit on tenure would deprive the Group of valuable and relevant corporate experience in the complex world of international general insurance and reinsurance. The tenure of each director is set out in the Board of Directors section of the Annual Report and can also be found on the QBE website at www.qbe.com/about-qbe/group-board-of-directors.

The Constitution provides that no director, except the Group Chief Executive Officer, shall hold office for a continuous period in excess of three years or past the third Annual General Meeting (AGM) following a director's appointment, whichever is the longer, without submission for individual re-election.

Board and senior executive selection process

The Board has a Governance & Nomination Committee which meets regularly during the year around the time of the Board meetings. The Committee assists the Board in appointing directors so that the Board as a whole has the necessary range of skills, knowledge and experience to be effective. The Committee also assists the Board in managing the succession plans for the Group Chief Executive Officer and reviewing succession plans for members of the Group Executive Committee (GEC). The Governance & Nomination Committee is comprised of four non-executive directors of the Board and is chaired by Mike Wilkins.

A formal process for the selection and appointment of directors or senior executives is undertaken by the Governance & Nomination Committee and Board. Appropriate background checks are undertaken before the Board appoints a new director or senior executive or puts forward a candidate for election. External consultants may be employed, where necessary, to search for prospective directors. Candidates are assessed against the required skills and on their qualifications, background and personal qualities.

For Board appointments, candidates must also have the required time to commit to the position. The Board regularly reviews the mix of skills that is required to operate effectively. Under the Constitution, the size of the Board is limited to 12 directors. The Board considers that a maximum of 12 directors reflects the largest realistic size of the Board that is consistent with:

- maintaining the Board's efficiency and cohesion in carrying out its governance duties on behalf of shareholders;
- reducing the risk of a director being insufficiently involved in, and informed about, the business of QBE; and
- providing individual directors with greater potential to contribute and participate.

QBE also provides shareholders with all material information in its possession that is relevant to a decision on whether or not to elect or re-elect a director. This is done through a number of channels, such as the notice of meeting, director biographies and other information contained in the Annual Report.

Upon appointment, each non-executive director and senior executive is provided with a written agreement which sets out the terms of their appointment.

The Board believes that orderly succession and renewal contribute to strong corporate governance and are achieved by careful planning and continual review. As an ongoing evaluation, the Board regularly discusses its composition in relation to the mix of skills, diversity and geographic location of directors to meet the needs of QBE.

Director induction and training

Upon appointment, directors attend induction sessions where they are briefed on QBE's history, DNA, strategy, financials, and risk management and governance frameworks.

A non-executive director may seek such advice at QBE's cost with the consent of the Chair. Directors are also provided with ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge at QBE's cost, with the consent of the Chair. Non-executive directors are required to complete continuing professional development each year, including on insurance, customer and regulatory matters.

Performance evaluation and remuneration

Performance evaluation – Board and directors

The Chair oversees the performance of the Board, its Committees and each director. The Board regularly reviews its performance through internal and external assessments. Recommendations for either improvement or increased focus are agreed and promptly implemented.

A Board performance evaluation was conducted in 2022 for the 2021 year. The review covered the performance of boards and committees at both the Group and divisional levels.

People & Remuneration Committee

The Board has a People & Remuneration Committee which meets at least four times each year to assist it in, amongst other things, overseeing major remuneration practices of QBE. The People & Remuneration Committee is comprised of independent directors and is chaired by Tan Le.

Performance evaluation – senior executives

The People & Remuneration Committee oversees the performance of senior executives. In addition, the Board continually monitors the performance of senior executives through regular review and reporting.

In 2022, QBE introduced a new Annual Performance Incentive plan, utilising a business scorecard containing Group adjusted cash ROE and Group COR financial measures alongside risk, people and strategic non-financial measures. Individual performance objectives focus on both what has been achieved and how it is achieved during the year. Senior executives' risk performance is also evaluated which may result in upwards or downwards adjustment to their remuneration outcomes.

A senior executives' performance evaluation was conducted by the People & Remuneration Committee for the 2022 year, with reference to their performance against agreed 2022 objectives.

The Remuneration Report sets out the executive key management personnel (KMP) business scorecard on page 67 which provides a summary of performance against the key measures and a weighted outcome relative to target.

Remuneration policies and practices

Details of QBE's policies and practices regarding the remuneration of executives and non-executive directors (being key management personnel) are set out in the Remuneration Report.

Other than meeting statutory superannuation requirements, QBE does not have in place any retirement benefit schemes for non-executive directors.

QBE's Securities Trading Policy outlines QBE's approach to derivatives or otherwise limiting the economic risk of participating in an equity-based remuneration scheme, and is available at www.qbe.com/investor-relations/corporate-governance/global-policies.

Group governance

Governance frameworks

QBE has a Board-approved Group Governance Framework that sets out five overarching governance principles that support best practice governance across QBE and is designed to encourage collective accountability across Group Head Office and the divisions.

The framework defines the roles, responsibilities and composition of the Group and divisional boards and committees to facilitate the governance and oversight of the business. The framework also strengthens the relationship and information flows between the Group and divisional boards and committees, so that they can work together to achieve the best possible outcomes for QBE.

QBE DNA

Everything we do at QBE is underpinned by our QBE DNA, which consists of seven interwoven elements. These elements describe who we are and what we stand for, and outline the standards and behaviours we expect from our employees to achieve our goals and fulfil our purpose.

At QBE, when we show up for our customers, shareholders, communities and each other:

- we are customer-focused;
- we are technical experts;
- we are inclusive;
- we are fast-paced;
- we are courageous;
- we are accountable; and
- we are a team.

The QBE DNA is set and approved by the Board, with the GEC responsible for bringing the elements to life throughout the organisation through our day-to-day interactions as well through our recruitment, onboarding, performance, reward, leadership, feedback, learning and communication practices.

Employees' demonstration of the QBE DNA is integral to how strategic performance objectives are measured. At the end of the performance year, employees are assessed in terms of both what they have achieved and how they have achieved it – whether their behaviours were aligned to the QBE DNA. This in turn links to reward outcomes and is applicable for all employees, including senior executives.

The Group Code of Ethics and Conduct addresses the responsibilities employees have to the Group, to each other and to customers, suppliers, communities and governments. It provides clear guidance to help employees apply good judgement and make considered decisions that exemplify the QBE DNA.

Group policies

QBE maintains a suite of Group policies commensurate with a mature and well-run organisation. QBE policies are governed by a global policy framework designed to establish consistent policy design and management requirements. Group policies serve as vital conduits to facilitate an understanding of the Group's compliance and conduct expectations. QBE's approach in key compliance areas recognises that employees (including contractors, directors and agents) are key to maintaining a compliant and ethical approach to QBE's business practices. Most global policies are supported by Group standards and procedures that provide additional information and guidance to support employees.

The Group Code of Ethics and Conduct applies to all employees as well as directors, agents and contractors. The Group Code of Ethics and Conduct is complemented by the Group Conduct Reporting & Whistleblower Policy. The Board oversees, and receives reports on compliance with amongst other things, the Group Code of Ethics and Conduct. The Group Conflicts of Interest Policy operates in conjunction with the Group Gift and Entertainment Policy, to create a system to identify and report actual, perceived or potential conflicts of interest. In recognition of the importance of protecting employee and customer data across QBE, we have a global privacy framework that is periodically reviewed and updated to reflect developments in privacy laws across the global footprint.

QBE's policy framework also addresses sanctions, outsourcing, modern slavery, anti-bribery and corruption, health, safety and wellbeing, continuous disclosure, diversity and inclusion, securities trading, flexible working, supplier sustainability, and environment and energy. Policy summaries are available at www.qbe.com/investor-relations/corporate-governance/global-policies. Material breaches and incidents relating to the policies within the policy framework, including the Group Code of Ethics and Conduct and the Group Conduct Reporting & Whistleblower Policy, are required to be recorded and reported to the Board.

Global policies are also in place to address the prudential requirements of APRA, including risk management, cyber risk, business continuity management, reinsurance management, fitness and propriety and material outsourcing.

In Australia, QBE complies with the General Insurance Code of Practice, an industry code relating to the provision of products and services to customers of the general insurance industry in Australia. The Code Governance Committee is the independent body that monitors and enforces insurers' compliance with the Code. The General Insurance Code of Practice will also have sections that are enforceable by the Australian Securities and Investments Commission (ASIC). Discussion as to identification of relevant sections is ongoing with ASIC and the Insurance Council of Australia. QBE's Australian business is also a member of the Australian Financial Complaints Authority, the external dispute resolution scheme that deals with complaints from consumers related to financial services.

Inclusion of Diversity

People are at the heart of our business, and its essential to our success that we create a workplace culture and influence the external environment so that our people, customers, suppliers and stakeholders feel included. At QBE, Inclusion of Diversity (IoD) is a fundamental component of our QBE DNA – it is part of who we are and how we operate.

In early 2022, we launched our new approach IoD, with a broad view of diversity that includes the ways all people are visibly and invisibly different. We know that to realise the benefits of all the ways we are different, we must create an environment where everyone is, and feels they are, included. Our refreshed policy sets out our expectations for how we interact with each other, and our aspiration to be a positive influence for IoD beyond the boundaries of the organisation.

To achieve this, the GEC has set the following key global focus areas, which are overseen and progressed by the GEC and monitored by the People & Remuneration Committee of the Board:

AREA OF FOCUS	ACHIEVEMENTS IN 2022
Diverse workforce including diverse leadership representation, diverse pipeline of talent and fair remuneration	• This year, we achieved our 2025 goal of 40% women on the Board early, and continued to make headway towards our target of 40% women in leadership across QBE. We were proud to be the first insurer to sign up to HESTA's 40:40 Vision (see below at Gender balance at Board and senior management levels). We continue to identify opportunities for further progression, and to develop targeted initiatives to address attraction, progression, and retention of women in leadership at QBE. • We continue to assess pay equity in our workforce based on key drivers such as role, location, and performance, enabling us to identify areas for improvement. On average, our gender pay equity gap is sufficiently negligible that we are confident our people are paid equally in like-for-like roles. We recognise that some pay gaps remain at an individual level and will address any gaps through ongoing review processes. • In Europe, our pay equity review now includes both gender and ethnicity. In 2022 we partnered with a diversity and behavioural science expert to carry out a deep dive into experiences by ethnicity. This highlighted that some aspects of our processes were creating barriers to success and negatively impacted ethnic minority colleagues. We have since created a comprehensive ethnicity action plan and ethnicity targets for our UK workforce, which supports the achievement and retention of our ethnic minority employees. • We launched a School Partnership Programme in the UK that consists of a four-week paid work placement and eight weeks mentoring, targeted at students from ethnically diverse backgrounds between 16–19 years old who may not have previously considered insurance as a viable career option. • In Australia, education and employment pathways remain central to our commitment to reconciliation and the CareerTrackers internship program plays a critical role. Through our long-standing partnership with CareerTrackers, we continue to host Aboriginal and Torres Strait Islander interns who bring a wealth of knowledge to our business in terms of skill, enthusiasm, and sharing their unique perspectives. We have now hosted 37 interns through CareerTrackers to date. • QBE North America developed the QBE Early Career Programs which consists of summer internships and underwriting programs, providing opportunities for the next generation of leaders to gain awareness and professional experience within the insurance industry. This includes a 10-week summer internship program designed to build relationships with peers, senior leaders and business leads. QBE North America also runs a one-year underwriting program designed to teach, develop, and ultimately prepare early entrants to the insurance industry training as an underwriter in the middle market business.

Women on the Group Board goal

40% by 2025

achieved

Pledge to HESTA's 40:40 Vision

40:40 VISION

HESTA

Corporate governance statement continued

AREA OF FOCUS	ACHIEVEMENTS IN 2022
Inclusive workplace including inclusive leader capabilities, QBE DNA, Voice of Employee, Flex@QBE and Workplace Wellbeing Inclusion of Diversity roundtable discussion **700** people attended globally	• Our new approach to IoD recognises that to foster and realise the benefits of all the ways we are different, it is essential to create an environment where everyone is, and feels that they are, included. • To celebrate the launch of our refreshed policy and approach at QBE, we ran a series of IoD roundtable discussions through February and March, with over 700 people attending these globally. In these sessions, we heard from our GEC, senior leaders and world-renowned inclusion expert and thought leader Professor Juliet Bourke PhD, to explore our refreshed approach to IoD, the business case for inclusion, and practical advice on how to build inclusion through small actions. We used the insights shared by our people to create a tip sheet on how you can build inclusion through your everyday interactions. • Our Group Chief Executive Officer joined our Chief Executive Officer, Australia Pacific by becoming a member of the Champions of Change Coalition in 2022. This membership offers QBE an opportunity to look to peers across the industry and beyond to help us achieve gender equality, advance diverse and more women in leadership, and further our progress towards building an inclusive workplace. • Globally we launched 'Meetings the QBE Way' which aims to provide our people with a simple framework to create and deliver meetings that are more productive, valuable, and inclusive. • We challenged ourselves to develop bold new IoD targets for launch in 2023, going beyond gender to consider equality of belonging, based on ethnicity, disability, and lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ+) identification. • Our European operations were named as the Employer of the Year by leading insurance publication Insurance Insider. We were chosen for the breadth of initiatives covered which deliver a holistic view of issues affecting all employees.
Connected marketplace including customer satisfaction and retention, vulnerable customers and diversity in supply chain Impact investment – Premiums4Good a portion of a customer's premium is directed towards impact investments	• In Australia, 'Thriving at our Best', a refreshed holistic wellbeing program that encapsulates three focus areas – Healthy People, Healthy Teams and a Healthy Workplace was launched. Similarly, Europe's new wellbeing strategy "At Our Best" aims to create meaningful change by understanding and tackling the systemic causes of stress and burnout. • QBE Circle network launched in Hong Kong, which is dedicated to breaking down gender bias, stereotypes and the promotion of gender equality and fairness as well as promote awareness, learn from each other and drive change. • QBE continues to offer Premiums4Good to customers as appropriate, which invites them to join with us to make a real difference. By choosing QBE, a portion of a customer's premium is directed towards investments and select customers can ask us to direct a further 25% of their insurance premium towards impact investments – investments in securities with an additional environmental or social objective. This social objective includes social inclusion, diversity and gender. • QBE maintains supplier sustainability principles to provide minimum expectations of suppliers to foster an inclusive workforce and culture; provide a workplace that is free from direct and indirect discrimination, harassment, and bullying; and develop, monitor and maintain workforce management systems and/or policies which include and seek to improve diversity in recruitment, equal opportunity, pay equity, anti-discrimination and anti-harassment standards.

Gender balance at Board and senior management levels

In 2020, we set ourselves the goal of achieving 40% women in leadership across QBE by 2025, and 40% women on our Board by 2025. During 2022, we saw an increase from 35.9% to 38.6% women in leadership, and achieved our goal of 40% women on the Group Board early, reaching 44.4% in July 2022. 39.8% of all leader hires and 51.5% of leader promotions were women, reflecting the continued focus on gender diversity in leadership.

To further QBE's commitment to gender diversity, in May 2022 QBE became the first insurer to sign up to HESTA's 40:40 Vision, pledging to have minimum of 40% women, 40% men and 20% any gender on the executive committee by 2030 – a principle we currently meet, with 45.5% women.

Additionally, interim goals were set of having above 37% women in leadership by 2023, in line with our year-on-year progression towards our 2025 target, and met early with 38.6%, and an improvement in pipeline for GEC (L1–L3) from a 2025 baseline in 2027*. Further details are set out in the table on the next page.

Details of gender representation across our workforce and management levels together with targets are set out below:

FEMALE REPRESENTATION	GENDER TARGETS	31 DECEMBER 2022	31 DECEMBER 2021	31 DECEMBER 2020	31 DECEMBER 2019
Board	By 2025: **40%**	**44.4%**	33.3%	33.3%	22.2%
GEC	By 2030: **40:40:20**	**45.5%**	45.5%	30.0%	27.3%
Level 1		**27.7%**	28.3%	25.5%	19.6%
Level 2		**37.0%**	32.0%	29.4%	28.8%
Level 3		**39.3%**	36.9%	36.3%	35.3%
Women in leadership (GEC and levels 1–3)	By 2023: **37%** By 2025: **40%**	**38.6%**	35.9%	34.8%	33.7%
Women in workforce		**52.5%**	52.2%	52.0%	52.2%

* An additional target for 2027 of "an improvement in pipeline for GEC (L1-L3) from 2025 baseline" will be added to the table post 2025.

In addition to gender equality, QBE's commitment extends to other areas of diversity including:

- actively promoting inclusion for LGBTIQ+ employees with a global QBE Pride employee network;
- ongoing commitment to supporting indigenous communities in Australia and driving our third Reconciliation Action Plan (RAP), which is now at the Innovate stage of the RAP framework;
- maintaining a learning channel that equips people to build inclusion and psychological safety, confront bias, support neurodiversity, and speak up against racism;
- looking to embed accessibility in the workplace and enhance our ability to employ people with a disability, with our recruitment team embedding questions around workplace adjustments into every stage of the recruitment process; and
- increasing the quality and consistency of our diversity data globally and across the employee lifecycle, so we can understand the diversity of our workforce, and how representative we are of the communities in which we operate.

For further details on our approach and progress, refer to QBE's 2022 Sustainability Report. QBE also makes an annual filing to comply with the *Workplace Gender Equality Act 2012* (Cth) (WGEA) in Australia disclosing our performance against the 'Gender Equality Indicators'. The report can be found at www.qbe.com/investor-relations/corporate-governance/global-policies.

Communications with shareholders

Shareholder engagement

QBE is committed to regularly communicating with its shareholders and other stakeholders in a timely and accessible manner, and encouraging shareholder participation at its AGM. Detailed information about QBE can be found on the website at www.qbe.com including:

- its history;
- the Board and management;
- its Constitution, Board charter and the charters of each of its Committees;
- corporate governance and policies;
- periodic disclosures, including annual reports, half yearly reports and sustainability reports;
- ASX announcements;
- shareholder calendar;
- notices of meeting and any accompanying documents;
- presentation materials provided at investor and analyst briefings; and
- webcasts of meetings of shareholders and investor and analyst briefings.

The QBE website includes a dedicated investor relations section where shareholders can access relevant information regarding their shares. There is also a direct link where shareholders can access their shareholding online through QBE's share registry, Computershare. They can update their personal information and provide their email address and elect to receive communications electronically. Shareholders can discuss their shareholding with either QBE's shareholder services department by email to shares@qbe.com or by contacting QBE's share registry, Computershare, by email to qbe.queries@computershare.com.au or by phone at +61 3 9415 4840. Shareholders may request to receive a hard copy of the Annual Report by updating their communication preferences by logging into their shareholding at www.investorcentre.com/au.

QBE has a comprehensive investor relations program that facilitates effective communication with its investors. The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group General Counsel and Company Secretary, Global Head of Investor Relations, Group Executive, Corporate Affairs and Sustainability, Group Treasurer and divisional chief executive officers generally deal with analysts, investors, media, rating agencies and others, taking account of regulatory guidelines including those issued by the ASX on continuous disclosure. The presentations on the 30 June and 31 December results and other major presentations are sent to the ASX before the presentations commence and are available promptly at www.qbe.com/investor-relations/reports-presentations. The 30 June and 31 December results presentations are also webcast live and subsequently archived at www.qbe.com/investor-relations/reports-presentations.

Corporate governance statement continued

Annual General Meetings

QBE welcomes and encourages shareholder participation at its AGM, in person, online or by proxy. The AGM is held in Sydney each year. In 2022, QBE held a hybrid AGM. Shareholders were able to:

- participate by attending the meeting in person, watching online or dialling in to the teleconference;
- ask questions in person, online or on the telephone once they were verified; and
- vote by appointing a proxy, direct voting prior to the AGM and direct voting online during the AGM.

Within the required statutory period before each AGM, QBE distributes to shareholders a notice of meeting and proxy form in accordance with the requirements of the *Corporations Act 2001*, the ASX Listing Rules and the Company's Constitution. To encourage effective participation at AGMs, QBE:

- issues notices of meeting that are honest, accurate and not misleading;
- includes explanatory notes for all resolutions included in the notice;
- provides a proxy form which clearly indicates how a shareholder may appoint a proxy, direct their proxy how to vote on a particular resolution if they so choose and, if they appoint the Chair of the meeting as their proxy, how the Chair intends to vote undirected proxies;
- only combines or 'bundles' resolutions in notices of meeting in limited circumstances; and
- provides shareholders with the opportunity to lodge proxies electronically.

Shareholders are encouraged to provide questions or comments ahead of the AGM so that these can be addressed at the meeting. QBE will make directors, members of the management team and the external auditor available to shareholders at the AGM to respond to questions regarding the items of business, including about the conduct of the audit and the preparation and content of the auditor's report.

Votes at the AGM are by way of a poll i.e. one vote for each fully paid ordinary share held.

Continuous disclosure

QBE takes its continuous disclosure obligations seriously and issues market releases during the year to satisfy those obligations. Significant developments affecting QBE may be the subject of an announcement to the ASX. All ASX announcements are placed on QBE's website at www.qbe.com/investor-relations/asx-announcements as soon as practicable after release. The Board and relevant management also receive copies of all material market announcements promptly after they have been made. QBE's Continuous Disclosure Policy is available at www.qbe.com/investor-relations/corporate-governance/global-policies.

Verification of periodic corporate reports

QBE prepares periodic corporate reports for the benefit of investors such as annual reports, half year reports and sustainability reports. QBE follows a robust process for satisfying itself that each report is materially accurate and balanced, and that it provides investors with appropriate information to make investment decisions.

Periodic corporate reports are drafted by staff with direct responsibility for, or expertise in, the subject matter and are supported by evidence, including by documenting the various sources of information and consultation undertaken within QBE or with external parties. The information is then reviewed by senior management who have the knowledge and skills to verify the accuracy and completeness of the information provided. QBE uses an independent assurance engagement to confirm that certain data in the annual sustainability report has been prepared and presented appropriately in all material aspects.

The Board and its Committees review and approve statutory and other significant corporate reports prior to release to the market. All other periodic corporate reports are submitted for approval to the Disclosure Committee, a committee comprised of senior executives including the Group Chief Executive Officer and Group Chief Financial Officer.

Financial and other reporting

Audit Committee

The Board has an Audit Committee which meets at least quarterly to support the Board in overseeing the effectiveness of the Group's financial reporting and risk management framework. In particular, the Audit Committee oversees and monitors the integrity of the Group's financial reporting, including climate-related financial disclosures. The Audit Committee is also responsible for overseeing the management of tax risks. The Audit Committee is comprised of independent directors, all of whom have financial expertise, and is chaired by Jann Skinner.

Group Chief Executive Officer and Group Chief Financial Officer declaration

Prior to the Audit Committee's review and the Board's approval of the 2022 Annual Report, the Group Chief Executive Officer and Group Chief Financial Officer provided a declaration to the Board that, in their opinion, the financial records were properly maintained, that the financial statements complied with the appropriate accounting standards and that they gave a true and fair view of the financial position and performance of QBE. The declaration also provides that the opinion of the Group Chief Executive Officer and Group Chief Financial Officer was based on a sound system of risk management and internal control which is operating effectively.

External auditor independence

QBE firmly believes that the external auditor must be, and must be seen to be, independent. The external auditor confirms its independence and the Audit Committee verifies this by separate enquiry. The Audit Committee regularly meets with the external auditor in the absence of management. The external auditor attends the AGM and a representative is available to answer questions from shareholders relevant to the audit.

The Audit Committee has free and unfettered access to the external auditor. The external auditor has free and unfettered access to the Audit Committee.

QBE has issued an internal policy on external auditor independence. Under this policy, the external auditor is not allowed to provide the excluded services of preparing accounting records, financial reports or asset or liability valuations. Furthermore, it cannot act in a management capacity, as an advocate, as a custodian of assets or as a share registry.

The Board believes some non-audit services are appropriate given the external auditor's knowledge of the Group. QBE may engage the external auditor for some non-audit services, subject to the general principle that fees for non-audit services excluding audit-related and assurance services should not exceed 50% of all fees paid to the external auditor in any one financial year. External tax services are generally provided by an accounting firm other than the external auditor.

The Audit Committee approves the audit plan each year and receives information on the external auditor's fees. QBE also considers the terms of engagement of the external auditor every few years. The *Corporations Act 2001* and Australian professional auditing standards require rotation of the lead engagement partner after five years. The lead engagement partner of the external auditor was last rotated in 2019.

The Audit Committee regularly reviews the need to rotate external auditors and if the Audit Committee thought it appropriate to change the firm undertaking QBE's external audit, it would conduct a competitive tender process.

Actuarial review

The central estimate of QBE's insurance liabilities, comprising outstanding claims and premium liabilities, is determined by experienced internal actuarial staff. Actuarial staff form an independent view of both the central estimate and the probability of adequacy of outstanding claims and premium liabilities. At 31 December 2022, close to 100% of QBE's outstanding claims central estimate was also reviewed by external actuaries.

Internal audit

A global internal audit function is a core part of QBE's three lines of defence approach to effective risk management. QBE's Group Internal Audit team is an independent global function that operates on an integrated basis and is managed by the Group Head of Internal Audit. Group Internal Audit is formally accountable to the Chair of the Audit Committee and has an administrative reporting line to the Group Chief Financial Officer. Group Internal Audit operates under an Audit Committee-approved internal audit charter that provides Group Internal Audit with free and unrestricted access to the Audit Committee, and all management, records and properties.

Group Internal Audit's primary purpose is to assist the Audit Committee and senior management to discharge their responsibility for sound and prudent management of risk at QBE. Group Internal Audit does this by performing audits, reviews and investigations to provide independent assurance that the design and operation of controls across QBE's international operations are effective.

Group Internal Audit develops and delivers an annual risk-based internal audit plan that is aligned to QBE's risk management framework and includes audits to address relevant regulatory requirements. The annual Group Internal Audit plan is designed so that higher materiality risk processes are reviewed more frequently. Audit findings and related themes are reported to management, local audit committees and the Audit Committee.

Risk management

QBE is in the business of managing risk. The Board and management are fully committed to adopting a disciplined approach to managing risk, delivering leading practice and maintaining robust and independent risk management processes and systems.

QBE's Enterprise Risk Management Framework supports its businesses across all divisions and provides a sound foundation for reducing uncertainty and volatility in business performance.

Further details of how QBE manages risk are set out in the Group Chief Risk Officer's report and the climate change sections of the Annual Report on pages 32 to 43. An overview of QBE's Enterprise Risk Management Framework, including QBE's material risks and how these are mitigated, is also set out in note 4 to the financial statements.

Risk & Capital Committee

The Board monitors QBE's performance and, as such, plays a significant role in monitoring that an effective risk management strategy is established and maintained. The Board has a Risk & Capital Committee which meets at least quarterly to support the Board in overseeing the effectiveness of QBE's risk and capital management frameworks. The proper oversight of these frameworks supports strategic objectives, informs business plans and enables current and future risks to be identified, assessed and monitored in line with risk appetite. Under its charter, the Risk & Capital Committee is required to review the Enterprise Risk Management Framework periodically to confirm it continues to be sound. This review was undertaken during 2022 as part of the annual refresh of the Risk Management Strategy. The Risk & Capital Committee is also responsible for overseeing QBE's ESG responsibilities and performance, and external reporting relating to this.

The Risk & Capital Committee is comprised of independent directors and is chaired by Rolf Tolle. The Risk & Capital Committee has free and unfettered access to the Group Chief Risk Officer and other relevant senior management.

Environmental, social and governance risk

Information about how QBE approaches sustainability and the management of ESG issues can be found in the climate change disclosures section on pages 34 to 43 of the Annual Report and in the 2022 Sustainability Report.

Refer to QBE's 2022 Sustainability Report at www.qbe.com/sustainability.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2022

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at, or during, the year ended 31 December 2022.

Directors

Michael Wilkins AO (Chair)
Andrew Horton
Yasmin Allen (from 1 July 2022)
Stephen Fitzgerald AO (until 5 May 2022)
John M Green (Deputy Chair) (until 5 May 2022)
Tan Le
Kathryn Lisson
Sir Brian Pomeroy
Jann Skinner
Eric Smith
Rolf Tolle

Consolidated results

	STATUTORY RESULT	
	2022 US$M	2021 US$M
Gross written premium	**20,001**	18,457
Gross earned premium revenue	**19,067**	17,035
Net earned premium	**14,327**	13,408
Net claims expense	**(8,330)**	(8,371)
Net commission	**(2,119)**	(2,070)
Underwriting and other expenses	**(1,836)**	(1,829)
Underwriting result	**2,042**	1,138
Net investment (loss) income on policyholders' funds	**(509)**	77
Insurance profit	**1,533**	1,215
Net investment (loss) income on shareholders' funds	**(267)**	45
Financing and other costs	**(245)**	(247)
Gain on sale of entities and businesses	**38**	–
Share of net loss of associates	**(7)**	(7)
Restructuring and related expenses	**(106)**	(72)
Amortisation and impairment of intangibles	**(27)**	(21)
Profit before income tax	**919**	913
Income tax expense	**(141)**	(156)
Profit after income tax	**778**	757
Net profit attributable to non-controlling interests	**(8)**	(7)
Net profit after income tax attributable to ordinary equity holders of the Company	**770**	750

Result

The Group reported a net profit after tax attributable to ordinary equity holders of the Company of $770 million for the year ended 31 December 2022, compared with $750 million for the prior year. Risk-free rates increased across all currencies throughout the year as central banks undertook aggressive actions to combat inflation. This resulted in a $1,214 million benefit to the underwriting result, which was more than offset by a $1,343 million adverse mark-to-market impact on our fixed income portfolio.

Gross written premium increased by $1,544 million mainly as a result of continued premium rate increases, stable retention and targeted new business growth, with particularly strong growth in Crop. Reinsurance expense increased by $1,113 million mainly reflecting the growth in Crop, where net retention was managed through the placement of an external quota share, combined with the cost of the transaction to reinsure prior accident year North American Excess and Surplus (E&S) liabilities.

The Group reported a statutory underwriting profit of $2,042 million compared with $1,138 million in the prior year, equating to a combined operating ratio of 85.7% compared with 91.5%. Excluding the impacts of changes in risk-free rates, the combined operating ratio was 94.2% compared with 93.7% in the prior year, reflecting the impacts of the E&S transaction and the Australian pricing promise review.

The net claims ratio was 58.1% compared with 62.4% in the prior year. Excluding the impact of changes in risk-free rates, the net claims ratio was 66.6% compared with 64.6% in the prior year. The beneficial impact of the E&S transaction and the release of the remaining $160 million of COVID-19 risk margin was more than offset by an increase in ex-cat and catastrophe claims and prior accident year claims development.

The combined commission and expense ratio decreased to 27.6% from 29.1% in the prior year. The net commission ratio reduced to 14.8% from 15.5% in the prior year, primarily due to income from the increased quota share in Crop and favourable business mix, partly offset by the impacts of the E&S reinsurance transaction. The Group's expense ratio decreased to 12.8% from 13.6% in the prior year, mainly reflecting disciplined cost management, favourable business mix and ongoing operating leverage driven by strong premium growth.

Total investment loss was $776 million compared with an investment income of $122 million in the prior year. Excluding the impacts of changes in risk-free rates, total investment income was $567 million compared with $382 million in the prior year. Wider credit spreads and unrealised losses on developed and emerging market equity and enhanced fixed income investments were more than offset by favourable returns from unlisted property and infrastructure assets.

The Group's effective tax rate was 15.3% compared with 17.1% in the prior year reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates and the recognition of previously unrecognised tax losses in the North American tax group.

Dividends

The directors are announcing a final dividend of 30 Australian cents per share (2021 19 Australian cents per share). The final dividend will be 10% franked (2021 10%). The 2022 full year dividend payout is A$578 million compared with A$443 million for 2021. Further details of dividends paid during the year are set out in note 5.4 to the financial statements.

Activities

The principal activities of QBE during the year were underwriting general insurance and reinsurance risks, management of Lloyd's syndicates and investment management.

Presentation currency

The Group has presented the Financial Report in US dollars because a significant proportion of its underwriting activity is denominated in US dollars. The US dollar is also the currency that is widely understood by the global insurance industry, international investors and analysts.

Operating and financial review

Information on the Group's results, operations, business strategy, prospects and financial position is set out in the operating and financial review on pages 16 to 25 of this Annual Report.

Outstanding claims liability

The net central estimate of outstanding claims is determined by the Group Chief Actuary. The assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, reinsurance and other recoveries and future interest rates and inflation factors.

As in previous years, the directors consider that substantial risk margins are required to mitigate the inherent uncertainty in the net central estimate. The probability of adequacy of the outstanding claims liability at 31 December 2022 was 90.0% compared with 91.7% last year. The Australian Prudential Regulation Authority (APRA) prudential standards provide a capital credit for risk margins in excess of a probability of adequacy of 75%.

Group indemnities

Rule 78 of the Company's Constitution provides that the Company indemnifies past and present directors, secretaries or other officers against any liability incurred by that person as a director, secretary or other officer of the Company or its subsidiaries. The indemnity does not apply to any liability (excluding legal costs):

- owed to the Company or a related body corporate (e.g. breach of directors' duties);
- for a pecuniary penalty under section 1317G or a compensation order under sections 1317H or 1317HA of the *Corporations Act 2001* (Cth) (or a similar provision of the corresponding legislation in another jurisdiction); or
- that is owed to someone other than the Company or a related body corporate and which did not arise out of conduct in good faith.

The indemnity extends to legal costs other than where:

- in civil proceedings, one or more of the above exclusions apply;
- in criminal proceedings, the person is found guilty;
- the person is liable in proceedings brought by the Australian Securities and Investments Commission (ASIC), a corresponding regulator in another jurisdiction or a liquidator (unless as part of the investigation before proceedings are commenced); or
- the court does not grant relief after an application under the *Corporations Act 2001* or corresponding legislation in another jurisdiction.

In addition, a deed exists between the Company and each director which includes an indemnity in similar terms to rule 78 of the Company's Constitution.

Directors' and officers' insurance

QBE pays a premium each year in respect of a contract insuring directors, secretaries, senior managers and employees of the Group together with any natural person who is either a trustee or a member of a policy committee for a superannuation plan established for the benefit of the Group's employees against liabilities past, present or future. The officers of the Group covered by the insurance contract include the directors listed on pages 44 and 45 of this Annual Report, the Group Company Secretary, Carolyn Scobie, and Deputy Company Secretary, Peter Smiles.

In accordance with normal commercial practice, disclosure of the amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No such insurance cover has been provided for the benefit of any external auditor of the Group.

Significant changes

There were no significant changes in the Group's state of affairs during the financial year other than as disclosed in this Annual Report.

Likely developments and expected results of operations

Likely developments in the Group's operations in future financial years and the expected results of those operations have been included in the operating and financial review on pages 16 to 25 of this Annual Report.

Events after balance date

On 17 February 2023, the Group entered into a 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 an upfront net cost of around $100 million before tax.

Other than the above and the declaration of the final dividend, no matter or circumstance has arisen since 31 December 2022 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.

Material business risks

As a global insurance and reinsurance business, QBE is subject to a substantial variety of business risks. The directors believe that effective management of these risks is critical to delivering value for QBE's stakeholders. It is QBE's policy to adopt a rigorous approach to managing risk throughout the Group. Risk management is a continuous process and an integral part of QBE's governance structure, QBE's broader business processes and, most importantly, QBE's culture.

Some of the material business risks that QBE faces include strategic, insurance, credit, market, liquidity, operational, compliance and Group risks. Explanations of these risks and their mitigations are set out in detail in note 4 to the financial statements which we recommend you read. Further details of how QBE manages risk are set out in the Group Chief Risk Officer's Report on pages 32 to 33, the climate change section on pages 34 to 43 and the risk management section of the corporate governance statement on page 57 of this Annual Report.

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities, the most significant of which are in relation to the determination of the net outstanding claims liability, the application of the liability adequacy test and the valuation of deferred tax assets. Details of these, and information on how QBE has responded to uncertainties created by COVID-19, are included in the notes to the financial statements.

Meetings of directors

	FULL MEETINGS OF DIRECTORS[1]		MEETINGS OF INDEPENDENT DIRECTORS		MEETINGS OF COMMITTEES: AUDIT		GOVERNANCE & NOMINATION		INVESTMENT		OPERATIONS & TECHNOLOGY		PEOPLE & RE-MUNERATION		RISK & CAPITAL		SUB-COMMITTEES[2]	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Yasmin Allen[3]	5	5	3	3	3	3	–	–	–	–	–	–	3	3	–	–	3	3
Stephen Fitzgerald[3]	4	4	2	2	–	–	2	2	1	1	–	–	1	1	2	2	–	–
John M Green[3]	4	3	2	2	1	1	2	2	1	1	–	–	1	1	2	1	3	3
Andrew Horton	10	10	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6	6
Tan Le	10	10	6	6	1	1	6	6	–	–	1	1	3	3	–	–	–	–
Kathryn Lisson	10	10	6	6	1	1	2	2	–	–	1	1	3	3	4	4	1	1
Sir Brian Pomeroy	10	9	6	6	5	5	2	2	1	1	–	–	–	–	6	6	–	–
Jann Skinner	10	10	6	6	5	5	6	6	–	–	–	–	1	1	6	6	8	8
Eric Smith	10	9	6	6	4	4	2	2	–	–	1	1	–	–	6	6	–	–
Rolf Tolle	10	10	6	6	1	1	6	6	–	–	–	–	4	4	6	6	–	–
Michael Wilkins	10	10	6	6	5	5	6	6	1	1	1	1	4	4	6	6	9	9

H Number of meetings held while a Board or Committee member.

A Number of meetings attended while a Board or Committee member.

1 All directors attended all scheduled Board meetings. Some of the 2022 Board meetings were unscheduled and called at short notice, resulting in some directors being unable to attend.

2 Ad hoc committees of the Board were convened during the year in relation to the financial results and other reporting matters.

3 Stephen Fitzgerald and John M Green retired from the Board effective 5 May 2022. Yasmin Allen was appointed to the board effective 1 July 2022. The composition of the Board Committees was changed effective 6 May 2022.

Further meetings occurred during the year, including meetings of the Chair, Group Chief Executive Officer, and meetings of the directors with management. Often directors attend meetings of committees of which they are not currently members.

Directorships of listed companies held by the members of the Board

From 1 January 2020 to 17 February 2023, the directors also served as directors of the following listed entities:

DIRECTOR	POSITION	DATE APPOINTED	DATE CEASED
John M Green			
Challenger Limited	Director	6 December 2017	–
Michael Wilkins			
AMP Limited	Director	12 September 2016	14 February 2020
Medibank Private Limited	Director	25 May 2017	–
Scentre Group Limited	Director	8 April 2020	–
Jann Skinner			
Telix Pharmaceuticals Limited	Director	19 June 2018	–
Yasmin Allen			
Cochlear Limited	Director	2 August 2010	–
Santos Limited	Director	22 October 2014	–
ASX Limited	Director	9 February 2015	–

Qualifications and experience of directors

The qualifications and experience of each director are set out on pages 44 and 45 of this Annual Report.

Qualifications and experience of company secretaries

Carolyn Scobie, BA, LLB, MA, AGIA, GAICD
Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, Carolyn was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

Peter Smiles, LLB, MBA, FGIA, FCIS, GAICD
Peter is Deputy Company Secretary of QBE Insurance Group Limited and a company secretary of various QBE subsidiaries in Australia. He has over 30 years of insurance experience, which includes 25 years as a corporate lawyer. In addition to his current company secretarial duties, he acts as a corporate lawyer advising Group head office departments.

Directors' interests and benefits

Ordinary share capital

Directors' relevant interests, including those of their personal related parties, in the ordinary share capital of the Company at the date of this report are as follows:

DIRECTOR	NUMBER OF SHARES HELD
Yasmin Allen	**18,333**
Andrew Horton	**235,959**
Tan Le	**8,753**
Kathryn Lisson	**49,010**
Sir Brian Pomeroy	**42,425**
Jann Skinner	**70,000**
Eric Smith	**8,767**
Rolf Tolle	**73,806**
Michael Wilkins	**83,783**

Options and conditional rights

At the date of this report, Andrew Horton has 611,437 conditional rights to ordinary shares of the Company. No executives hold options at the date of this report. Details of the schemes under which options and conditional rights are granted are provided in the Remuneration Report and in note 8.5 to the financial statements.

The names of all persons who currently hold options granted under the Employee Share and Option Plan and conditional rights to ordinary shares of the Company are entered in the registers kept by the Company pursuant to section 168 of the *Corporations Act 2001*.

Environmental regulation

While the Group is not currently required to report under any significant environmental regulations under Commonwealth, State or Territory legislation, climate change disclosures are provided on pages 34 to 43 of this Annual Report and operational GHG emissions and other environmental data are disclosed in the 2022 Sustainability Report.

Remuneration Report

Remuneration Report contents

To our shareholders

On behalf of the Board, I am pleased to present QBE's Remuneration Report for 2022.

I am incredibly proud to be leading the People & Remuneration Committee as we continue our journey to enabling a more resilient future. Insurance plays a positive role in our society, adding certainty and supporting communities to protect what matters to them. Since joining the Board, I have had the opportunity to meet many of our employees who are supporting our customers every day. Our people are energised and excited about the new purpose and vision as well as the varied and purposeful careers that QBE offers.

We operate in a competitive global market for talent and are committed to continually improving our employee experience and workplace culture to attract and retain people. Throughout 2022 we delivered on a range of people-focused initiatives and continued to evolve our robust remuneration practices to enable our strategic priorities.

An example of this evolution, as highlighted in last year's Remuneration Report, is the launch of our new 2022 short-term incentive plan (the Annual Performance Incentive or API). Through the API, there is increased emphasis on the impact of both what our people deliver and how they demonstrate the QBE DNA whilst achieving their goals. Overall performance is measured through both financial and non-financial measures, aligned to our key results and priorities, including combined operating ratio (COR), Group cash return on equity (ROE), Risk, People and the various initiatives which form part of our six strategic priorities. Pleasingly, the introduction of the API has strengthened our ability to deliver our strategy and drive towards our target culture.

In addition to the new API, we introduced a DNA Champions award and reinforced our focus on creating a flexible workplace. Investment in our people included the establishment of three new enterprise leadership groups to help strengthen our internal succession pipeline and build collaboration across the enterprise. Progress also continued to be made on the implementation of our Culture Blueprint. We strive for a culture that embraces diversity, seeks feedback, and encourages people to speak up.

Listed on the opposite page are a sample of the people-related recognition and awards received during 2022. We are proud to be publicly acknowledged in so many of our locations across the globe for our people programs.

Performance during 2022

For 2022, QBE recorded an adjusted cash ROE for incentive purposes of 10.5%, an encouraging result given numerous external challenges and investment market volatility over the year. While our financial performance has been impacted by the increased costs associated with the devastating catastrophes during 2022, our business has demonstrated continued resilience.

The Group COR for incentive purposes was 94.2%. This performance was despite significant catastrophe activity in all regions, the adverse impact from the Russia/Ukraine conflict, and increasing inflationary pressure.

Both of these financial measures were between the threshold and maximum ranges set for incentive payouts.

For more information on 2022 financial highlights, refer to page 5.

The API business scorecard considers financial measures alongside non-financial measures for incentive purposes. The inclusion of non-financial measures in 2022 supported our growing maturity as it relates to managing risk and measures our progress against diversity and inclusion metrics and our 2022 strategic priorities. Maintaining this focus will be essential to support the successful embedment of our refreshed sustainability strategy across the business.

Our broader view of performance through the API also considers the individual performance of the executive key management personnel (KMP) when determining incentive outcomes. The assessments against agreed individual performance objectives completed by the Board for the executive KMP results in overall API outcomes which range from 54.2% to 69.4% of their maximum opportunity.

For the Group Chief Executive Officer (CEO), the 2022 API outcome results in him receiving 98.1% of his target opportunity (65.4% of his maximum opportunity). Of this outcome, 50% is deferred as conditional rights and vests in equal tranches over the first, second, third and fourth anniversaries of the award.

For more information on the 2022 API business scorecard and outcomes, refer to pages 67 to 69.

The 2019 long-term incentive (LTI) which was due to vest in 2022 to executive KMP did not vest and all awards related to that grant lapsed.

Looking ahead

Our people are essential to our business' long-term success and in 2023 we continue to have Our people and Our culture as two of our six strategic priorities, as highlighted on pages 8 to 9. Our overarching aim is to enable a sustainable and resilient workforce to ensure we can continue to deliver to our customers and shareholders in 2023 and beyond.

The global market for attracting and retaining talent remains competitive, and we continue to invest to ensure QBE stands out as an employer of choice. As such, we are closely monitoring the ongoing impacts of inflation, cost of living pressures and international market competitiveness. We have made limited changes to executive KMP fixed pay and no changes to non-executive director fees in recent years, but we will review these in light of the above factors in 2023.

The Board is committed to retaining a strong focus on the longer term and alongside fixed pay, will consider the potential for adjustments to levels of LTI opportunity. We will also look at non-executive director fees during 2023 to address any potential market pressures. Any changes that are enacted will be shared in further detail in next year's Remuneration Report.

We remain focused on building a deeper connection amongst our people to our new purpose and vision, enhancing culture through performance and reward, improving leadership capability and internal succession, and supporting flexibility and wellbeing to ensure we continue to attract and retain the best talent.

With 2022 being the first year of the new API plan, no major changes are proposed for 2023. We will continue to review how we can incorporate non-financial metrics into our LTI plans in response to regulatory requirements and in support of our sustainability strategy and commitments.

In closing, I would like to acknowledge my appointment to the Chair of the People & Remuneration Committee and Yasmin Allen as a new non-executive director and member of the Committee following the retirement of John M Green and Stephen Fitzgerald. We thank both John and Stephen for their contribution to the People & Remuneration Committee during their time with QBE. Thank you for your support in 2022. As always, we look forward to shareholder feedback.

Tan Le | Chair, People & Remuneration Committee

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for KMP for 2022 and how this aligns with QBE's performance. Accounting standards define KMP as those executives and non-executive directors with the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. The 2022 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

Recognition and awards

Included in the Bloomberg Gender-Equality Index

Winner of the Australian HR Institute (AHRI) Awards 2022 Organisation Development category for Culture Transformation

Winner of the Employer of the Year Award at The Insurance Insider Awards 2022 in the UK

Insurance Business Asia Top Insurance Employer of 2022

Insurance Business America 2022: 5-star carrier for Diversity, Equity and Inclusion

Awarded Platinum status for excellence in LGBTIQ+ by Australian Workplace Equality Index for inclusion initiatives in the workplace

Our remuneration at a glance

Remuneration framework

Our remuneration strategy is designed to attract, motivate and retain QBE's executives by providing market competitive remuneration aligned with the creation of sustained shareholder value.

Our purpose

QBE – enabling a more resilient future

Our remuneration principles

The guiding principles which promote robust risk management practices are applied effectively to manage remuneration and reward across the Group.

Simple and clear

Linked to strategy

Motivating

Aligned to shareholders

Globally consistent and locally competitive

The remuneration framework supports the strategy

Simple and clear

A simple and clear view of how delivery of our strategy impacts incentive outcomes for our executives.

Adaptable to changes in our strategy and external environment

Performance targets aimed at delivering our long-term objectives will evolve with our strategy, changes to business cycles and the external operating environment.

Measures that are correlated with performance

Measures that focus on profitability, management of the balance sheet and our longer-term strategic priorities enable remuneration outcomes to reflect a holistic view of performance.

Encourages our executives to think and act like business owners

A significant portion of incentives is paid in equity which focuses executives on creating shareholder value, managing risk and being accountable for the long-term success of QBE.

Aligning remuneration to culture and managing risk

The remuneration structure is designed to align remuneration with prudent risk-taking, underpinned by clear messaging of our QBE DNA which describes who we are, what we stand for and how we need to operate to be successful. The way that each executive manages risk and conduct is a key consideration of the Board in determining incentive outcomes.

In 2022, we focused on measuring not only what was achieved but how it was achieved to further strengthen our culture. Executive KMP performance assessments include a formal assessment of risk and behaviours using input from the Group Chief Risk Officer (CRO), the Chair of the People & Remuneration Committee, the Chair of the Board Risk & Capital Committee and chairs of divisional boards where relevant.

Remuneration key features

A high level summary of the terms of the Group CEO's remuneration arrangements in 2022 are presented below:

Annual Performance Incentive (API)

Delivered through
A mix of API cash (50%) and API deferred equity (50%)

Incentive opportunity
150% (target), 225% (maximum)

Performance period
One year

Equity deferral period
One to four years from end of performance period

Performance measures
Performance measured through a business scorecard containing Group cash ROE and Group COR financial measures alongside non-financial measures. These incorporate sustainability-aligned metrics based on risk, people and culture and strategic priorities. In addition, individual performance objectives focus both on what has been achieved and how they were achieved during the year.

Long-term Incentive (LTI)

Delivered through
Equity (100%)

Incentive opportunity
200% (maximum face-value)

Performance period
Three years

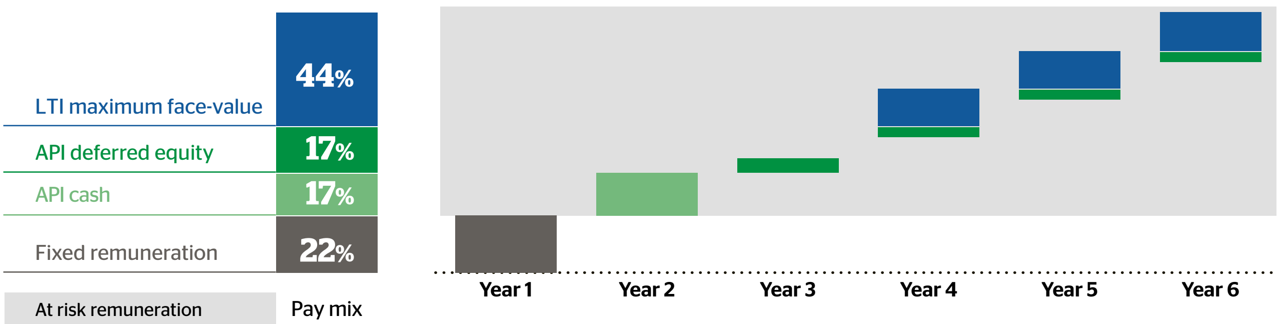
Equity deferral period
Three to five years from start of performance period

Performance measures
Two measures: Average Group cash ROE (70%) and relative Total Shareholder Return (TSR) (30%) with a global insurance peer group

Malus and clawback provisions and executive minimum shareholding requirements (MSR) continue to apply.

Remuneration pay mix

The pay mix of the Group CEO provides a blend of fixed and variable pay, cash and equity, and is measured against short- and long-term performance. The graph below sets out the typical remuneration structure and delivery for on-target performance and how the remuneration vests over time.

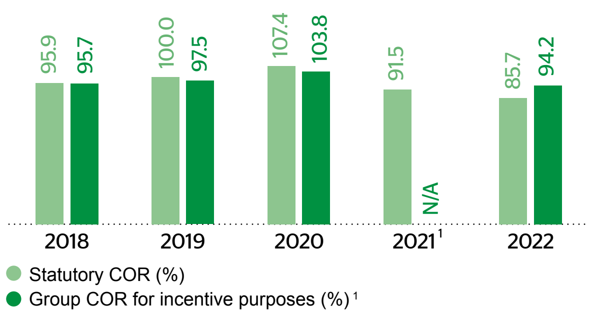


Five-year performance

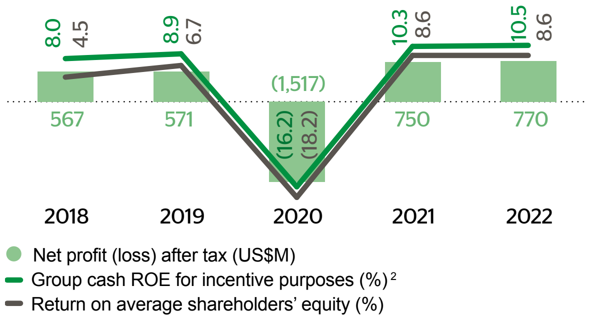
The Group's financial performance demonstrated improved resilience in a tough operating environment that included macro challenges such as geopolitical tensions, elevated catastrophe experience and a surge in inflation.

Financial performance

COR

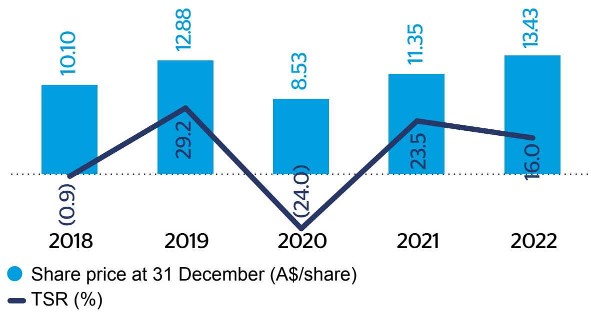


Profit measures

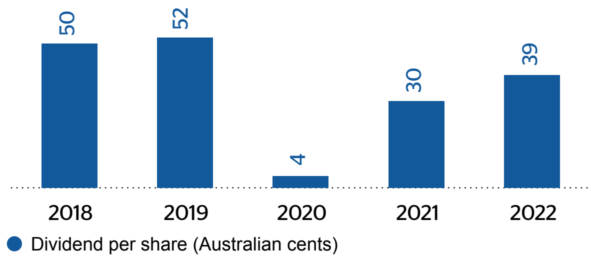


Return to shareholders

Return to shareholders



Dividend per share



Group CEO outcomes[3]

	2018	2019	2020	2021	2022
Short term incentive achievements as % of target[4]	98.6	68.5	90.4	115.2	**98.1**
LTI vested (% of grant)[5]	0	0	–	–	**–**

The impact of the financial performance on the incentive payouts for executive KMP is provided on pages 68 to 69.

Tracking of unvested LTI awards

2019 LTI award – vesting Q1 2022/23/24 – Average Group cash ROE and relative TSR performance – Did not vest

2020 LTI award – vesting Q1 2023/24/25 – Average Group cash ROE and relative TSR performance – Partial vesting

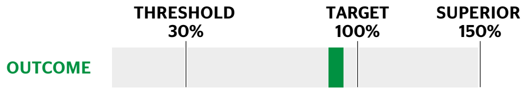
2021 LTI award – vesting Q1 2024/25/26 – Average Group cash ROE and relative TSR performance – On track

2022 LTI award – vesting Q1 2025/26/27 – Average Group cash ROE and relative TSR performance – On track

1 For incentive purposes, the 2021 Group COR was replaced by a blended Group COR. For details please see the 2021 Remuneration Report.
2 For incentive purposes, adjusted Group cash ROE of 10.5% is as provided on page 24. Details of prior years' adjusted Group cash ROE is provided in the Remuneration Report for each relevant year.
3 Full details for 2022 are provided on page 68. Previous Group CEO outcomes are detailed in the Remuneration Report for each relevant year.
4 Legacy plans are detailed on pages 76 to 77 and comprise Executive Incentive Plan (EIP) in 2018, Short Term Incentive (STI) in 2019, 2020 and 2021. The API was introduced in 2022.
5 The '–' indicates no LTI award was eligible for vesting in the relevant year, where '0' indicates zero LTI vested. The 2019 LTI did not vest in 2022. The current Group CEO was not eligible to receive the 2019 LTI.

How we performed – executive KMP business scorecard

Our focus on a blend of financial and non-financial measures in 2022 resulted in QBE making good progress against our six strategic priorities.



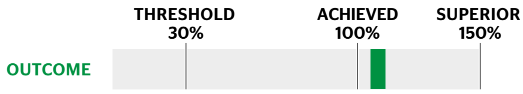
FINANCIAL WEIGHTING: 70%

Group COR

Group COR for incentive purposes in 2022 was 94.2% which resulted in an outcome between threshold and target. This was despite elevated catastrophe activity throughout the year, our allowance for the Russia/Ukraine conflict and the adverse impact from higher inflation across all regions. From a divisional performance perspective, North America's catastrophe costs were slightly below allowance despite the impact from Hurricane Ian, while adverse prior accident year claims development (PYD) declined significantly, details on pages 26 to 27. International was impacted by the aforementioned conflict, adverse PYD associated with inflation and an unfavourable COVID business interruption court judgement, details on pages 28 to 29. Australia Pacific delivered a strong result, although catastrophe costs were elevated, marked by significant flooding and wet weather associated with the La Nina weather pattern. This was broadly offset by favourable PYD associated with strong credit quality in LMI, and releases across a number of commercial lines classes, details on pages 30 to 31.

Group cash ROE

The Group delivered an adjusted cash ROE of 10.5% for incentive purposes in 2022 which resulted in an outcome between target and superior. Our business has demonstrated continued resilience throughout the year. However, our financial performance has been impacted by the increased costs associated with the devastating catastrophes, the Russia/Ukraine conflict and ongoing inflationary pressures. Pleasingly, the result is the second consecutive double-digit ROE for QBE, the strongest in over a decade, and highlights our building resilience in a year impacted by various external factors.



NON-FINANCIAL WEIGHTING: 30%

Risk

The annual risk maturity assessment completed for 2022 received an outcome of 'embedded' across key elements of the Risk Management Framework. This year, higher levels of maturity were identified across risk governance, three lines of defence roles and responsibilities and risk skills and culture. The outcomes reflect improvements made from the risk transformation initiatives completed to date.

People and culture

There was strong performance across the people agenda in 2022. We remained focused on becoming an employer of choice in our chosen markets and building and empowering a sustainable and diverse pipeline of leaders. Significant progress towards our 2025 diversity targets was delivered through the achievement of our women in leadership targets. An enterprise-wide new incentive plan was introduced with a focus on both what was achieved and how it was achieved. In addition, advancements in a more collaborative and aligned culture, centred around our new purpose, were reflected in improvements in employee engagement levels.

Strategic priorities

Good progress was made across the enterprise against the strategic priorities in 2022. Work commenced on our **portfolio optimisation** targets and these were incorporated into 2023 business planning. A detailed reassessment of our geographical footprint and lines of business supporting our medium to long term growth aspirations was completed as part of the **sustainable growth** priority. **Bring the enterprise together** delivered greater consistency through more structured collaboration and alignment. We continued to **modernise our business** through digitisation efforts across QBE, along with the simplification of core IT platforms and progress on leveraging our data and global scale.

For more information on strategic priorities, refer to pages 8 to 9.

API BUSINESS SCORECARD WEIGHTED OUTCOME: Slightly below target

The Board considered both quantitative and qualitative factors in determining the executive KMP API business scorecard outcome.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Executive KMP performance snapshots

The realised remuneration outlined below provides an overview of actual remuneration outcomes for executive KMP.

QBE discloses actual remuneration outcomes in the financial period under review. The realised 2022 remuneration figures below include the accrued API cash award for the 2022 financial year, the value of any conditional rights granted in prior years that vested during 2022 and executive shareholdings against the MSR.

Andrew Horton
Group CEO

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR (times fixed remuneration) **4.0**

2022 API outcome (US$000) — **98.1%** of target; 65.4% of maximum

$919 Cash | $919 Deferred

2022 realised remuneration[1] (US$000) — $**3,021** Total

$**1,249** | $**919** | $**667** | $**186**

Jason Harris
Chief Executive Officer, International

Term as KMP in 2022 Full year

Country of residence United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **1.3**

2022 API outcome (US$000) — **97.4%** of target; 65.0% of maximum

$562 Cash | $375 Deferred

2022 realised remuneration[1] (US$000) — $**1,996** Total

$**801** | $**562** | $**626** | $**7**

Sam Harrison
Group Chief Underwriting Officer

Term as KMP in 2022 Full year

Country of residence United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **1.5**

2022 API outcome (US$000) — **99.2%** of target; 66.1% of maximum

$554 Cash | $370 Deferred

2022 realised remuneration[1] (US$000) — $**1,760** Total

$**776** | $**554** | $**417** | $**13**

Sue Houghton
Chief Executive Officer, Australia Pacific

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR (times fixed remuneration) **1.9**

2022 API outcome (US$000) — **104.2%** of target; 69.4% of maximum

$520 Cash | $347 Deferred

2022 realised remuneration[1] (US$000) — $**1,456** Total

$**693** | $**520** | $**227** | $**16**

1 The value of vested conditional rights awards has been calculated using the share price on the vesting date. These figures are different from those shown in the statutory table on page 78. For example, the statutory table includes an apportioned accounting value for all unvested conditional rights held during the year, which remain subject to performance and service conditions and consequently may or may not ultimately vest.

Key: Fixed remuneration · API cash · API deferred equity · Value of vested rights · Other

Amanda Hughes
Group Chief People Officer[2]

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR (times fixed remuneration) **0.9**

2022 API outcome (US$000) — **97.5%** of target; 65.0% of maximum

$**324** Cash | $**216** Deferred

2022 realised remuneration[1] (US$000) — $**896** Total

$**553** | $**324** | $**14** | $**5**

Todd Jones
Chief Executive Officer, North America

Term as KMP in 2022 Full year

Country of residence United States

Total value of shareholdings against the MSR (times fixed remuneration) **2.6**

2022 API outcome (US$000) — **81.3%** of target; 54.2% of maximum

$**600** Cash | $**400** Deferred

2022 realised remuneration[1] (US$000) — $**1,931** Total

$**1,024** | $**600** | $**274** | $**33**

Fiona Larnach
Group Chief Risk Officer

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR (times fixed remuneration) **0.3**

2022 API outcome (US$000) — **96.3%** of target; 64.2% of maximum

$**270** Cash | $**180** Deferred

2022 realised remuneration[1] (US$000) — $**912** Total

$**624** | $**270** | $**18**

Inder Singh
Group Chief Financial Officer

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR (times fixed remuneration) **3.1**

2022 API outcome (US$000) — **96.8%** of target; 64.5% of maximum

$**628** Cash | $**419** Deferred

2022 realised remuneration[1] (US$000) — $**2,144** Total

$**901** | $**628** | $**604** | $**11**

2 A title change for Amanda Hughes from Group Executive, People and Culture to Group Chief People Officer occurred on 3 March 2022.

Key: Fixed remuneration · API cash · API deferred equity · Value of vested rights · Other

1. REMUNERATION GOVERNANCE

QBE has a robust remuneration governance framework overseen by the Board. This ensures that the remuneration arrangements are appropriately designed and managed and that the agreed frameworks and policies are applied and monitored across QBE.

Board

Has overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors.

People & Remuneration Committee

Is the main governing body for key people and remuneration items across the Group.

Further details on the role and scope of the People & Remuneration Committee are set out in the QBE People & Remuneration Committee charter, available from www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution.

Group CEO | **Divisional People & Remuneration Committees** | **External advisers**

Managing risk

The continued focus on and investment in managing our risk provides for a stronger and resilient QBE.

The People & Remuneration Committee works closely with the Board Risk & Capital Committee, Group CRO and Group Chief People Officer to ensure that any risk associated with remuneration arrangements is managed within the Group's risk management framework. The attendance of other members of the Board at the People & Remuneration Committee meetings strengthens remuneration governance across QBE.

Executive KMP are required to adhere to a range of Group-wide policies to ensure risks are well managed, strong governance structures are in place and high ethical standards are maintained. The Board approves a comprehensive delegated authority for the Group CEO, which is an integral part of QBE's risk management process. The remuneration governance framework incorporates risk oversight principles so that executives cannot unduly influence a decision that could materially impact their own incentive outcome.

The performance-based components of remuneration established in QBE's incentive plans are designed to encourage behaviour that supports the Group's long-term financial soundness.

Specifically, the QBE incentive plans:

- deliver a target remuneration mix balanced between fixed/variable remuneration, short- and long-term and cash and equity;
- incorporate individual performance objectives through the API that measure demonstrable proactive sound risk management, including an assessment of risk maturity and the setting of a clear and consistent tone about the importance of managing risk;
- incorporate robust corporate standards for all employees supporting the QBE risk culture;
- balance performance outcomes based on delivery against a range of financial and non-financial strategic measures which are set in the context of business plans that have been appropriately stress-tested by the Group CRO;
- enable the build-up of meaningful shareholding with API deferred equity and LTI underpinned by the MSR (refer to page 72);
- provide the Board with discretion to take other factors into account when determining the appropriate outcome; and
- allow for multiple risk adjustments: in year, malus for unvested awards and clawback of cash and vested equity (refer to page 71).

As part of the 2022 year-end process, an assessment of each senior executive's approach to risk management has been completed using input from the Group CRO. This process recognises positive and negative risk culture and risk management through upward or downward adjustment of performance ratings, incentive payouts and consequences (that can include executives leaving the organisation).

Across the Group in 2022, over 100 assessments were carried out including for executive KMP and divisional executive teams. Based on the assessments in 2022, there were performance rating and/or incentive adjustments applied both upwards and downwards.

Malus provision

The malus provision gives the People & Remuneration Committee and the Board discretion to reduce the amount of an unvested award (including to zero) in certain circumstances during the retention period, including in the case of:

- misconduct leading to significant adverse outcomes;
- a significant failure of financial or non-financial risk management;
- a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based; and/or
- significant adverse outcomes for customers, beneficiaries or counterparties.

This provision reflects QBE's obligations under APRA's Prudential Standard CPS 510 *Governance* to incorporate terms allowing for the adjustment of incentive awards to protect QBE's financial soundness and ability to respond to unforeseen significant issues.

A review against the malus provision was completed as part of the year end process. There was no requirement to apply the provision in 2022.

Clawback provision

The clawback provision allows, to the extent permissible by applicable law, all variable remuneration (cash and deferred remuneration) to remain subject to clawback for a period of two years from the date of payment or vesting (as the case may be) of the relevant component of variable remuneration.

The Board can determine whether to apply clawback to paid or vested variable remuneration and, if so, the appropriate value over which clawback will be applied.

The circumstances in which the Board may apply clawback include those where it concludes in good faith that there is or has been:

- misconduct leading to material adverse outcomes;
- a material failure of financial or non-financial risk management;
- a material failure or breach of accountability, fitness and propriety, or compliance obligations;
- a material error or a material misstatement of criteria on which the variable remuneration determination was based; and/or
- material adverse outcomes for customers, beneficiaries or counterparties.

Clawback may be applied to any variable remuneration regardless of whether or not the employment or engagement of the relevant person is ongoing.

A review against the clawback provision was completed as part of the year end process. There was no requirement to apply the provision in 2022.

Consequence Management Policy

The QBE Consequence Management Policy was adopted in 2022 for implementation in 2023. The policy introduces principles and guidance to ensure consequences for misconduct or poor risk outcomes are fair, consistent and aligned with regulatory requirements.

Securities Trading Policy

Trading in QBE ordinary shares is generally permitted outside of designated closed periods. QBE's Securities Trading Policy states that non-executive directors and other designated employees must notify any intended share transaction to nominated people within the Group. The policy prohibits the hedging of QBE securities at all times. The purpose of this prohibition is to ensure that there is an alignment between the interests of non-executive directors, executives and shareholders.

A copy of QBE's Securities Trading Policy for dealing in securities is available from www.qbe.com/investor-relations/corporate-governance/global-policies.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

1. REMUNERATION GOVERNANCE

Minimum shareholding requirement

The MSR ensures executives build their shareholding to have significant exposure to QBE's share price. Under the MSR, a minimum of three times fixed remuneration for the Group CEO (one and a half times for other executive KMP) is to be maintained as long as the executive KMP remains at QBE. New executive KMP are required to build their shareholdings over a five-year period after becoming executive KMP.

The value of shareholdings as a multiple of fixed remuneration at 31 December 2022 for each executive KMP is shown on pages 68 to 69. All executive KMP have either met or are on track to meet the MSR requirements at 31 December 2022.

Treatment of conditional rights on a change in control of QBE

In accordance with the rules of each of QBE's incentive plans, a change in control is defined as either a scheme of arrangement that has been approved by QBE's shareholders or the acquisition by a bidder of at least 50% of the issued and to be issued QBE shares under an unconditional takeover offer made in accordance with the *Corporations Act 2001*.

Should a change in organisational control occur, the People & Remuneration Committee has discretion to determine how unvested conditional rights should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change of control.

Use of external advisers

Remuneration advisers provide guidance on remuneration for executives, facilitate discussion, review remuneration and at-risk reward benchmarking within industry peer groups. They also provide guidance on current trends in executive remuneration practices. Any advice provided by remuneration advisers is used as a guide and is not a substitute for consideration of all the issues by each non-executive director on the People & Remuneration Committee.

Ernst & Young (EY) currently acts as the independent remuneration adviser to the People & Remuneration Committee. The People & Remuneration Committee and the Board are satisfied that the advice provided by EY during 2022 was free from undue influence.

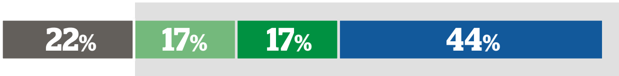
During 2022, management requested and utilised reports on market practice from various reputable sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

2. EXECUTIVE KMP REMUNERATION IN DETAIL

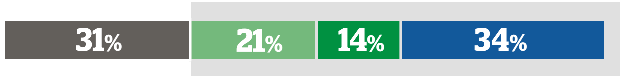
At QBE, having the right talent across the Group enables us to create shareholder value, while prudently managing risk and maintaining strong corporate governance. To deliver our strategic ambitions, we must ensure that our executive remuneration framework reflects QBE's desire to attract and retain the best people.

This section sets out our approach for 2022. The graphs below set out the typical remuneration structure and delivery for the Group CEO and other executive KMP for on-target performance.

Group CEO pay mix



Other executive KMP pay mix



● Fixed remuneration ● API cash ● API deferred equity ● LTI maximum face-value At risk remuneration

Executive remuneration structure

QBE's executive remuneration structure for 2022 comprised a mix of fixed and at-risk remuneration through API and LTI plan arrangements. Each of these components is discussed in further detail on the following pages.

FIXED REMUNERATION – KEY DETAILS

Description

Fixed remuneration comprises cash salary, superannuation/pension and packaged benefits, additional annual benefits and associated taxes. Additional annual benefits may include health insurance, life assurance, personal accident insurance, expatriate benefits, occasional spouse travel to accompany the executive on business and applicable taxes.

Fixed remuneration is delivered in accordance with terms and conditions of employment.

Determining fixed remuneration levels

Fixed remuneration considers the diversity, complexity and expertise required of individual roles. Remuneration quantum is set in the context of QBE's broader reward strategy and internal relativities.

To assess the competitiveness of fixed remuneration, the People & Remuneration Committee considers market data and recognised published surveys.

Australian-based executive roles are generally benchmarked to the ASX 30 and ASX 10-50 peer group of companies, with a specific focus on global companies and companies in the financial services industry. Overseas-based executives or roles that have a global reach are compared with a peer group consisting of global insurers. The peer group of companies used for remuneration benchmarking purposes is set out in the table below:

PEER GROUP	DESCRIPTION
ASX peer group	The financial services sub-peer group is determined based on the industry classification on the ASX and includes commercial banks and insurers.
Global insurance peer group	Consists of large, global insurance companies aligned with the peer group used for the LTI plan.

2. EXECUTIVE KMP REMUNERATION IN DETAIL

ANNUAL PERFORMANCE INCENTIVE PLAN – KEY DETAILS

Description

The API is an annual, performance-based incentive, delivered as a mix of an annual cash payment and deferred award in the form of conditional rights to QBE shares. Performance is measured over a 12-month period. The conditional rights vest in equal tranches over a further four years.

Performance measures and rationale

The API plan provides an incentive outcome with a clear link between business performance, risk management and individual behaviours, and allows further discretion by the Board to be applied where warranted. API outcomes are based on a combination of the Group's financial performance, non-financial metrics incorporating sustainability-aligned metrics based on risk, people and culture and strategic priorities, and individual performance assessed both on what has been achieved and how it was achieved during the year. A summary of achievements and positioning against targets is set out in the business scorecard on page 67 and an explanation of the measures and their rationale for use is provided below:

Financial measures (70% weighting)

COR

COR is the most relevant measure of the underwriting performance of our insurance operations.

COR comprises net claims incurred, net commission expense and underwriting and administration expenses as a percentage of net earned premium. The measure excludes the impact of risk-free rates because it is consistent with the way we report and the basis on which the market assesses the underwriting performance of QBE.

GROUP CASH ROE

Cash ROE is a measure of how effectively we are managing shareholders' investment in QBE.

For the API, this measure will generally be measured on the same basis as that used to determine shareholder dividends. As a principle, losses due to unbudgeted amortisation/impairment of intangibles will, other than in exceptional circumstances, be included in cash ROE so that executives remain accountable for the management of intangible assets.

Non-financial measures (30% weighting)

RISK

Risk outcomes are assessed using the Risk Maturity Assessment, a framework QBE uses to understand how our risk management practices are maturing, how we determine areas of strength and identify areas that may require further investment. This multi-dimensional measure supports how we assess our effectiveness in managing risk, both from a qualitative and quantitative perspective.

PEOPLE AND CULTURE

Investment in our people and the strengthening of alignment and collaboration across the enterprise are priorities that enable culture in order to drive performance. Assessing a blend of quantitative measures and qualitative outputs provides a strong lens on people and culture across the enterprise as we look to enable a more sustainable and resilient workforce.

STRATEGIC PRIORITIES

How we are actively managing the business to deliver achievements in each of our strategic priority areas is key to delivering our vision. Our focus in 2022 was: portfolio optimisation, sustainable growth, bring the enterprise together and modernise our business. The Board considers how the business performed against each element.

Individual performance objectives

The objectives align with strategic priorities. At the end of the year, individual performance of the executive KMP is assessed both on what was achieved and how it was achieved. This embeds QBE DNA behaviours in remuneration outcomes.

ADJUSTMENTS

API outcomes may be adjusted by other items (such as material acquisitions or divestments) not included in the business plan and as deemed appropriate by the People & Remuneration Committee.

Vesting schedule

The API vesting schedule is outlined below:

	BELOW THRESHOLD	THRESHOLD	TARGET	SUPERIOR
% of API opportunity achieved	0%	30%	100%	150%

The API rules provide suitable discretion for the People & Remuneration Committee to adjust any formulaic outcomes to ensure API awards appropriately reflect performance.

API PLAN - key details (continued)

Instrument and deferral mechanics

The API award is delivered as 60% in cash (50% in the case of the Group CEO) and 40% is deferred as conditional rights to QBE shares (50% in the case of the Group CEO).

Deferred API vests in four equal tranches on the first, second, third and fourth anniversaries of the award. Vesting is subject to service conditions during the deferral period. Malus and clawback also apply.

To calculate the number of conditional rights to be granted, the award value is divided by the volume weighted average price of QBE shares over the five trading days prior to the grant date. Notional dividends accrue during the deferral period.

Executive KMP API awards for the 2022 performance year are detailed on pages 68 to 69.

Leaver provisions

On voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.

'Good leaver' provisions (e.g. retirement, redundancy, ill health, injury, or mutually agreed separation (in some cases)) will apply such that:

- API opportunity is reduced to a pro-rata amount to reflect the proportion of the performance year in service.
- Deferred awards remain in the plan subject to the original vesting conditions.

Malus and clawback provisions

API is subject to malus and clawback, as applicable, enabling awards to be forfeited, reduced or have clawback applied at the discretion of the People & Remuneration Committee and Board.

Malus and clawback provisions are detailed on page 71.

LONG TERM INCENTIVE PLAN - KEY DETAILS

Description

The LTI plan consists of an award of conditional rights to QBE shares. Conditional rights are awarded at no cost to the executive KMP.

Performance measures

Vesting is subject to two performance conditions measured over a three-year performance period:

Average Group cash ROE (70% weighting)

DEFINITION
The three-year arithmetic average of the annual cash ROE over the performance period assessed against targets set in the context of the three-year business plan. The Group cash ROE target is set with reference to the prevailing risk-free rate plus a set margin.

RATIONALE
Cash ROE is the primary financial measure of success for QBE and is most tangible for long-term decision making.

Relative total shareholder return (30% weighting)

DEFINITION
TSR is the change in percentage value of an entity's share price plus the value of reinvested dividends and any capital returns measured over the three-year performance period.

TSR of QBE is measured against a global insurance peer group as shown below.

RATIONALE
The use of a relative TSR measure enables stronger pay for performance, aligning with shareholders.

TSR peer group - global insurance peer group

Allianz SE	CNA Financial Corporation	The Hartford Financial Services Group, Inc.
American International Group, Inc.	Hiscox Limited	The Travelers Companies, Inc.
AXA SA	Insurance Australia Group Limited	Zurich Insurance Group AG
Beazley plc	QBE Insurance Group Limited	
Chubb Limited	Suncorp Group Limited	

ADJUSTMENTS
LTI outcomes may be adjusted by other items (such as material acquisitions or divestments) not included in the business plan and as deemed appropriate by the People & Remuneration Committee.

LTI allocation

To calculate the number of conditional rights granted, the award value is divided by the volume weighted average price of QBE shares over the five trading days prior to the grant date.

2. EXECUTIVE KMP REMUNERATION IN DETAIL

LTI PLAN – key details (continued)

Vesting schedules

For the 2022 LTI, the Group cash ROE and TSR vesting schedules are outlined below:

QBE'S GROUP CASH ROE PERFORMANCE	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE GROUP CASH ROE COMPONENT WHICH MAY VEST
Below risk-free rate + 5.75%	0%
At risk-free rate + 5.75%	30%
Between risk-free rate + 5.75% and risk-free rate + 10.75%	Straight line vesting between 30% and 100%
At or above risk-free rate + 10.75%	100%

QBE'S TSR PERFORMANCE RELATIVE TO THE PEER GROUP	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE TSR COMPONENT WHICH MAY VEST
Less than 50th percentile	0%
At the 50th percentile	50%
Between 50th and 75th percentile	50% plus 2% for each percentile above the 50th percentile
75th percentile or greater	100%

The LTI rules provide suitable discretion to the People & Remuneration Committee to adjust any formulaic outcome to ensure LTI awards appropriately reflect performance.

Vesting periods

Following assessment of performance measures at the end of the three-year performance period, conditional rights will vest in three tranches (on or about the vesting date) set out in the table below, subject to service conditions and malus provisions:

TRANCHE	VESTING DATE	PERFORMANCE PERIOD	PROPORTION OF ELIGIBLE 2022 LTI CONDITIONAL RIGHTS TO VEST
1	26 February 2025	End of the three-year performance period	33%
2	26 February 2026	First anniversary of the end of the performance period	33%
3	26 February 2027	Second anniversary of the end of the performance period	34%

Notional dividends accrue during the vesting period.

Leaver provisions

In cases of 'good leaver' (e.g. retirement, redundancy, ill health, injury, or mutually agreed separation (in some cases)) the unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same vesting conditions. On voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.

Malus and clawback provisions

LTI is subject to malus and clawback provisions, as applicable, enabling awards to be either forfeited or reduced or have clawback applied at the discretion of the People & Remuneration Committee and Board.

Malus and clawback provisions are detailed on page 71.

Legacy equity schemes

The information below summarises QBE's legacy incentive plans mentioned in the Remuneration Report.

Executive Incentive Plan (EIP) – until 31 December 2018

The EIP was an at-risk reward structure comprised of cash and deferred equity that vested progressively over a five-year period. 40% to 50% of the award was delivered in cash and 50% to 60% of the award was deferred as conditional rights to fully paid ordinary QBE shares.

The conditional rights were deferred over four equal tranches: 25% over each of the four anniversaries of the award. EIP outcomes were subject to the achievement of multiple performance measures over the one-year performance period including the Group's cash ROE and COR targets, individual performance ratings and, for divisional staff, divisional COR targets.

The EIP was replaced by the STI and LTI plans for executive KMP from 2019. The EIP awards made to Sam Harrison prior to his appointment as executive KMP include cash-settled share-based payment awards which are subject to the same vesting conditions as the equivalent conditional rights described above. The benefit received at vesting is indexed to the movement in the A$ value of QBE's shares including dividends declared in the period between grant and vest dates.

Short Term Incentive (STI) – until 31 December 2021

The STI was a performance-based incentive delivered in the form of an annual cash payment and deferred award in the form of conditional rights to QBE shares. Performance was measured over a 12-month period. The conditional rights were deferred in two equal tranches such that 50% vested on the first anniversary of the award and 50% on the second anniversary of the award.

STI outcomes were subject to the achievement of a blend of divisional CORs for 2021, Group COR for 2017–2020, Group cash ROE targets, divisional COR targets in the case of divisional employees, and individual performance objectives reflecting QBE's strategic priorities. The STI was replaced by the API from 2022.

LTI levelling mechanism – until 31 December 2021

The LTI levelling mechanism, introduced in 2019, and removed after 2021, effectively puts a ceiling and a floor on aggregate catastrophe claims when determining LTI outcomes, because extreme or benign catastrophe periods can have a material effect across multiple LTI awards as the LTI performance period is measured over three years. The cap and collar uses a range of +/- 1.5% of net earned premium either side of the budgeted catastrophe allowance for which LTI participants are exposed to catastrophe risk. There was no need to adjust the cash ROE for catastrophe claims in 2022. Historically, the cost of catastrophe claims in 2021 was $924 million (2020: $898 million), and being in excess of the range resulted in adjusted cash ROE of 11% in 2021 (2020: (14.2)%).

For the 2021 LTI, target ranges for each of the three performance years are set at the start of each relevant year and are disclosed in the following year. The target range for 2022 was between 7.9% and 11.9% (2021: between 6.3% and 10.3%) with straight line vesting commencing at 30% from the lower range up to 100% at the upper range. The individual annual ranges will be used to create the target range for the three-year performance period.

Employment agreements

The table below summarises the material terms for the current executive KMP which are subject to applicable laws. The terms and conditions of employment of each executive KMP reflect market conditions at the time of their contract negotiation on appointment and thereafter. In addition, the typical treatment of incentives is also provided below.

CONTRACTUAL TERM	GROUP CEO	OTHER EXECUTIVE KMP
Duration	Permanent full-time employment contract until notice given by either party	
Notice period (by executive KMP or QBE)	12 months: QBE may elect to make a payment in lieu of notice	Six months: QBE may elect to make a payment in lieu of notice
Post-employment restraints	12 months non-compete and non-solicitation	Six to 12 months non-compete and non-solicitation

Treatment of incentives

Voluntary termination

All unvested incentives are forfeited.

Involuntary termination

On termination with cause or for poor performance: All unvested incentives are forfeited.

On termination without cause: For API in the year of termination, the executive remains eligible to be considered for an award on a pro-rata basis, with any award to be determined following the end of the performance year and subject to the standard deferral arrangements. Unvested deferred EIP, STI and API conditional rights remain in the plan subject to the original vesting dates and malus, with clawback provisions included from 2021. Unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same performance and vesting conditions. Legacy equity awards generally remain in the plan subject to the original performance and vesting conditions; however, the People & Remuneration Committee has discretion to vest these awards in accordance with the original terms and plan rules.

3. EXECUTIVE KMP REMUNERATION TABLES

3.1 Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executive KMP as determined by reference to applicable Australian Accounting Standards for the year ended 31 December 2022. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS			
	YEAR	BASE SALARY US$000	OTHER[1] US$000	API CASH[2] US$000	SUPERANNUATION US$000	LEAVE ACCRUALS[3] US$000	SHARE-BASED PAYMENTS[4] US$000	TERMINATION BENEFITS US$000	TOTAL US$000
Andrew Horton[5]	**2022**	**1,246**	**186**	**919**	**3**	**32**	**2,125**	**–**	**4,511**
	2021	431	465	390	–	33	913	–	2,232
Jason Harris	**2022**	**801**	**7**	**562**	**–**	**–**	**716**	**–**	**2,086**
	2021	894	7	922	–	–	810	–	2,633
Sam Harrison[5]	**2022**	**776**	**13**	**554**	**–**	**–**	**883**	**–**	**2,226**
	2021	650	14	578	–	–	620	–	1,862
Sue Houghton[5]	**2022**	**676**	**16**	**520**	**17**	**(3)**	**810**	**–**	**2,036**
	2021	295	151	289	5	6	396	–	1,142
Amanda Hughes[5]	**2022**	**536**	**5**	**324**	**17**	**45**	**250**	**–**	**1,177**
	2021	42	–	38	–	(10)	2	–	72
Todd Jones	**2022**	**1,000**	**33**	**600**	**24**	**–**	**1,081**	**–**	**2,738**
	2021	1,000	27	659	23	–	818	–	2,527
Fiona Larnach[5]	**2022**	**607**	**18**	**270**	**17**	**9**	**356**	**–**	**1,277**
	2021	540	1	306	16	32	168	–	1,063
Inder Singh	**2022**	**884**	**11**	**628**	**17**	**18**	**867**	**–**	**2,425**
	2021	962	10	905	18	21	733	–	2,649
Total	**2022**	**6,526**	**289**	**4,377**	**95**	**101**	**7,088**	**–**	**18,476**
	2021[6]	4,814	675	4,087	62	82	4,460	–	14,180

1 Other includes, where relevant, provision of health insurance, spouse travel, accommodation costs, staff insurance discount benefits received during the year, life assurance and personal accident insurance and applicable taxes. It also includes tax accruals in respect of employment benefits and other one-off expenses.

2 API cash is payable in March 2023 for the 2022 performance year.

3 Includes the movement in annual leave and long service leave provisions during the relevant year measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. See note 8.6 to the financial statements on page 158 for more detail.

4 Includes conditional rights and legacy cash-settled awards. The fair value at grant date of conditional rights is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Where an award will no longer vest, the related accounting charge for any non-market component is reversed in full and the reversal is included in the table above. This may include conditional rights granted as compensation for incentives forfeited on ceasing previous employment to join QBE. Details of conditional rights are provided on page 80. For Sam Harrison, this includes legacy cash-settled share-based awards ($197,000) relating to grants made prior to his appointment as executive KMP on 1 April 2021 under the 2019, 2020 and 2021 EIP. A description of the EIP is provided on pages 76 to 77.

5 The 2021 disclosures reflect pro-rated remuneration for certain executive KMP who were in role for part of 2021.

6 The total disclosed in the 2021 Remuneration Report ($24,662,000) includes remuneration of former executive KMP, which are excluded from the above, comprising: Jason Brown ($1,061,000), Margaret Murphy ($1,708,000) and Richard Pryce ($7,713,000).

3.2 Conditional rights movements

Equity awards at QBE are granted in the form of conditional rights. A conditional right is a promise by QBE to acquire or issue one fully paid ordinary QBE Insurance Group Limited share where certain conditions are met.

The table below details conditional rights provided under the terms of both current and legacy plans, details of which can be found on pages 74 to 77, and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed on pages 75 to 76. Conditional rights under the API for the 2022 performance year will typically be granted in the first quarter of 2023.

2022	BALANCE AT 1 JANUARY 2022 NUMBER	GRANTED NUMBER	VALUE AT GRANT DATE US$000[1]	VESTED AND EXERCISED NUMBER	VALUE AT VESTING DATE US$000	FORFEITED/ LAPSED NUMBER[2]	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	BALANCE AT 31 DECEMBER 2022 NUMBER
Andrew Horton	335,570	345,059	2,646	(83,892)	667	–	14,700	611,437
Jason Harris	320,683	152,220	1,160	(78,240)	626	–	9,722	404,385
Sam Harrison	248,761	141,712	1,076	(53,168)	417	–	8,314	345,619
Sue Houghton	195,370	99,632	741	(28,546)	227	–	6,571	273,027
Amanda Hughes	6,916	94,478	715	(1,729)	14	–	2,458	102,123
Todd Jones	591,236	215,735	1,608	(33,385)	274	(157,013)	15,189	631,762
Fiona Larnach	97,626	92,172	688	–	–	–	4,678	194,476
Inder Singh	445,936	158,627	1,205	(76,079)	604	(98,522)	10,600	440,562

1 The value at grant date is calculated in accordance with AASB 2 *Share-based Payment*.
2 The 2019 LTI award and related notional dividends lapsed in full as the performance conditions were not met.

3. EXECUTIVE KMP REMUNERATION TABLES

3.3 Valuation of conditional rights outstanding at 31 December 2022

The table below details the conditional rights issued affecting remuneration of executives in the previous, current or future reporting periods:

2022	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	VESTING/ EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2022 NUMBER[1,2]	MAXIMUM VALUE OF AWARD TO VEST A$000[3]	FAIR VALUE PER CONDITIONAL RIGHT A$[4]		
							GROUP ROE	TSR	TIME
Andrew Horton	Special	1 Sep 2021	1 Sep 2021	2023-2025	257,879	3,074	–	–	11.92
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	44,623	533	–	–	11.94
	2022 LTI	5 May 2022	1 Jan 2022	2025-2027	308,935	3,378	12.13	8.14	–
Jason Harris	2020 LTI	1 Oct 2020	1 Jan 2020	2023-2025	104,050	647	8.70	3.75	–
	2020 STI	26 Feb 2021	1 Jan 2020	25 Feb 2023	16,136	150	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	128,229	930	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	52,522	627	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	103,448	1,087	11.94	7.15	–
Sam Harrison	2018 EIP	4 Mar 2019	1 Jan 2018	3 Mar 2023	18,255	222	–	–	12.17
	2019 EIP	24 Feb 2020	1 Jan 2019	2023-2024	18,596	277	–	–	14.91
	2020 EIP	26 Feb 2021	1 Jan 2020	2023-2025	39,279	365	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	124,285	902	9.30	5.21	–
	2021 EIP	28 Feb 2022	1 Jan 2021	2023-2026	12,011	143	–	–	11.94
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	32,925	393	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	100,268	1,053	11.94	7.15	–
Sue Houghton	2021 LTI	3 Aug 2021	1 Jan 2021	2024-2026	94,966	831	10.89	6.61	–
	Special	3 Aug 2021	3 Aug 2021	2023-2024	75,970	827	–	–	10.89
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	16,272	194	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	85,819	901	11.94	7.15	–
Amanda Hughes	2020 EIP	26 Feb 2021	1 Jan 2020	2023-2025	5,316	49	–	–	9.30
	2021 EIP	28 Feb 2022	1 Jan 2021	2023-2026	26,037	311	–	–	11.94
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	2,119	25	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	68,651	721	11.94	7.15	–
Todd Jones	2020 LTI	24 Feb 2020	1 Jan 2020	2023-2025	166,152	2,124	14.91	10.66	–
	2020 STI	26 Feb 2021	1 Jan 2020	25 Feb 2023	30,030	279	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	214,530	1,556	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	38,565	460	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	182,485	1,917	11.94	7.15	–
Fiona Larnach	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	100,035	726	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	17,207	205	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	77,234	811	11.94	7.15	–
Inder Singh	2018 EIP	4 Mar 2019	1 Jan 2018	3 Mar 2023	23,711	289	–	–	12.17
	2020 LTI	24 Feb 2020	1 Jan 2020	2023-2025	79,009	1,010	14.91	10.66	–
	2020 STI	26 Feb 2021	1 Jan 2020	25 Feb 2023	30,811	287	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	144,495	1,048	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	50,975	609	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	111,561	1,172	11.94	7.15	–

1 Includes original grant of conditional rights and notional dividends. Shareholders approved the grant of 2022 LTI for Andrew Horton at the Annual General Meeting on 5 May 2022.

2 For the 2020 and 2021 LTI allocations, the number of conditional rights reflects an equal proportion of Group cash ROE and TSR performance conditions. The number of 2022 LTI conditional rights reflects a proportion of 70% Group cash ROE and 30% TSR performance conditions.

3 The maximum value to vest represents the fair value at grant date for all unvested conditional rights. The minimum amount executive KMP may receive will be zero if awards do not vest for any reason.

4 The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. For the 2020 and 2021 LTI allocations, the TSR fair value shown above was averaged over the two peer groups.

3.4 Executive KMP shareholdings

The table below provides details of movements during the year in the number of ordinary shares in QBE held by executive KMP, including their personally-related parties. In prior years, where non-recourse loans were provided by the Group to executive KMP for the purchase of shares in QBE, details are shown in the Remuneration Report of each relevant year. There were no loans provided to executive KMP during the year ended 31 December 2022.

2022	INTEREST IN SHARES AT 1 JANUARY 2022 NUMBER	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER[1]	INTEREST IN SHARES AT 31 DECEMBER 2022 NUMBER
Andrew Horton	150,000	2,067	83,892	–	235,959
Jason Harris	–	1,019	78,240	(36,888)	42,371
Sam Harrison	201	5	53,168	(53,168)	206
Sue Houghton	17,000	704	28,546	–	46,250
Amanda Hughes	16,460	43	1,729	–	18,232
Todd Jones	205,156	372	33,385	(11,805)	227,108
Fiona Larnach	–	–	–	–	–
Inder Singh	113,041	1,310	76,079	–	190,430

1 The shares listed as sold may either partially or fully relate to sales to meet withholding tax obligations upon the vesting of conditional rights.

4. NON-EXECUTIVE DIRECTOR REMUNERATION

The following section contains information on the approach to non-executive director remuneration, their fees, other benefits and shareholdings.

Remuneration philosophy

Non-executive director remuneration reflects QBE's desire to attract, motivate and retain experienced independent directors and to ensure their active participation in the Group's affairs for the purpose of corporate governance, regulatory compliance and other matters.

QBE aims to provide a level of remuneration for non-executive directors comparable with that of its peers, which include multi-national financial institutions. The Board reviews surveys published by independent remuneration consultants and other public information to ensure that fee levels are appropriate. The remuneration arrangements of non-executive directors are distinct and separate from those of the executive KMP.

Fee structure and components

The aggregate amount approved by shareholders at the Annual General Meeting on 5 May 2022 was A$4,750,000 per annum.

The total amount paid to non-executive directors in 2022 was A$3,387,953 (2021 A$3,398,414).

Under the current fee framework, non-executive directors receive a base fee expressed in Australian dollars. In addition, a non-executive director (other than the Chair) may receive further fees for chairing or membership of a Board Committee.

No changes were made to non-executive director remuneration during 2022. Fees for independent non-executive directors will be reviewed later in 2023.

The non-executive director fee structure in place since 2017 is shown in the table below:

ROLE	CHAIR FEE	DEPUTY CHAIR FEE	MEMBER FEE
Board	A$663,000	A$229,000	A$208,000
Committee	A$50,000	–	A$27,000

Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under QBE's Constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of QBE. All non-executive directors are eligible to receive an annual cash travel allowance of A$42,750 (A$64,000 for the Chair), in addition to fees for the time involved in travelling to Board meetings and other Board commitments.

Superannuation

QBE pays superannuation to Australian-based non-executive directors in accordance with Australian superannuation guarantee (SG) legislation. Overseas-based non-executive directors receive the cash equivalent amount in addition to their fees. From 1 July 2022, the SG contribution increased by 0.5% to 10.5%. This change is reflected in table 4.1.

Since 1 January 2020, Australian-based directors may elect to opt out of superannuation contributions as long as they are still receiving contributions from at least one employer. In such cases, a superannuation allowance is paid in lieu of actual contributions.

4.1 Remuneration details for non-executive directors

The table below details the nature and amount of each component of the remuneration of QBE's current non-executive directors. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

NON-EXECUTIVE DIRECTOR	YEAR	SHORT-TERM EMPLOYMENT BENEFITS FEES[1] US$000	SHORT-TERM EMPLOYMENT BENEFITS OTHER US$000	POST-EMPLOYMENT BENEFITS SUPERANNUATION - SG[2] US$000	POST-EMPLOYMENT BENEFITS SUPERANNUATION - OTHER[2] US$000	TOTAL US$000
Michael Wilkins	**2022**	**504**	**–**	**17**	**35**	**556**
	2021	498	–	17	32	547
Yasmin Allen[3]	**2022**	**106**	**–**	**4**	**7**	**117**
Stephen Fitzgerald[4]	**2022**	**95**	**–**	**–**	**–**	**95**
	2021	257	–	–	–	257
John M Green[4]	**2022**	**104**	**–**	**–**	**10**	**114**
	2021	290	–	–	28	318
Tan Le	**2022**	**231**	**2**	**–**	**–**	**233**
	2021	216	1	–	–	217
Kathryn Lisson	**2022**	**239**	**2**	**–**	**–**	**241**
	2021	235	3	–	–	238
Sir Brian Pomeroy	**2022**	**240**	**2**	**–**	**–**	**242**
	2021	238	3	–	–	241
Jann Skinner	**2022**	**234**	**–**	**4**	**20**	**258**
	2021	234	–	4	18	256
Eric Smith	**2022**	**233**	**–**	**–**	**–**	**233**
	2021	216	1	–	–	217
Rolf Tolle	**2022**	**258**	**4**	**–**	**–**	**262**
	2021	257	3	–	–	260
Total	**2022**	**2,244**	**10**	**25**	**72**	**2,351**
	2021	2,441	11	21	78	2,551

1 Fees include amounts sacrificed in relation to the Director Share Acquisition Plan (DSAP). During 2022, Michael Wilkins, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle elected to sacrifice a portion of their director pre-tax base fees to acquire QBE shares to meet their minimum shareholding requirement over the required period. The amounts are included in the fees approved by shareholders and form part of the A$3,387,953 on page 82. The increase in their shareholdings in 2022 reflected in table 4.2 was mainly as a result of their participation in the DSAP. Travel allowances and additional fees in lieu of superannuation in Australia are also included in fees. Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle received additional fees of 10.0% in lieu of superannuation in Australia from 1 January 2022 to 30 June 2022, and 10.5% from 1 July 2022 to 31 December 2022.

2 Michael Wilkins, Yasmin Allen, John M Green and Jann Skinner are Australian residents. Superannuation is calculated as 10.0% of fees, up to 30 June 2022 and increased by 0.5% to 10.5% through to 31 December 2022. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director. For part of 2022, Yasmin Allen, John M Green and Jann Skinner elected to opt out of superannuation contributions and a superannuation allowance was paid in lieu of superannuation contributions.

3 Yasmin Allen commenced in role on 1 July 2022.

4 Stephen Fitzgerald and John M Green retired on 5 May 2022.

Minimum shareholding requirement

With effect from 1 April 2014, a non-executive director MSR was introduced for the Board. Under this requirement, non-executive directors have five years to build a minimum shareholding equal to 100% of annual base fees.

To assist current and new non-executive directors in meeting the requirement, the DSAP was established with effect from 1 June 2014. The DSAP allows non-executive directors to sacrifice a portion of their director pre-tax base fees to acquire QBE shares. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Non-executive directors' shareholdings are shown overleaf.

All non-executive directors have met the MSR as at 31 December 2022, or are within the five-year period to achieve the MSR.

4. NON-EXECUTIVE DIRECTOR REMUNERATION

4.2 Non-executive director shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by the non-executive directors, including their personally-related parties:

2022	POSITION	TERM AS KMP	INTEREST IN SHARES AT 1 JANUARY 2022 NUMBER[1]	CHANGES DURING THE YEAR NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2022 NUMBER
Michael Wilkins	Chair	Full year	72,258	11,525	83,783
Yasmin Allen	Director	Part year from 1 July 2022	–	18,333	18,333
Stephen Fitzgerald[2]	Director	Part year to 5 May 2022	69,268	3,077	72,345
John M Green[3]	Director	Part year to 5 May 2022	41,253	–	41,253
Tan Le	Director	Full year	4,127	4,626	8,753
Kathryn Lisson	Director	Full year	44,079	4,931	49,010
Sir Brian Pomeroy	Director	Full year	37,445	4,980	42,425
Jann Skinner	Director	Full year	70,000	–	70,000
Eric Smith	Director	Full year	4,127	4,640	8,767
Rolf Tolle	Director	Full year	67,618	6,188	73,806

1 The interest in shares for Yasmin Allen represents the balance at the commencement date of 1 July 2022.

2 The interest in shares for Stephen Fitzgerald represents the balance at the date he retired as non-executive director on 5 May 2022 at the conclusion of the Annual General Meeting, which updates the Appendix 3Z lodged on 6 May 2022.

3 The interest in shares for John M Green represents the balance at the date he retired as non-executive director on 5 May 2022 at the conclusion of the Annual General Meeting.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor

PricewaterhouseCoopers, Chartered Accountants, continues in office in accordance with section 327B of the *Corporations Act 2001*.

Non-audit services

During the year, PricewaterhouseCoopers performed certain other services in addition to statutory duties.

The Board, on the advice of the Audit Committee, has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are also satisfied that the provision of non-audit services by the auditor, as set out in note 8.8 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 86.

Details of amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services are provided in note 8.8 to the financial statements.

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 to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with that instrument.

Signed in SYDNEY this 17th day of February 2023 in accordance with a resolution of the directors.

Michael Wilkins AO
Director

Andrew Horton
Director

Auditor's independence declaration

As lead auditor for the audit of QBE Insurance Group Limited for the year ended 31 December 2022, 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 audit; and

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

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

V. Papageorgiou

Voula Papageorgiou
Partner, PricewaterhouseCoopers

Sydney
17 February 2023

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Financial Report contents

This Annual Report includes the consolidated financial statements for QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group). All amounts in this Financial Report are presented in US dollars unless otherwise stated. QBE Insurance Group Limited is a company limited by its shares and incorporated and domiciled in Australia. Its registered office is located at:

Level 18, 388 George Street
Sydney NSW 2000
Australia.

A description of the nature of the Group's operations and its principal activities is included on pages 4 to 31, none of which is part of this Financial Report. The Financial Report was authorised for issue by the directors on 17 February 2023. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All material press releases, this Financial Report and other information are available at our QBE investor centre at our website: www.qbe.com.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 US$M	2021 US$M
Gross written premium		**20,001**	18,457
Unearned premium movement		**(934)**	(1,422)
Gross earned premium revenue	2.1	**19,067**	17,035
Outward reinsurance premium		**(4,920)**	(3,983)
Deferred reinsurance premium movement		**180**	356
Outward reinsurance premium expense		**(4,740)**	(3,627)
Net earned premium (a)		**14,327**	13,408
Gross claims expense	2.2	**(12,220)**	(11,464)
Reinsurance and other recoveries revenue	2.2	**3,890**	3,093
Net claims expense (b)	2.2	**(8,330)**	(8,371)
Gross commission expense		**(2,950)**	(2,704)
Reinsurance commission revenue	2.1	**831**	634
Net commission (c)		**(2,119)**	(2,070)
Underwriting and other expenses (d)		**(1,836)**	(1,829)
Underwriting result (a)+(b)+(c)+(d)		**2,042**	1,138
Investment (loss) income – policyholders' funds	3.1	**(490)**	94
Investment expenses – policyholders' funds	3.1	**(19)**	(17)
Insurance profit		**1,533**	1,215
Investment (loss) income – shareholders' funds	3.1	**(257)**	53
Investment expenses – shareholders' funds	3.1	**(10)**	(8)
Financing and other costs	5.1.2	**(245)**	(247)
Gain on sale of entities and businesses	7.1	**38**	–
Share of net loss of associates		**(7)**	(7)
Restructuring and related expenses		**(106)**	(72)
Amortisation and impairment of intangibles	7.2	**(27)**	(21)
Profit before income tax		**919**	913
Income tax expense	6.1	**(141)**	(156)
Profit after income tax		**778**	757
Other comprehensive (loss) income			
Items that may be reclassified to profit or loss			
Net movement in foreign currency translation reserve	5.3.2	**(379)**	(272)
Net movement in cash flow hedge and cost of hedging reserves	5.3.2	**33**	41
Income tax relating to these components of other comprehensive income	5.3.2	**(10)**	(13)
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		**(36)**	21
Income tax relating to this component of other comprehensive income		**10**	(7)
Other comprehensive loss after income tax		**(382)**	(230)
Total comprehensive income after income tax		**396**	527
Profit after income tax attributable to:			
Ordinary equity holders of the Company		**770**	750
Non-controlling interests		**8**	7
		778	757
Total comprehensive income after income tax attributable to:			
Ordinary equity holders of the Company		**388**	520
Non-controlling interests		**8**	7
		396	527

EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	NOTE	2022 US CENTS	2021 US CENTS
For profit after income tax			
Basic earnings per share	5.5	**48.6**	47.5
Diluted earnings per share	5.5	**48.2**	47.2

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

Consolidated balance sheet

AS AT 31 DECEMBER 2022

	NOTE	2022 US$M	2021 US$M
Assets			
Cash and cash equivalents	5.2	**833**	819
Investments	3.2	**27,299**	28,111
Derivative financial instruments	5.6	**284**	142
Trade and other receivables	2.6	**8,341**	7,109
Current tax assets		**45**	6
Deferred insurance costs	2.5	**2,936**	2,697
Reinsurance and other recoveries on outstanding claims	2.3	**6,617**	6,757
Other assets		**2**	2
Assets held for sale	3.2.1	**–**	50
Defined benefit plan surpluses	8.7	**46**	92
Right-of-use lease assets		**276**	328
Property, plant and equipment		**151**	155
Deferred tax assets	6.2	**587**	521
Investment properties		**35**	37
Investments in associates		**32**	28
Intangible assets	7.2	**2,018**	2,449
Total assets		**49,502**	49,303
Liabilities			
Derivative financial instruments	5.6	**387**	452
Trade and other payables	2.7	**3,543**	3,215
Current tax liabilities		**39**	24
Unearned premium	2.5	**9,075**	8,637
Gross outstanding claims	2.3	**24,045**	24,282
Lease liabilities		**301**	354
Provisions		**203**	129
Defined benefit plan deficits	8.7	**26**	29
Deferred tax liabilities	6.2	**147**	31
Borrowings	5.1	**2,744**	3,268
Total liabilities		**40,510**	40,421
Net assets		**8,992**	8,882
Equity			
Contributed equity	5.3.1	**9,242**	9,777
Treasury shares held in trust		**(1)**	(2)
Reserves	5.3.2	**(1,365)**	(1,608)
Retained profits		**1,114**	714
Shareholders' equity		**8,990**	8,881
Non-controlling interests		**2**	1
Total equity		**8,992**	8,882

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

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	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 2022	**9,777**	**(2)**	**(1,608)**	**714**	**8,881**	**1**	**8,882**
Profit after income tax	**–**	**–**	**–**	**770**	**770**	**8**	**778**
Other comprehensive loss	**–**	**–**	**(356)**	**(26)**	**(382)**	**–**	**(382)**
Total comprehensive (loss) income	**–**	**–**	**(356)**	**744**	**388**	**8**	**396**
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	**29**	**(30)**	**–**	**–**	**(1)**	**–**	**(1)**
Share-based payment expense	**–**	**–**	**39**	**–**	**39**	**–**	**39**
Shares vested and/or released	**–**	**31**	**(31)**	**–**	**–**	**–**	**–**
Dividends paid on ordinary shares	**–**	**–**	**–**	**(297)**	**(297)**	**(7)**	**(304)**
Dividend Reinvestment Plan and Bonus Share Plan	**36**	**–**	**–**	**3**	**39**	**–**	**39**
Distributions on capital notes	**–**	**–**	**–**	**(50)**	**(50)**	**–**	**(50)**
Foreign exchange	**(600)**	**–**	**591**	**–**	**(9)**	**–**	**(9)**
At 31 December 2022	**9,242**	**(1)**	**(1,365)**	**1,114**	**8,990**	**2**	**8,992**

	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 2021	10,273	(1)	(1,898)	117	8,491	1	8,492
Profit after income tax	–	–	–	750	750	7	757
Other comprehensive (loss) income	–	–	(244)	14	(230)	–	(230)
Total comprehensive (loss) income	–	–	(244)	764	520	7	527
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	31	(31)	–	–	–	–	–
Share-based payment expense	–	–	32	–	32	–	32
Shares vested and/or released	–	30	(30)	–	–	–	–
Dividends paid on ordinary shares	–	–	–	(118)	(118)	(7)	(125)
Dividend Reinvestment Plan and Bonus Share Plan	11	–	–	1	12	–	12
Distributions on capital notes	–	–	–	(50)	(50)	–	(50)
Foreign exchange	(538)	–	532	–	(6)	–	(6)
At 31 December 2021	9,777	(2)	(1,608)	714	8,881	1	8,882

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

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 US$M	2021 US$M
Operating activities			
Premium received		**18,405**	17,020
Reinsurance and other recoveries received		**3,176**	2,538
Outward reinsurance premium paid		**(4,167)**	(2,616)
Claims paid		**(10,384)**	(10,056)
Acquisition and other underwriting costs paid		**(4,268)**	(4,116)
Interest received		**421**	406
Dividends and distributions received		**126**	124
Other operating payments		**(197)**	(220)
Interest paid		**(246)**	(238)
Income taxes paid		**(74)**	(88)
Net cash flows from operating activities	8.4	**2,792**	2,754
Investing activities			
Net (payments for purchase) proceeds on sale of growth assets		**(512)**	156
Net payments for purchase of interest-bearing financial assets		**(1,494)**	(2,782)
Net payments for foreign exchange transactions		**(186)**	(20)
Payments for purchase of intangible assets		**(132)**	(91)
Payments for purchase of property, plant and equipment		**(33)**	(29)
Payments for investment in associates		**(11)**	(9)
Proceeds on disposal of entities and businesses (net of cash disposed)		**361**	–
Proceeds on sale of investment property		**–**	4
Net cash flows from investing activities		**(2,007)**	(2,771)
Financing activities			
Purchase of treasury shares		**(1)**	–
Payments relating to principal element of lease liabilities		**(62)**	(85)
Proceeds from borrowings		**–**	550
Repayments of borrowings		**(412)**	(202)
Dividends and distributions paid		**(315)**	(162)
Net cash flows from financing activities		**(790)**	101
Net movement in cash and cash equivalents		**(5)**	84
Cash and cash equivalents at the beginning of the year		**819**	766
Effect of exchange rate changes		**19**	(31)
Cash and cash equivalents at the end of the year	5.2	**833**	819

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

Notes to the financial statements
FOR THE YEAR ENDED 31 DECEMBER 2022

1. OVERVIEW

1.1 About QBE

About QBE Insurance Group
QBE is one of the world's largest insurance and reinsurance companies, with operations in all the major insurance markets. Formed in Australia in 1886, QBE employs more than 12,000 people and carries on insurance activities in 27 countries, with operations in Australia, Europe, North America, Asia and the Pacific. QBE's captive reinsurer, Equator Re, provides reinsurance protection to our divisions in conjunction with the Group's external reinsurance programs.

The Company is listed on the Australian Securities Exchange and is a for-profit entity.

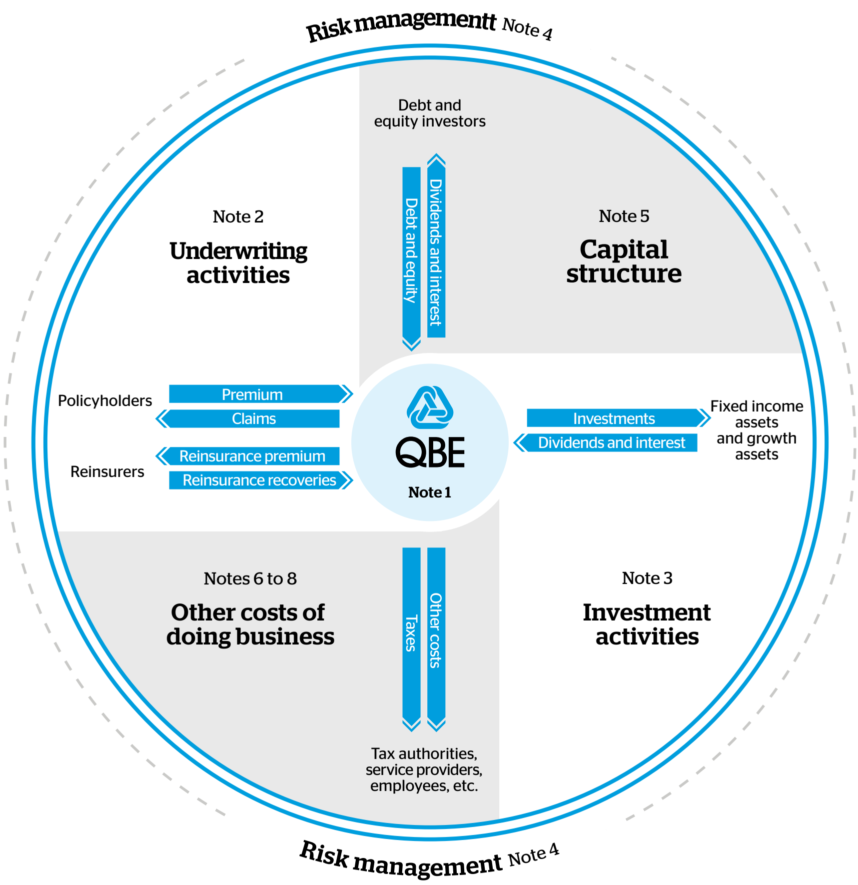
About insurance
In simple terms, insurance and reinsurance companies help their customers (consumers, businesses and other insurance companies) to manage risk. More broadly put, an insurance company creates value by pooling and redistributing risk. This is done by collecting premium from those that it insures (i.e. policyholders), and then paying the claims of the few that call upon their insurance protection. A company may also choose to reduce some of its own accumulated risk through the use of outward reinsurance, which is insurance for insurance companies. As not all policyholders will actually experience a claim event, the effective pooling and redistribution of risk lowers the total cost of risk management, thereby making insurance protection more cost effective for all.

The operating model of insurance companies relies on profits being generated by:

- appropriately pricing risk and charging adequate premium to cover the expected payouts that will be incurred over the life of the insurance policy (both claims and operating expenses); and
- earning a return on the collected premium and funds withheld to pay future claims through the adoption of an appropriate investment strategy.

Insurance therefore serves a critical function of providing customers with the confidence to achieve their business and personal goals through cost-effective risk management. This is achieved within a highly regulated environment, designed to ensure that insurance companies maintain adequate capital to protect the interests of policyholders.

The diagram below presents a simplified overview of the key components of this Financial Report:



1.2 About this report

This Financial Report includes the consolidated financial statements of QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group).

The Financial Report includes the four primary statements, namely the statement of comprehensive income (which comprises profit or loss and other comprehensive income or loss), balance sheet, statement of changes in equity and statement of cash flows as well as associated notes as required by Australian Accounting Standards. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the Financial Report as a whole as well as segment reporting disclosures.
2. **Underwriting activities** brings together results and balance sheet disclosures relevant to the Group's insurance activities.
3. **Investment activities** includes results and balance sheet disclosures relevant to the Group's investments.
4. **Risk management** provides commentary on the Group's exposure to various financial and capital risks, explaining the potential impact on the results and balance sheet and how the Group manages these risks.
5. **Capital structure** provides information about the debt and equity components of the Group's capital.
6. **Tax** includes disclosures relating to the Group's tax expense and balances.
7. **Group structure** provides a summary of the Group's controlled entities and includes disclosures in relation to transactions impacting the Group structure.
8. **Other** includes additional disclosures required to comply with Australian Accounting Standards.

Where applicable within each note, disclosures are further analysed as follows:

- **Overview** provides some context to assist users in understanding the disclosures.
- **Disclosures** (both numbers and commentary) provide analysis of balances as required by Australian Accounting Standards.
- **How we account for the numbers** summarises the accounting policies relevant to an understanding of the numbers.
- **Critical accounting judgements and estimates** explains the key estimates and judgements applied by QBE in determining the numbers.

The notes include information which the directors believe is required to understand the financial statements and is material and relevant to the operations, balance sheet and results of the Group. Information is considered material and relevant if:

- the amount in question is significant because of its size or nature;
- it is important to assist in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, significant acquisitions or disposals; or
- it relates to an aspect of the Group's operations that is important to its future performance.

1.2.1 Basis of preparation

This Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC);
- has been prepared on a historical cost basis as modified by certain exceptions, the most significant of which are the measurement of investments and derivatives at fair value and the measurement of the net outstanding claims liability at present value;
- is presented in US dollars; and
- is presented with values rounded to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

New and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are now effective are detailed in note 8.1.1.

The Group has not adopted any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as listed in note 8.1.2.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2022 and the results for the financial year then ended. In preparing the consolidated financial statements, all transactions between controlled entities are eliminated in full. Where control of an entity commences or ceases during a financial year, the results are included for that part of the year during which control existed. A list of entities controlled by the Company at the balance date is contained in note 7.3.

Lloyd's syndicates are accounted for on a proportional basis. The nature of Lloyd's syndicates is such that, even when one party provides the majority of capital, the syndicate as a whole is not controlled for accounting purposes.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

1. OVERVIEW

1.2.2 Critical accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements and estimates that affect reported amounts.

In view of the geographic and product diversity of its international operations, the Group has developed a centralised risk management and policy framework designed to ensure consistency of approach across a number of operational activities, subject to the specific requirements of local markets, legislation and regulation. Such operational activities include underwriting, claims management, actuarial assessment of the outstanding claims liability and investment management.

Given the centralised approach, sensitivity analyses in respect of critical accounting estimates and judgements are presented at the consolidated Group level in order to provide information and analysis which is meaningful, relevant, reliable and comparable year-on-year. Sensitivity disclosure at business segment or product level would not provide a meaningful overview given the complex interrelationships between the variables underpinning the Group's operations.

The key areas in which critical estimates and judgements are applied are as follows:

- net outstanding claims liability (note 2.3);
- liability adequacy test (note 2.5.1);
- recoverability of deferred tax assets (note 6.2.1); and
- impairment testing of intangible assets (note 7.2.1).

The Group continues to monitor the potential impacts of COVID-19 on key areas of judgement. While the areas of critical accounting judgements and estimates did not change, the impact of COVID-19 resulted in the application of judgement in the determination of the net discounted central estimate and risk margin, and is discussed in the relevant notes where appropriate. Given the continued uncertainty in relation to potential legislative outcomes, the impact of any changes will be accounted for in future reporting periods as they arise.

The Group has also considered the impact of climate change on the amounts reported and disclosed in the financial statements, particularly in the context of the risks and opportunities identified in our climate change disclosures on pages 34 to 43 of this Annual Report. Details of how these considerations have been reflected in the critical accounting judgements and estimates are discussed in the relevant notes where appropriate.

1.2.3 Australian pricing promise review

Following a review of Australian pricing practices dating back several years across a number of policy administration systems and products, the Group has identified instances where policy pricing promises were not fully delivered. As a result, the Group has recognised a provision on the balance sheet and a $75 million net cost (before tax) in the consolidated statement of comprehensive income during the year based on current estimates, of which $53 million relates to customer remediation for premium earned, $15 million relates to interest payable, and $7 million relates to other costs associated with administering the program.

In estimating the amounts recognised, assumptions have been made based on the findings of the review, including in relation to the number of affected customers, and the premiums and interest refundable.

1.2.4 Foreign currency

Translation of foreign currency transactions and balances

Transactions included in the financial statements of controlled entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into functional currencies at the spot rates of exchange applicable at the dates of the transactions. At the balance date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date. Resulting exchange gains and losses are included in profit or loss.

Translation of foreign operations

The results and balance sheets of all foreign operations that have a functional currency different from the Group's presentation currency of US dollars are translated into US dollars as follows:

- income, expenses and other current period movements in comprehensive income are translated at average rates of exchange; and
- balance sheet items are translated at the closing balance date rates of exchange.

On consolidation, exchange differences arising from the translation of net investments in foreign operations are taken to shareholders' equity and recognised in other comprehensive income. When a foreign operation is sold in whole or part and capital is repatriated, exchange differences on translation from the entity's functional currency to the ultimate parent entity's functional currency of Australian dollars are reclassified out of other comprehensive income and recognised in profit or loss as part of the gain or loss on sale.

Hedging of foreign exchange risk

The Group manages its foreign exchange exposures as part of its foreign currency risk management processes, further information on which is provided in note 4.4.

QBE uses borrowings to mitigate currency risk on translation of net investments in foreign operations to the ultimate parent entity's functional currency of Australian dollars. QBE may elect to use derivatives to manage currency translation risk in order to preserve capital.

QBE also uses derivatives to mitigate risk associated with foreign currency transactions and balances.

The Group designates hedge relationships which meet the specified criteria in AASB 9 *Financial Instruments* as either cash flow hedges or hedges of net investments in foreign operations. Further information on the accounting for derivatives and for designated hedge relationships is provided in note 5.6.

Exchange rates

The principal exchange rates used in the preparation of the financial statements were:

	2022		2021	
	PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
A$/US$	**0.693**	**0.678**	0.751	0.727
£/US$	**1.232**	**1.203**	1.375	1.353
€/US$	**1.051**	**1.067**	1.182	1.138

1. OVERVIEW

1.3 Segment information

Overview

Information is provided by operating segment to assist an understanding of the Group's performance. The 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.

Operating segments

The Group's operating segments are as follows:

- North America writes general insurance, reinsurance and Crop business in the United States.
- International writes general insurance business in the United Kingdom, Europe and Canada. It also writes general insurance and reinsurance business through Lloyd's; worldwide reinsurance business through offices in the United Kingdom, the United States, Ireland, Bermuda, Dubai and mainland Europe; and provides personal and commercial insurance covers in Hong Kong, Singapore, Malaysia and Vietnam.
- Australia Pacific primarily underwrites general insurance risks throughout Australia, New Zealand and the Pacific region, providing all major lines of insurance for personal and commercial risks.

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. It also includes consolidation adjustments and internal reinsurance eliminations. Intersegment transactions are priced on an arm's length basis and are eliminated on consolidation.

2022	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Gross written premium	7,274	7,546	5,188	20,008	(7)	20,001
Gross earned premium revenue – external	7,213	6,901	4,944	19,058	9	19,067
Gross earned premium revenue – internal	–	7	–	7	(7)	–
Outward reinsurance premium expense	(3,323)	(934)	(478)	(4,735)	(5)	(4,740)
Net earned premium	3,890	5,974	4,466	14,330	(3)	14,327
Net claims expense	(2,669)	(3,017)	(2,688)	(8,374)	44	(8,330)
Net commission	(456)	(1,045)	(613)	(2,114)	(5)	(2,119)
Underwriting and other expenses	(508)	(678)	(607)	(1,793)	(43)	(1,836)
Underwriting result	257	1,234	558	2,049	(7)	2,042
Investment (loss) income – policyholders' funds	(97)	(417)	(15)	(529)	20	(509)
Insurance profit	160	817	543	1,520	13	1,533
Investment loss – shareholders' funds	(68)	(176)	(3)	(247)	(20)	(267)
Financing and other costs	(1)	(2)	(19)	(22)	(223)	(245)
Gain on sale of entities and businesses	–	–	–	–	38	38
Share of net loss of associates	–	–	–	–	(7)	(7)
Restructuring and related expenses	(51)	(21)	(14)	(86)	(20)	(106)
Amortisation and impairment of intangibles	–	–	(13)	(13)	(14)	(27)
Profit (loss) before income tax	40	618	494	1,152	(233)	919
Income tax (expense) credit	(8)	(123)	(170)	(301)	160	(141)
Profit (loss) after income tax	32	495	324	851	(73)	778
Net profit attributable to non-controlling interests	–	–	–	–	(8)	(8)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	32	495	324	851	(81)	770

2021	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Gross written premium	6,289	6,962	5,215	18,466	(9)	18,457
Gross earned premium revenue – external	5,838	6,480	4,730	17,048	(13)	17,035
Gross earned premium revenue – internal	–	6	1	7	(7)	–
Outward reinsurance premium expense	(1,873)	(947)	(831)	(3,651)	24	(3,627)
Net earned premium	3,965	5,539	3,900	13,404	4	13,408
Net claims expense	(3,136)	(3,118)	(2,217)	(8,471)	100	(8,371)
Net commission	(512)	(978)	(581)	(2,071)	1	(2,070)
Underwriting and other expenses	(460)	(724)	(601)	(1,785)	(44)	(1,829)
Underwriting result	(143)	719	501	1,077	61	1,138
Investment income – policyholders' funds	30	12	22	64	13	77
Insurance (loss) profit	(113)	731	523	1,141	74	1,215
Investment income – shareholders' funds	30	5	10	45	–	45
Financing and other costs	(1)	(2)	(6)	(9)	(238)	(247)
Share of net loss of associates	–	–	–	–	(7)	(7)
Restructuring and related expenses	(18)	(8)	(13)	(39)	(33)	(72)
Amortisation and impairment of intangibles	–	–	(5)	(5)	(16)	(21)
(Loss) profit before income tax	(102)	726	509	1,133	(220)	913
Income tax credit (expense)	21	(139)	(149)	(267)	111	(156)
(Loss) profit after income tax	(81)	587	360	866	(109)	757
Net profit attributable to non-controlling interests	–	–	–	–	(7)	(7)
Net (loss) profit after income tax attributable to ordinary equity holders of the Company	(81)	587	360	866	(116)	750

Geographical analysis

North America is defined by reference to its geographical location and, as such, satisfies the requirements of a geographical analysis as well as an operating segment analysis.

Gross earned premium revenue – external was $4,518 million (2021 $4,254 million) for Australia, the ultimate parent entity's country of domicile, and was $2,860 million (2021 $2,439 million) for risks located in the United Kingdom. No other country within International or Australia Pacific is individually material in this respect.

Product analysis

QBE does not collect Group-wide revenue information by product and the cost to develop this information would be excessive. Gross earned premium revenue by class of business is disclosed in note 4.2.

2. UNDERWRITING ACTIVITIES

Overview

This section provides analysis and commentary on the Group's underwriting activities. Underwriting, in simple terms, is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices it accordingly.

2.1 Revenue

Overview

Revenue mainly comprises premiums charged for providing insurance coverage. Premiums are classified as:

- direct, being those paid by the policyholder to the insurer;
- facultative, being reinsurance of an individual (usually significant) risk by a ceding insurer or reinsurer; or
- inward reinsurance, being coverage provided to an insurer or reinsurer in relation to a specified grouping of policies or risks.

Other sources of revenue include amounts recovered from reinsurers under the terms of reinsurance contracts, commission income from reinsurers and salvage or third-party recoveries.

	NOTE	2022 US$M	2021 US$M
Gross earned premium revenue			
Direct and facultative		**17,429**	15,493
Inward reinsurance		**1,638**	1,542
		19,067	17,035
Other revenue			
Reinsurance and other recoveries revenue	2.2	**3,890**	3,093
Reinsurance commission revenue		**831**	634
		23,788	20,762

How we account for the numbers

Premium revenue

Premium written comprises amounts charged to policyholders, excluding taxes collected on behalf of third parties. Premium is recognised as revenue in profit or loss based on the incidence of the pattern of risk associated with the insurance policy. The earned portion of premium on unclosed business, being business that is written at the balance date but for which detailed policy information is not yet booked, is also included in premium revenue.

Reinsurance and other recoveries

Reinsurance and other recoveries on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) are recognised as revenue. Recoveries are measured as the present value of the expected future receipts.

2.2 Net claims expense

Overview

The largest expense for an insurance company is net claims expense, which is the difference between the net outstanding claims liability (as described in note 2.3) at the beginning and the end of the financial year plus any claims payments made net of reinsurance and other recoveries received during the financial year.

	NOTE	2022 US$M	2021 US$M
Gross claims expense			
Direct and facultative		**11,335**	10,321
Inward reinsurance		**885**	1,143
		12,220	11,464
Reinsurance and other recoveries revenue			
Direct and facultative		**3,769**	2,851
Inward reinsurance		**121**	242
	2.1	**3,890**	3,093
Net claims expense		**8,330**	8,371
Analysed as follows:			
Movement in net discounted central estimate	2.4.2	**8,391**	8,453
Movement in risk margin	2.3.3	**(61)**	(82)
Net claims expense		**8,330**	8,371

2.3 Net outstanding claims liability

Overview

The net outstanding claims liability comprises the elements described below:

- **the gross central estimate (note 2.3.1):** This is the provision for expected future payments for claims incurred and includes claims reported but not yet paid, IBNR, IBNER and estimated claims handling costs; less
- **reinsurance and other recoveries on outstanding claims (note 2.3.2):** Insurance companies may elect to purchase reinsurance cover to manage their exposure to any one claim or series of claims. When an insurance company incurs a claim as a result of an insured loss, it may be able to recover some of that claim from reinsurance. An insurer may also be entitled to non-reinsurance recoveries under the insurance contract such as salvage, subrogation and sharing arrangements with other insurers; less
- **an amount to reflect the discount to present value using risk-free rates of return:** The net central estimate is discounted to present value recognising that the claim and/or recovery may not be settled for some time. The weighted average risk-free rate for each operating segment and for the consolidated Group are summarised in note 2.3.4; plus
- **a risk margin (note 2.3.3):** A risk margin is added to reflect the inherent uncertainty in the net discounted central estimate of outstanding claims.

	NOTE	2022 US$M	2021 US$M
Gross discounted central estimate	2.3.1	**22,758**	22,864
Risk margin	2.3.3	**1,287**	1,418
Gross outstanding claims		**24,045**	24,282
Reinsurance and other recoveries on outstanding claims	2.3.2	**(6,617)**	(6,757)
Net outstanding claims		**17,428**	17,525

2. UNDERWRITING ACTIVITIES

The table below analyses the movement in the net outstanding claims liability, showing separately the movement in the gross liability and the impact of reinsurance:

		2022			2021		
	NOTE	GROSS US$M	REINSURANCE US$M	NET US$M	GROSS US$M	REINSURANCE US$M	NET US$M
At 1 January		**24,282**	**(6,757)**	**17,525**	23,861	(6,527)	17,334
Claims expense – current accident year	2.4.2	**14,092**	**(4,572)**	**9,520**	12,172	(3,359)	8,813
Claims expense – prior accident years	2.4.2	**(1,811)**	**682**	**(1,129)**	(626)	266	(360)
Movement in risk margin	2.3.3	**(61)**	**–**	**(61)**	(82)	–	(82)
Incurred claims recognised in profit or loss	2.2	**12,220**	**(3,890)**	**8,330**	11,464	(3,093)	8,371
Claims payments		**(11,292)**	**3,861**	**(7,431)**	(10,361)	2,742	(7,619)
Foreign exchange		**(1,165)**	**169**	**(996)**	(682)	121	(561)
At 31 December		**24,045**	**(6,617)**	**17,428**	24,282	(6,757)	17,525

2.3.1 Gross discounted central estimate

	NOTE	2022 US$M	2021 US$M
Gross undiscounted central estimate excluding claims settlement costs		**25,184**	23,129
Claims settlement costs		**488**	500
Gross undiscounted central estimate		**25,672**	23,629
Discount to present value		**(2,914)**	(765)
Gross discounted central estimate	2.3	**22,758**	22,864
Payable within 12 months		**10,006**	8,339
Payable in greater than 12 months		**12,752**	14,525
Gross discounted central estimate	2.3	**22,758**	22,864

How we account for the numbers

The gross discounted central estimate is the present value of the expected future payments for claims incurred and includes claims reported but not yet paid, IBNR, IBNER and estimated claims handling costs. The central estimate is determined by the Group Chief Actuary, supported by a team of actuaries in each of the Group's divisions. The valuation process is performed quarterly and, on at least a semi-annual basis, includes extensive consultation with claims and underwriting staff as well as senior management. The central estimate of outstanding claims is also subject to annual comprehensive independent actuarial review. The risk management procedures related to the actuarial function are explained in note 4.2.

Critical accounting judgements and estimates

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and inward reinsurance contracts 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;
- changing social, environmental, political and economic trends, for example price and wage inflation; and
- impacts of COVID-19.

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Group but are not yet paid, for which more information about the claims is generally available. The notification and settlement of claims relating to liability and other long-tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long-tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short-tail classes are typically reported and settled soon after the claim event, giving rise to more certainty.

Central estimates for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The gross central estimate is discounted to present value using appropriate risk-free rates.

Central estimates are calculated gross of any reinsurance and other recoveries. A separate estimate is made of the amounts recoverable based on the gross central estimate (refer to note 2.3.2).

COVID-19

The projected net ultimate cost of COVID-19 related claims is based on detailed reviews of the Group's emerging claims experience and exposure, and allows for the Group's reinsurance protections. Litigation outcomes relating to the Group's property business interruption exposure, as well as the potential for the appeal of these outcomes, continue to be considered in the determination of the net discounted central estimate and risk margin (refer to note 2.3.3). Key recent legislative outcomes include the Australian High Court decision to decline applications for special leave to appeal aspects of the second industry test case judgement, and the UK High Court judgements in respect of the Corbin & King, Stonegate, Greggs and Various Eateries cases.

There has been no material change to the projected net ultimate cost of COVID-19 related claims during the period, with a modest increase during the period in respect of UK business interruption exposure being partly offset by a release in respect of Australian business interruption exposure, and offsetting movements in other classes.

The Group has released all of the remaining $160 million of COVID-19 related risk margin (refer to note 2.3.3) during the current period, reflecting the materially reduced uncertainty related to COVID-19 following the outcomes of the court decisions in the UK and Australia.

2. UNDERWRITING ACTIVITIES

2.3.2 Reinsurance and other recoveries on outstanding claims

	NOTE	2022 US$M	2021 US$M
Reinsurance and other recoveries on outstanding claims – undiscounted[1]		**7,547**	7,014
Discount to present value		**(930)**	(257)
Reinsurance and other recoveries on outstanding claims	2.3	**6,617**	6,757
Receivable within 12 months		**3,927**	2,758
Receivable in greater than 12 months		**2,690**	3,999
Reinsurance and other recoveries on outstanding claims	2.3	**6,617**	6,757

1 Net of a provision for impairment of $25 million (2021 $32 million).

How we account for the numbers

The recoverability of amounts due from reinsurers is assessed at each balance date to ensure that the balances properly reflect the amounts ultimately expected to be received, taking into account counterparty credit risk and the contractual terms of the reinsurance contract. Counterparty credit risk in relation to reinsurance assets is considered in note 4.3. Recoveries are discounted to present value using appropriate risk-free rates.

2.3.3 Risk margin

Overview

A risk margin is determined by the Board to reflect the inherent uncertainty in the net discounted central estimate.

The risk margin and the net discounted central estimate are key inputs in the determination of the probability of adequacy, which is a statistical measure of the relative adequacy of the outstanding claims liability to ultimately be able to pay claims. For example, a 90% probability of adequacy indicates that the outstanding claims liability is expected to be adequate nine years in 10.

		2022	2021
Risk margin	US$M	**1,287**	1,418
Risk margin as a percentage of the net discounted central estimate	%	**8.0**	8.8
Probability of adequacy	%	**90.0**	91.7

Excluding the impact of foreign exchange which reduced the risk margin by $70 million (2021 $37 million), the net movement in profit or loss was a release of $61 million (2021 $82 million). This mainly reflects a $160 million release of COVID-19 related risk margin due to materially reduced uncertainty (refer to note 2.3.1) partly offset by an increase relating to underlying growth in the net discounted central estimate.

The probability of adequacy was 90.0% (2021 91.7%). Net profit after tax would have reduced by $79 million, at the Group's prima facie income tax rate of 30%, if the probability of adequacy was maintained at 91.7%.

How we account for the numbers

AASB 1023 *General Insurance Contracts* requires an entity to adopt an appropriate risk margin. The resulting probability of adequacy is not of itself an accounting policy as defined by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

QBE reviews a number of factors when determining the appropriate risk margin, including any changes in the level of uncertainty in the net discounted central estimate, the resulting probability of adequacy and the risk margin as a percentage of the net discounted central estimate. The Group aims to maintain a probability of adequacy in the range of 87.5% to 92.5%.

Critical accounting judgements and estimates

The risk margin is determined by the Board and is held to mitigate the potential for uncertainty in the net discounted central estimate. The determination of the appropriate level of risk margin takes into account similar factors to those used to determine the central estimate, such as:

- mix of business, in particular the mix of short-tail and long-tail business and the overall weighted average term to settlement; and
- the level of uncertainty in the central estimate due to estimation error, data quality, variability of key inflation assumptions, impacts of COVID-19 and possible economic and legislative changes.

The variability by class of business is measured using techniques that determine a range of possible outcomes of ultimate payments and assign a likelihood to outcomes at different levels. These techniques generally use standard statistical distributions, and the measure of variability is referred to as the coefficient of variation.

The appropriate risk margin for two or more classes of business or for two or more geographic locations combined is likely to be less than the sum of the risk margins for the individual classes, reflecting the benefit of diversification in general insurance, but is not determined by reference to a fixed probability of adequacy. The statistical measure used to determine diversification is called the correlation; the higher the correlation between two classes of business, the more likely it is that a negative outcome in one class will correspond to a negative outcome in the other class. For example, higher correlation exists between classes of business affected by court cases involving bodily injury claims such as motor third-party liability, workers' compensation and public liability, particularly in the same jurisdiction.

The probability of adequacy for the Group is determined by analysing the variability of each class of business and the correlation between classes of business and divisions. Correlations are determined for aggregations of classes of business, where appropriate, at the divisional level. The correlations adopted by the Group are generally derived from industry analysis, the Group's historical experience and the judgement of experienced and qualified actuaries.

2.3.4 Discount rate used to determine the outstanding claims liability

Overview

Claims in relation to long-tail classes of business (e.g. professional indemnity and workers' compensation) typically may not settle for many years. As such, the liability is discounted to reflect the time value of money. The table below summarises the weighted average discount rate for each operating segment and for the Group.

	2022 %	2021 %
North America	**4.21**	1.44
International	**3.29**	0.55
Australia Pacific	**3.73**	1.12
Group	**3.60**	0.87

How we account for the numbers

AASB 1023 *General Insurance Contracts* requires that the net central estimate is discounted to reflect the time value of money using risk-free rates that are based on current observable, objective rates that reflect the nature, structure and terms of the future obligations.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

2.3.5 Weighted average term to settlement

Overview

The weighted average term to settlement refers to the period from the balance date to the expected date of claims settlement. All other factors being equal, a longer weighted average term to settlement generally results in a larger impact on the central estimate from discounting. The material increase in risk-free rates used to discount the outstanding claims liability has driven the reductions in weighted average term to settlement in the current period. The table below summarises the weighted average term to settlement for each operating segment and for the consolidated Group.

	2022 YEARS						2021 YEARS					
	US$	£	A$	€	OTHER	TOTAL	US$	£	A$	€	OTHER	TOTAL
North America	**2.7**	**–**	**–**	**–**	**–**	**2.7**	3.2	–	–	–	–	3.2
International	**3.0**	**3.7**	**3.2**	**3.5**	**2.1**	**3.3**	4.0	5.0	3.5	4.0	2.5	4.1
Australia Pacific	**–**	**–**	**2.2**	**–**	**2.1**	**2.2**	–	–	2.2	–	1.7	2.2
Group	**2.8**	**3.7**	**2.3**	**3.5**	**2.1**	**2.9**	3.4	5.0	2.4	4.0	2.4	3.5

2.3.6 Net discounted central estimate maturity profile

Overview

The maturity profile is the Group's expectation of the period over which the net central estimate will be settled. The Group uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform the Group's investment strategy. The table below summarises the expected maturity profile of the Group's net discounted central estimate for each operating segment.

2022	LESS THAN 1 YEAR US$M	13 TO 24 MONTHS US$M	25 TO 36 MONTHS US$M	37 TO 48 MONTHS US$M	49 TO 60 MONTHS US$M	OVER 5 YEARS US$M	TOTAL US$M
North America	**1,540**	**558**	**393**	**265**	**177**	**469**	**3,402**
International	**2,832**	**1,679**	**1,137**	**835**	**624**	**1,745**	**8,852**
Australia Pacific	**1,707**	**750**	**491**	**331**	**174**	**434**	**3,887**
	6,079	**2,987**	**2,021**	**1,431**	**975**	**2,648**	**16,141**

2021	LESS THAN 1 YEAR US$M	13 TO 24 MONTHS US$M	25 TO 36 MONTHS US$M	37 TO 48 MONTHS US$M	49 TO 60 MONTHS US$M	OVER 5 YEARS US$M	TOTAL US$M
North America	1,578	608	413	274	193	647	3,713
International	2,404	1,631	1,143	842	632	2,120	8,772
Australia Pacific	1,599	713	465	300	190	355	3,622
	5,581	2,952	2,021	1,416	1,015	3,122	16,107

2.3.7 Impact of changes in key variables on the net outstanding claims liability

Overview

The impact of changes in key variables used in the calculation of the outstanding claims liability is summarised in the table below. Each change has been calculated in isolation from the other changes and shows the after-tax impact on profit or loss assuming that there is no change to any of the other variables. In practice, this is considered unlikely to occur as, for example, an increase in interest rates is normally associated with an increase in the rate of inflation. Over the medium to longer term, the impact of a change in discount rates is expected to be largely offset by the impact of a change in the rate of inflation.

The sensitivities below assume that all changes directly impact profit after tax. In practice, if the central estimate was to increase, it is possible that part of the increase may result in an offsetting change in the level of risk margin required rather than in a change to profit or loss after tax, depending on the nature of the change in the central estimate and risk outlook. Likewise, if the coefficient of variation were to increase, it is possible that the probability of adequacy would reduce from its current level rather than result in a change to profit or loss after income tax.

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2022 US$M	2021 US$M
Net discounted central estimate	+5	**(565)**	(564)
	-5	**565**	564
Risk margin	+5	**(45)**	(50)
	-5	**45**	50
Inflation rate	+1	**(333)**	(427)
	-1	**304**	375
Discount rate	+1	**304**	375
	-1	**(333)**	(427)
Coefficient of variation	+1	**(148)**	(163)
	-1	**148**	162
Probability of adequacy	+1	**(44)**	(53)
	-1	**41**	48
Weighted average term to settlement	+10	**149**	38
	-10	**(151)**	(38)

1 Net of tax at the Group's prima facie income tax rate of 30%.

2. UNDERWRITING ACTIVITIES

2.4 Claims development – net undiscounted central estimate

Overview

The claims development table demonstrates the extent to which the original estimate of net ultimate claims payments in any one accident year (item (a) in the table below) has subsequently developed favourably (i.e. claims cost estimates have reduced) or unfavourably (i.e. further claims expense has been recognised in subsequent years). This table therefore illustrates the variability and inherent uncertainty in estimating the central estimate each year. The ultimate claims cost for any particular accident year is not known until all claims payments have been made which, for some long-tail classes of business, could be many years into the future. The estimate of net ultimate claims payments at the end of each subsequent accident year demonstrates how the original estimate has been revised over time (b).

Cumulative net claims payments (d) are deducted from the estimate of net ultimate claims payments in each accident year (c) at the current balance date, resulting in the undiscounted central estimate at a fixed rate of exchange (e). This is revalued to the balance date rate of exchange (f) to report the net undiscounted central estimate (g), which is reconciled to the discounted net outstanding claims liability (h). The treatment of foreign exchange in the claims development table is explained on the following page.

The net increase (decrease) in estimated net ultimate claims payments (i) reflects the estimated ultimate net claims payments at the end of the current financial year (c) less the equivalent at the end of the previous financial year (b). This is further summarised in note 2.4.1.

The claims development table is presented net of reinsurance. With insurance operations in 27 countries, hundreds of products, various reinsurance arrangements and with the Group's risk tolerance managed on a consolidated basis, it is considered neither meaningful nor practicable to provide this information other than on a consolidated Group basis.

	2012 & PRIOR US\$M	2013 US\$M	2014 US\$M	2015 US\$M	2016 US\$M	2017 US\$M	2018 US\$M	2019 US\$M	2020 US\$M	2021 US\$M	2022 US\$M	TOTAL US\$M
Net ultimate claims payments[1]												
(a) Original estimate of net ultimate claims payments		7,045	6,874	6,153	6,559	7,866	6,969	7,417	7,344	7,945	9,536	
(b) One year later		6,964	6,880	6,171	6,351	7,913	7,124	7,685	7,080	8,040		
Two years later		6,916	6,741	5,953	6,219	7,861	7,137	7,860	7,140			
Three years later		6,897	6,650	5,925	6,230	8,059	7,222	7,791				
Four years later		6,816	6,626	5,835	6,286	8,074	7,119					
Five years later		6,914	6,633	5,801	6,239	8,077						
Six years later		6,866	6,587	5,747	6,259							
Seven years later		6,846	6,571	5,734								
Eight years later		6,839	6,521									
Nine years later		6,817										
(c) Current estimate of net ultimate claims payments		6,817	6,521	5,734	6,259	8,077	7,119	7,791	7,140	8,040	9,536	73,034
(d) Cumulative net payments to date		(6,610)	(6,319)	(5,609)	(5,755)	(7,240)	(6,203)	(6,175)	(4,875)	(4,755)	(2,996)	(56,537)
(e) Net undiscounted central estimate at fixed rate of exchange	1,307	207	202	125	504	837	916	1,616	2,265	3,285	6,540	17,804
(f) Foreign exchange impact												(192)
Provision for impairment												25
(g) Net undiscounted central estimate at 31 December 2022												17,637
Discount to present value												(1,984)
Claims settlement costs												488
Risk margin												1,287
(h) Net outstanding claims liability at 31 December 2022 (note 2.3)												17,428
(i) Movement in estimated net ultimate claims payments (note 2.4.1)	9	(22)	(50)	(13)	20	3	(103)	(69)	60	95	9,536	9,466

1 Excludes claims settlement costs.

How we account for the numbers

The estimate of net ultimate claims payments attributable to business acquired is generally included in the claims development table in the accident year in which the acquisition was made. The exception is increased participation in Lloyd's syndicates where the estimate of net ultimate claims payments is allocated to the original accident year(s) in which the underlying claim was incurred.

The Group writes business in many currencies. The translation of estimated net ultimate claims payments denominated in foreign currencies gives rise to foreign exchange movements which have no direct bearing on the development of the underlying claims. To eliminate this distortion, estimated net ultimate claims payments have been translated to the functional currencies of our controlled entities at constant rates of exchange. All estimates of ultimate claims payments for the 10 most recent accident years reported in functional currencies other than US dollars have been translated to US dollars using 2022 average rates of exchange.

2.4.1 Reconciliation of claims development table to profit or loss

Overview

The table below reconciles the net increase or decrease in estimated net ultimate claims payments in the current financial year from the claims development table (item (i) in note 2.4) to the analysis of current and prior accident year net central estimate development recognised in profit or loss (refer to note 2.4.2).

	2022			2021		
	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M
Movement in estimated net ultimate claims payments (note 2.4)[1,2,3]	**9,536**	**(70)**	**9,466**	8,463	(142)	8,321
Movement in claims settlement costs	**441**	**1**	**442**	433	1	434
Movement in discount	**(460)**	**(1,053)**	**(1,513)**	(85)	(232)	(317)
Other movements	**3**	**(7)**	**(4)**	2	13	15
Movement in net discounted central estimate (note 2.4.2)	**9,520**	**(1,129)**	**8,391**	8,813	(360)	8,453

1 Excludes claims settlement costs.

2 2022 prior accident year claims includes a benefit of $334 million as a result of the reinsurance of legacy North American Excess and Surplus (E&S) liabilities. Excluding this recovery, the movement in prior accident year claims in 2022 reflects adverse development in North America and International, partly offset by positive development in Australia Pacific.

3 2021 prior accident year claims includes a benefit of $324 million from the reinsurance of Australian CTP liabilities. Excluding this recovery, the movement in prior accident year claims in 2021 reflects adverse development in North America and Australia Pacific, partly offset by positive development in International.

2. UNDERWRITING ACTIVITIES

2.4.2 Net central estimate development

Overview

The table below further analyses the current and prior accident year movement in the net discounted central estimate, separately identifying the gross and reinsurance components. Prior accident year claims are those claims that occurred in a previous year but for which a reassessment of the claims cost has impacted the result in the current period.

	2022			2021		
	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M
Gross central estimate development						
Undiscounted	**14,692**	**(227)**	**14,465**	12,280	(253)	12,027
Discount	**(600)**	**(1,584)**	**(2,184)**	(108)	(373)	(481)
	14,092	**(1,811)**	**12,281**	12,172	(626)	11,546
Reinsurance and other recoveries						
Undiscounted	**(4,712)**	**151**	**(4,561)**	(3,382)	125	(3,257)
Discount	**140**	**531**	**671**	23	141	164
	(4,572)	**682**	**(3,890)**	(3,359)	266	(3,093)
Net central estimate development						
Undiscounted	**9,980**	**(76)**	**9,904**	8,898	(128)	8,770
Discount	**(460)**	**(1,053)**	**(1,513)**	(85)	(232)	(317)
Net discounted central estimate development (note 2.4.1)	**9,520**	**(1,129)**	**8,391**	8,813	(360)	8,453

2.4.3 Reinsurance of prior accident year claims liabilities after the balance date

On 17 February 2023, the Group entered into a 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 an upfront net cost of around $100 million before tax.

2.5 Unearned premium and deferred insurance costs

Overview

Unearned premium

Gross written premium is earned in profit or loss in accordance with the pattern of risk of the business written. The unearned premium liability is that portion of gross written premium that QBE has not yet earned in profit or loss as it represents insurance coverage to be provided by QBE after the balance date.

Deferred insurance costs

Premium ceded to reinsurers by QBE in exchange for reinsurance protection is expensed in profit or loss in accordance with the reinsurance contract's expected pattern of incidence of risk. The deferred reinsurance premium asset is that portion of the reinsurance premium that QBE has not yet expensed in profit or loss as it represents reinsurance coverage to be received by QBE after the balance date.

Acquisition costs are the costs associated with obtaining and recording insurance business. Acquisition costs are similarly capitalised and amortised, consistent with the earning of the related premium for that business. Commissions are a type of acquisition cost and are disclosed separately.

Summary of unearned premium and deferred insurance costs

	2022 US$M	2021 US$M
Unearned premium (a)	**9,075**	8,637
To be earned within 12 months	**7,933**	7,847
To be earned in greater than 12 months	**1,142**	790
Unearned premium	**9,075**	8,637
Deferred reinsurance premium[1]	**1,183**	1,052
Deferred net commission	**1,328**	1,230
Deferred acquisition costs	**425**	415
Deferred insurance costs (b)	**2,936**	2,697
To be expensed within 12 months	**2,464**	2,260
To be expensed in greater than 12 months	**472**	437
Deferred insurance costs	**2,936**	2,697
Net unearned premium (a)–(b)	**6,139**	5,940

1 Deferred reinsurance premium relating to future business not yet written was $89 million (2021 $114 million).

Unearned premium movements

	2022 US$M	2021 US$M
At 1 January	**8,637**	7,466
Deferral of unearned premium on contracts written in the financial year	**9,645**	7,516
Earning of premium written in previous financial years	**(8,711)**	(6,094)
Net profit or loss movement	**934**	1,422
Foreign exchange	**(496)**	(251)
At 31 December	**9,075**	8,637

Deferred insurance costs movements

	DEFERRED REINSURANCE PREMIUM		DEFERRED NET COMMISSION		DEFERRED ACQUISITION COSTS	
	2022 US$M	2021 US$M	2022 US$M	2021 US$M	2022 US$M	2021 US$M
At 1 January	**1,052**	724	**1,230**	1,141	**415**	417
Costs deferred in financial year	**1,021**	951	**1,163**	1,038	**321**	354
Amortisation of costs deferred in previous financial years	**(841)**	(595)	**(994)**	(922)	**(281)**	(342)
Net profit or loss movement	**180**	356	**169**	116	**40**	12
Foreign exchange	**(49)**	(28)	**(71)**	(27)	**(30)**	(14)
At 31 December	**1,183**	1,052	**1,328**	1,230	**425**	415

How we account for the numbers

Unearned premium

Unearned premium is calculated based on the coverage period of the insurance or reinsurance contract and in accordance with the expected pattern of the incidence of risk, using either the daily pro-rata method or the 24ths method, adjusted where appropriate to reflect different risk patterns.

Deferred insurance costs

Deferred reinsurance premium is calculated based on the period of indemnity provided to QBE by the reinsurance contract and in accordance with the related pattern of the incidence of risk.

Acquisition costs are capitalised when they relate to new business or the renewal of existing business and are amortised on the same basis as the earning pattern for that business. At the balance date, deferred acquisition costs represent the capitalised acquisition costs that relate to unearned premium and are carried forward to a subsequent accounting period in recognition of their future benefit. The carrying value of deferred acquisition costs is subject to impairment testing in the form of the liability adequacy test (refer to note 2.5.1). Deferred net commission is a type of deferred acquisition cost and is disclosed separately.

2. UNDERWRITING ACTIVITIES

2.5.1 Liability adequacy test

Overview

At each balance date, the Group is required to assess net unearned premium to determine whether the amount provided is sufficient to pay future claims net of reinsurance recoveries attributable to the net unearned premium.

If the present value of expected future net claims including a risk margin exceeds the net unearned premium, adjusted for deferred reinsurance premium relating to future business not yet written, the net unearned premium is deemed deficient. This deficiency is immediately recognised in profit or loss. In recognising the deficiency, an insurer must first write down related intangible assets and then deferred acquisition costs before recognising an unexpired risk liability.

Expected present value of future cash flows for future claims including risk margin

	2022 US$M	2021 US$M
Undiscounted net central estimate	**5,543**	5,282
Discount to present value	**(402)**	(98)
	5,141	5,184
Risk margin at the 75th percentile of insurance liabilities	**189**	197
Expected present value of future cash flows for future claims including risk margin	**5,330**	5,381

The risk margin at the 75th percentile of insurance liabilities as a percentage of the net discounted central estimate is 3.7% (2021 3.8%).

The application of the liability adequacy test at 31 December 2022 did not identify a deficiency (2021 nil).

How we account for the numbers

At each balance date, the adequacy of net unearned premium is assessed on a net of reinsurance basis against the present value of the expected future claims cash flows in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out at the operating segment level other than for Europe, Asia and the Group's captive reinsurer, Equator Re, which are assessed separately, each being a portfolio of contracts subject to broadly similar risks and which are managed together as a single portfolio.

Critical accounting judgements and estimates

In assessing the adequacy of net unearned premium, AASB 1023 *General Insurance Contracts* requires the inclusion of a risk margin but does not prescribe a minimum level of margin. While there is established practice in the calculation of the probability of adequacy of the outstanding claims liability, no such guidance exists in respect of the level of risk margin to be used in determining the adequacy of net unearned premium.

The liability adequacy test assumes a 75% probability of adequacy. The risk margin applied in the liability adequacy test is determined on a consistent basis with the methodology described in note 2.3.3 and also reflects the benefit of diversification. The 75% basis is a recognised industry benchmark in Australia, being the minimum probability of adequacy required for Australian licensed insurers by APRA.

2.6 Trade and other receivables

Overview

Trade and other receivables are principally amounts owed to QBE by policyholders or reinsurance counterparties. Unclosed premium receivables are estimated amounts due to QBE in relation to business for which the Group is on risk but which have not yet been processed into financial systems.

	2022 US$M	2021 US$M
Trade debtors		
Premium receivable[1]	**3,985**	3,462
Reinsurance and other recoveries[2]	**2,869**	2,118
Unclosed premium	**837**	774
Other trade debtors	**232**	195
	7,923	6,549
Other receivables	**418**	560
Trade and other receivables	**8,341**	7,109
Receivable within 12 months	**7,868**	6,628
Receivable in greater than 12 months	**473**	481
Trade and other receivables	**8,341**	7,109

1 Net of a provision for impairment of $86 million (2021 $81 million).
2 Net of a provision for impairment of $19 million (2021 $17 million).

Due to the predominantly short-term nature of these receivables, the carrying value is assumed to approximate the fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. No receivables are pledged by the Group as collateral for liabilities or contingent liabilities. Information on the ageing and credit rating of these balances is included in note 4.3.

How we account for the numbers

Receivables are recognised initially at fair value and are subsequently measured at amortised cost less any impairment.

The vast majority of the Group's receivables arise from general insurance contracts. These include premium receivable, reinsurance and other recoveries, and unclosed premium. For these receivables, a provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The remainder of the Group's receivables are assessed for impairment based on expected credit losses, the impacts of which are not material. Any increase or decrease in the provision for impairment is recognised in profit or loss within underwriting expenses.

2. UNDERWRITING ACTIVITIES

2.7 Trade and other payables

Overview

Trade payables primarily comprise amounts owed to reinsurance counterparties and cedants. Treasury and investment payables are amounts due to counterparties in settlement of treasury and investment transactions.

	2022 US$M	2021 US$M
Trade payables	**2,818**	2,322
Other payables and accrued expenses	**705**	823
Treasury payables	**17**	19
Investment payables	**3**	51
Trade and other payables	**3,543**	3,215
Payable within 12 months	**3,335**	3,029
Payable in greater than 12 months	**208**	186
Trade and other payables	**3,543**	3,215

Due to the predominantly short-term nature of these payables, the carrying value is assumed to approximate the fair value.

How we account for the numbers

Trade payables are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest method.

3. INVESTMENT ACTIVITIES

Overview

Premiums collected from policyholders are invested to meet the Group's cash flow needs to pay claims and other expenses, as well as generating a return that contributes to the Group's profitability. A sound investment strategy is therefore integral to the success of the Group's operations.

The Group invests across a diversified range of instruments to achieve an appropriate balance between risk and return. Decisions on where to invest are dependent on expected returns, cash flow requirements of the Group, liquidity of the instrument, credit quality of the instrument and the overall risk appetite of the Group. Further details on the management of risk associated with investment assets can be found in note 4.

3.1 Investment income

	2022 US$M	2021 US$M
Loss on fixed interest securities, short-term money and cash	**(812)**	(96)
Income on growth assets	**60**	258
Gross investment (loss) income[1]	**(752)**	162
Investment expenses	**(29)**	(25)
Net investment (loss) income	**(781)**	137
Foreign exchange	**10**	(4)
Other expenses	**(5)**	(11)
Total investment (loss) income	**(776)**	122
Investment (loss) income – policyholders' funds	**(490)**	94
Investment expenses – policyholders' funds	**(19)**	(17)
Investment (loss) income – shareholders' funds	**(257)**	53
Investment expenses – shareholders' funds	**(10)**	(8)
Total investment (loss) income	**(776)**	122

1 Includes net fair value losses of $1,295 million (2021 $409 million), interest income of $466 million (2021 $396 million) and dividend and distribution income of $77 million (2021 $175 million).

How we account for the numbers

Interest income is recognised in the period in which it is earned. Dividends and distribution income are recognised when the right to receive payment is established. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as fair value gains or losses on financial assets.

3. INVESTMENT ACTIVITIES

3.2 Investment assets

	2022 US$M	2021 US$M
Fixed income assets		
Short-term money	**5,396**	4,537
Government bonds	**5,094**	6,953
Corporate bonds	**13,649**	14,777
Infrastructure debt	**47**	99
Emerging market debt	**429**	–
High yield debt	**416**	–
Private credit	**113**	–
	25,144	26,366
Growth assets		
Developed market equity	**332**	85
Emerging market equity	**62**	–
Unlisted property trusts	**747**	758
Infrastructure assets	**834**	788
Alternatives	**180**	114
	2,155	1,745
Total investments	**27,299**	28,111
Amounts maturing within 12 months	**11,032**	10,051
Amounts maturing in greater than 12 months	**16,267**	18,060
Total investments	**27,299**	28,111

At 31 December 2022, QBE had undrawn commitments to externally managed investment vehicles of $237 million (2021 $209 million).

How we account for the numbers

The Group's investments are required to be measured at fair value through profit or loss, with all investments managed and assessed on a fair value basis to optimise returns within risk appetites and investment strategy parameters and limits. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. The fair value hierarchy and the Group’s approach to measuring the fair value of each category of investment instrument are disclosed in note 3.2.1.

All purchases and sales of investments that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. Investments are de-recognised when the right to receive future cash flows from the asset has expired or has been transferred along with substantially all the risks and rewards of ownership.

3.2.1 Fair value hierarchy

Overview

The Group Revaluation Committee is responsible for the governance and oversight of the valuation process. The fair value of investments is determined in accordance with the Group's investment valuation policy.

The investments of the Group are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

Level 1: Valuation is based on quoted prices in active markets for identical instruments.

Level 2: Valuation is based on quoted prices for identical instruments in markets which are not active, quoted prices for similar instruments, or valuation techniques for which all significant inputs are based on observable market data, for example, consensus pricing using broker quotes or valuation models with observable inputs.

Level 3: Valuation techniques are applied in which one or more significant inputs are not based on observable market data.

	2022				2021			
	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	**326**	**5,070**	**–**	**5,396**	141	4,396	–	4,537
Government bonds	**3,547**	**1,547**	**–**	**5,094**	5,236	1,717	–	6,953
Corporate bonds	**–**	**13,649**	**–**	**13,649**	–	14,777	–	14,777
Infrastructure debt	**–**	**–**	**47**	**47**	–	–	99	99
Emerging market debt	**–**	**429**	**–**	**429**	–	–	–	–
High yield debt	**–**	**416**	**–**	**416**	–	–	–	–
Private credit	**–**	**–**	**113**	**113**	–	–	–	–
	3,873	**21,111**	**160**	**25,144**	5,377	20,890	99	26,366
Growth assets								
Developed market equity	**332**	**–**	**–**	**332**	83	–	2	85
Emerging market equity	**62**	**–**	**–**	**62**	–	–	–	–
Unlisted property trusts	**–**	**–**	**747**	**747**	–	–	758	758
Infrastructure assets	**–**	**–**	**834**	**834**	–	–	788	788
Alternatives	**112**	**–**	**68**	**180**	64	–	50	114
	506	**–**	**1,649**	**2,155**	147	–	1,598	1,745
Total investments	**4,379**	**21,111**	**1,809**	**27,299**	5,524	20,890	1,697	28,111

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.

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.

3. INVESTMENT ACTIVITIES

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	2022 US$M	2021 US$M
At 1 January	**1,697**	2,285
Purchases	**200**	61
Disposals/transfers to assets held for sale[1]	**(98)**	(675)
Fair value movement recognised in profit or loss	**70**	86
Foreign exchange	**(60)**	(60)
At 31 December	**1,809**	1,697

1 At 31 December 2021, $50 million of private equity assets were reclassified to assets held for sale. These assets were disposed of during 2022.

3.2.2 Charges over investments and restrictions on use

A controlled entity has given fixed and floating charges over certain of its investments and other assets in order to secure the obligations of the Group's corporate members at Lloyd's as described in note 8.2.

Included in investments are amounts totalling $3,538 million (2021 $3,417 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's byelaws, these amounts can only be used to pay claims and allowable expenses of the syndicate and cannot be withdrawn from the trust funds until they become distributable as profit once annual solvency requirements are met. Included in this amount is $790 million (2021 $287 million) of short-term money.

3.2.3 Derivatives over investment assets

In accordance with our investment management policies and procedures, derivatives may be used in the investment portfolio as both a hedging tool and to alter the risk profile of the portfolio. Risk management policies over the use of derivatives are set out in note 4.

The Group's notional exposure to investment derivatives at the balance date is set out in the table below:

NOTIONAL EXPOSURE	2022 US$M	2021 US$M
Bond futures and options		
Short government bond futures	**(1,347)**	(1,751)
Long government bond futures	**12**	36
Short government bond options	**–**	(23)
Interest rate futures		
Short interest rates futures	**–**	(1,214)
Equity index futures		
Short equity index futures	**(80)**	–

QBE may also have exposure to derivatives through investments in underlying pooled funds in accordance with the fund mandate. Those derivative exposures are not included in the table above.

How we account for the numbers

Derivatives over investment assets are required to be measured at fair value through profit or loss. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. For futures and options traded in an active market, the fair value is determined by reference to quoted market prices. The mark-to-market value of futures positions is cash settled on a daily basis resulting in a fair value of nil at the balance date. The fair value of options was not material at the balance date.

4. RISK MANAGEMENT

Overview

QBE is in the business of managing risk. The Group's ability to satisfy customers' risk management needs is central to what we do. QBE aims to generate wealth and maximise returns for its shareholders by pursuing opportunities that involve risk. Our people are responsible for ensuring that QBE's risks are managed and controlled on a day-to-day basis. QBE aims to use its ability to properly manage risk to provide more certainty and improved outcomes for all stakeholders.

QBE applies a consistent and integrated approach to enterprise risk management (ERM). QBE's framework for managing risk sets out the approach to managing risk effectively to meet strategic objectives while taking into account the creation of value for our shareholders. QBE's ERM framework is articulated in the Group Risk Management Strategy (RMS) and Reinsurance Management Strategy (REMS), both of which are approved annually by the Board and lodged with APRA.

The ERM framework consists of complementary elements that are embedded throughout the business management cycle and culture of the organisation. Key aspects include risk appetite, governance, reporting, risk identification and measurement, modelling and stress testing, risk systems, and risk culture.

Risk management is a continuous process and an integral part of robust business management. QBE's approach is to integrate risk management into the broader management processes of the organisation. It is QBE's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

The Group's strategy for managing risk is to:

- achieve competitive advantage by better understanding the risk environments in which we operate;
- give confidence to the business to make objective, risk-based decisions to optimise returns; and
- avoid unwelcome surprises to the achievement of business objectives by reducing uncertainty and volatility through the identification and management of risks.

The framework is supported by a suite of policies that detail QBE's approach to the key risk categories used by QBE to classify risk as follows:

- strategic risk (note 4.1);
- insurance risk (note 4.2);
- credit risk (note 4.3);
- market risk (note 4.4);
- liquidity risk (note 4.5);
- operational risk (note 4.6);
- compliance risk (note 4.7); and
- Group risk (note 4.8).

Risk culture

A sound risk culture underpins QBE's risk management strategy and is a key component of the ERM framework. QBE is committed to, and supports, a strong risk culture.

It recognises the importance of risk awareness and culture as being instrumental in the effectiveness of the ERM framework. Further information on risk culture is provided on page 32 of this Annual Report.

4. RISK MANAGEMENT

4.1 Strategic risk

Overview

Strategic risk is the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change. QBE classifies strategic risk into five subcategories, as follows:

- Performance risk: QBE is not able to achieve its performance objectives.
- Capital risk: QBE's structure and availability of capital do not meet regulatory requirements and/or support strategic initiatives.
- Reputational risk: QBE's stakeholders have a negative perception of QBE's brand which may damage QBE's reputation and threaten overall performance.
- Environmental, social and governance (ESG) risk: this is the negative impact on QBE's strategic priorities or objectives from ESG issues.
- Emerging risk: these are new or future risks which are difficult to assess but may have a significant impact to QBE or the markets in which it operates.

QBE's approach to managing strategic risk is underpinned by the Group strategic risk appetite statement as set by the Board and is summarised below.

Performance risk

Failure to deliver acceptable performance can result in shareholders losing confidence, impacting our reputation in the market and ultimately impacting our ability to deliver our strategic objectives.

QBE evaluates performance risk by assessing potential earnings volatility against its risk appetite and considering the changing levels of risk in its business plan. The plan is supported by an established regime of attestations by chief underwriting officers, chief actuaries, chief financial officers and chief risk officers, enabling action prior to signing off the business plan and making market commitments. Performance risk is monitored throughout the year against committed business plans (supported by performance monitoring, cell reviews, and mid-year risk reviews).

Capital risk

The Internal Capital Adequacy Assessment Process (ICAAP) outlines QBE's approach to:

- assessing the risks arising from its activities and ensuring that capital held is commensurate with the level of risk; and
- maintaining adequate capital over time, including the setting of capital targets consistent with risk profile, risk appetite and regulatory capital requirements.

QBE maintains a level of eligible regulatory capital that exceeds requirements, with the capital target set at a multiple of 1.6–1.8 times the Prescribed Capital Amount (PCA).

All regulated controlled entities are required to maintain a minimum level of capital to meet obligations to policyholders. It is the Group's policy that each regulated entity maintains a capital base appropriate to its size, business mix, complexity and risk profile which fully complies with and meets or exceeds local regulatory requirements.

QBE aims to maintain the ratio of borrowings to total capital at 15%–30%. At the balance date, this ratio was 23.4% (2021 26.9%, or 24.1% when excluding the subordinated debt redeemed in May 2022).

The ICAAP also sets out QBE's approach to:

- accessing potential sources of additional capital if required;
- setting and monitoring risk indicators and triggers for capital levels, to alert management to periods of potential heightened risk;
- outlining the management actions that can be used to mitigate the potential implications of heightened risk;
- undertaking stress testing and scenario analysis to anticipate, and be better prepared for, certain adverse events;
- assessing the quality and composition of capital to meet regulatory requirements and rating agency guidelines and rules; and
- determining and monitoring capital allocation and ensuring that QBE earns an effective rate of return on its capital deployed.

The governance over the ICAAP includes the Board and Board Committees, the Executive Investment & Capital Committee, the Executive Risk Committee, senior management, and supporting functions.

Reputational risk

QBE assesses reputational risk through the quality of the relationships with key stakeholders, including shareholders, regulators, customers, governments, communities, employees, and third-party partners including distributors and suppliers. Each of these relationships is managed through divisional and Group teams, including corporate affairs, human resources, regulatory, compliance and distribution teams.

ESG and emerging risks

QBE's ESG risk and emerging risk standards operationalise QBE's approach to managing ESG and emerging risks respectively, including climate change. Horizon scans are performed to identify and assess the key ESG and emerging risks. Our approach to managing these risks includes development of underwriting and investment policies, monitoring frameworks and stress and scenario analysis. ESG and emerging risks are regularly reported to the Executive Risk Committee and the Board Risk & Capital Committee.

Climate change is a material business risk for QBE, potentially impacting our business and customers in the medium to long term. We have considered short-term scenarios that could affect our insurance business written to date and current investments. Climate change is expected to increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change from the normal variability in weather and natural catastrophes. Claims in respect of classes most impacted by these events (e.g. property classes) are typically reported and settled soon after the claim event, and climate change is therefore not expected to materially impact the level of uncertainty in estimating the ultimate cost of those claims. QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning, and by purchasing a comprehensive Group catastrophe reinsurance program.

QBE's investments continue to be resilient with respect to climate transition risks as they have limited exposure to highly impacted sectors. Given the medium to long-term nature of the estimated impacts of climate transition, this factor is not expected to be significant to the fair value measurement of the Group's investment assets at the balance date.

Further detail on QBE's approach to climate change is included in our climate change disclosures on pages 34 to 43 of this Annual Report.

4.2 Insurance risk

Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

QBE classifies insurance risk into three subcategories, as follows:

- underwriting/pricing risk;
- insurance concentration risk; and
- reserving risk.

QBE's approach to managing insurance risk is underpinned by the Group's insurance risk appetite statement which is set by the Board and is summarised below.

Underwriting/pricing risk

QBE manages underwriting/pricing risk by appropriately setting and adjusting underwriting strategy, risk selection and pricing practices throughout the underwriting cycle. Underwriting/pricing risk is monitored throughout the year against committed business plans underpinned by cell reviews.

QBE's underwriting strategy aims to diversify and limit the type of insurance risks accepted and reduce the variability of the expected outcome. The underwriting strategy is implemented through QBE's annual business planning process, supported by minimum underwriting standards and delegated authorities. These authorities reflect the level of risk that the Group is prepared to take with respect to each permitted insurance class.

Pricing of risks is controlled by the use of in-house pricing models relevant to specific portfolios and the markets in which QBE operates. Underwriters and actuaries maintain pricing and claims analysis for each portfolio, combined with a knowledge of current developments in the respective markets and classes of business.

4. RISK MANAGEMENT

Insurance concentration risk

QBE's exposure to concentrations of insurance risk is mitigated by maintaining a business portfolio that is diversified across countries and classes of business. Product diversification is pursued through a strategy of developing strong underwriting skills in a wide variety of classes of business.

The table below demonstrates the diversity of QBE's operations:

GROSS EARNED PREMIUM REVENUE	2022 US$M	2021 US$M
Commercial and domestic property	**5,520**	5,031
Agriculture	**3,921**	2,825
Public/product liability	**2,248**	1,983
Motor & motor casualty	**1,922**	1,937
Professional indemnity	**1,624**	1,644
Marine, energy and aviation	**1,303**	1,271
Workers' compensation	**1,172**	1,040
Accident and health	**876**	772
Financial and credit	**453**	511
Other	**28**	21
	19,067	17,035

Insurance concentration risk includes the risks from natural or man-made events that have the potential to produce claims from many of the Group's policyholders at the same time (e.g. catastrophes). QBE currently uses a variety of methodologies to monitor aggregate exposures and manage catastrophe risk. These include the use of catastrophe models from third-party vendors, realistic disaster scenarios and group aggregate methodology. QBE sets the risk appetite relating to catastrophe risk with reference to the insurance concentration risk charge (ICRC), a capital measure under APRA prudential standards. QBE's maximum risk tolerance for an individual natural catastrophe is determined annually and is linked to a maximum net aggregate allowance of catastrophe claims.

Reserving risk

Reserving risk is managed through the actuarial valuation of insurance liabilities, which is conducted at least half-yearly. The valuation of the net discounted central estimate of outstanding claims is performed by qualified and experienced actuaries, with reference to historical data and reasoned expectations of future experience and events. The net discounted central estimate of outstanding claims is subject to a comprehensive independent review at least annually.

4.3 Credit risk

Overview

Credit risk is the risk of financial loss from a counterparty's failure to meet their financial obligations, including both inability or unwillingness to pay, as well as loss due to credit quality deterioration from rating downgrades. QBE's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors.

QBE's approach to managing credit risk is underpinned by the Group's credit risk appetite as set by the Board and is summarised below.

Reinsurance credit risk

The Group's objective is to maximise placement of reinsurance with highly rated counterparties. Concentration of risk with reinsurance counterparties is monitored strictly and regularly by the Group's Security Committee and is controlled by reference to the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the Group REMS and Group Security Committee guidelines;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical claims and potential future claims based on the Group's insurance concentrations; and
- exposure to reinsurance counterparties and the credit quality of those counterparties are actively monitored.

Credit risk exposures are calculated regularly and compared with authorised credit limits. The Group is exposed to material concentrations of credit risk in relation to reinsurance recoveries at the balance date, in particular to large global reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. Collateral held for the Group in respect of reinsurance arrangements is $1,809 million (2021 $1,960 million). The carrying amount of relevant asset classes on the balance sheet represents the maximum amount of credit exposure. Collateral held may reduce the level of credit risk associated with this exposure but does not change the total amount recoverable. The credit rating analysis below includes the impact of such security arrangements. In some cases, further security has been obtained in the form of trust arrangements, reinsurer default protection and other potential offsets. This additional security has not been included in the credit rating analysis below.

The following table provides information about the quality of the Group's credit risk exposure in respect of reinsurance recoveries at the balance date. The analysis classifies the assets according to Standard & Poor's (S&P) counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING					
	AAA US$M	AA US$M	A US$M	BBB US$M	NOT RATED US$M	TOTAL US$M
At 31 December 2022						
Reinsurance recoveries on outstanding claims[1,2]	**67**	**4,298**	**1,838**	**30**	**75**	**6,308**
Reinsurance recoveries on paid claims[1]	**2**	**2,106**	**744**	**4**	**13**	**2,869**
At 31 December 2021						
Reinsurance recoveries on outstanding claims[1,2]	2	4,713	1,662	55	64	6,496
Reinsurance recoveries on paid claims[1]	–	1,701	388	4	25	2,118

1 Net of a provision for impairment.
2 Excludes other recoveries of $309 million (2021 $261 million).

4. RISK MANAGEMENT

The following table provides further information regarding the ageing of reinsurance recoveries on paid claims at the balance date:

			PAST DUE BUT NOT IMPAIRED				
	YEAR	NEITHER PAST DUE NOR IMPAIRED US$M	0 TO 3 MONTHS US$M	4 TO 6 MONTHS US$M	7 MONTHS TO 1 YEAR US$M	GREATER THAN 1 YEAR US$M	TOTAL US$M
Reinsurance recoveries on paid claims[1]	**2022**	**1,528**	**1,043**	**54**	**147**	**97**	**2,869**
	2021	1,333	642	58	36	49	2,118

1 Net of a provision for impairment.

Investment and treasury credit risk

The Group only transacts with investment counterparties within the limits outlined in the delegated authorities. Investment counterparty exposure limits are applied to individual counterparty exposures and to multiple exposures within a group of related companies in relation to investments, cash deposits and forward foreign exchange exposures. Counterparty exposure limit compliance is monitored daily.

The following table provides information regarding the Group's aggregate credit risk exposure at the balance date in respect of the major classes of financial assets. Trade and other receivables are excluded from this analysis on the basis that they comprise smaller credit risk items which generally cannot be rated and are not individually material. The analysis classifies the assets according to S&P counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING						
	AAA US$M	AA US$M	A US$M	BBB US$M	SPECULATIVE GRADE US$M	NOT RATED US$M	TOTAL US$M
At 31 December 2022							
Cash and cash equivalents	**–**	**231**	**437**	**17**	**1**	**147**	**833**
Interest-bearing investments	**3,796**	**10,217**	**7,629**	**2,869**	**482**	**153**	**25,146**
Derivative financial instruments	**–**	**121**	**154**	**8**	**–**	**1**	**284**
At 31 December 2021							
Cash and cash equivalents	–	232	499	35	–	53	819
Interest-bearing investments	4,435	9,706	9,474	2,715	–	38	26,368
Derivative financial instruments	–	53	81	6	–	2	142

The carrying amount of the relevant asset classes on the balance sheet represents the maximum amount of credit exposure at the balance date. The fair value of derivatives shown on the balance sheet represents the risk exposure at the balance date but not the maximum risk exposure that could arise in the future as a result of changing values.

Insurance and other credit risk

The Group transacts with brokers that are reputable, suitable and approved in accordance with local broker policies. The continuous due diligence over brokers involves an assessment of the broker's reputation, regulatory standing and financial strength.

QBE regularly reviews the collectability of receivables and the adequacy of associated provisions for impairment. Concentration risk for large brokers is also monitored. Balances are monitored on the basis of uncollected debt and debt outstanding in excess of six months. Brokers are also subject to regular due diligence to ensure adherence to local broker policies and associated requirements.

The following table provides information regarding the ageing of the Group's financial assets that are past due but not impaired and which are largely unrated at the balance date:

		PAST DUE BUT NOT IMPAIRED				
	NEITHER PAST DUE NOR IMPAIRED US$M	0 TO 3 MONTHS US$M	4 TO 6 MONTHS US$M	7 MONTHS TO 1 YEAR US$M	GREATER THAN 1 YEAR US$M	TOTAL US$M
At 31 December 2022						
Premium receivable[1]	**3,567**	**256**	**102**	**44**	**16**	**3,985**
Other trade debtors	**223**	**1**	**1**	**2**	**5**	**232**
Other receivables	**412**	**3**	**1**	**1**	**1**	**418**
At 31 December 2021						
Premium receivable[1]	2,789	421	152	65	35	3,462
Other trade debtors	126	60	2	1	6	195
Other receivables	508	41	1	1	9	560

1 Net of a provision for impairment.

4.4 Market risk

Overview

Market risk is the risk of adverse impacts on earnings resulting from changes in market factors. Market factors include, but are not limited to, interest rates, equity prices, credit spreads and foreign exchange rates.

QBE's approach to managing market risk is underpinned by the Group's market risk appetite as set by the Board and is summarised below.

QBE's approach to managing investment market movements is underpinned by the Group's investment strategy which outlines QBE's view of the markets and its corresponding investment approach.

Investment market risk is managed through the application of risk and exposure limits. These limits are based on the market risk appetite as determined by the Board and apply to:

- losses generated on the investment portfolio under market stress scenarios. The scenarios assume adverse movements in market factors and are designed to reflect a significant market stress event; and
- sensitivities to changes in risk factors which have a significant impact on the investment portfolio such as interest rate risk.

Interest rate risk

QBE is exposed to interest rate risk through its holdings in interest-bearing assets. Financial instruments with a floating interest rate expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. Interest-bearing borrowings issued by the Group are measured at amortised cost and therefore do not expose the Group result to fair value interest rate risk.

QBE's risk management approach is to minimise interest rate risk by actively managing investment portfolios to achieve a balance between cash flow interest rate risk and fair value interest rate risk. The Group predominantly invests in high quality, liquid interest-bearing securities and cash and may use derivative financial instruments to manage the interest rate risk of the fixed interest portfolio and other financial instruments. The risk management processes over these derivative financial instruments include close senior management scrutiny, including appropriate board and other management reporting. Derivatives are used only for approved purposes and are subject to Board-approved risk appetites and delegated authority levels provided to management. The level of derivative exposure is reviewed on an ongoing basis. Appropriate segregation of duties exists with respect to derivative use, and compliance with policy, limits and other requirements is closely monitored.

The net central estimate of outstanding claims is discounted to present value by reference to risk-free interest rates. The Group is therefore exposed to potential underwriting result volatility as a result of interest rate movements. In practice, over the longer term, an increase or decrease in interest rates is normally offset by a corresponding increase or decrease in inflation. Information relating to this sensitivity is provided in note 2.3.7. At the balance date, the average modified duration of cash and fixed interest securities was 1.6 years (2021 2.1 years). Although QBE maintains a shorter asset duration relative to insurance liabilities, the Group's overall exposure to interest rate risk is not material given the quantum by which the value of fixed income assets exceeds the value of insurance liabilities.

All investments are financial assets measured at fair value through profit or loss. Movements in interest rates impact the fair value of interest-bearing financial assets and therefore impact reported profit or loss after income tax. The impact of a 1.0% increase or decrease in interest rates on interest-bearing financial assets owned by the Group at the balance date is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2022 US$M	2021 US$M
Interest rate movement – interest-bearing financial assets	+1	**(294)**	(398)
	-1	**309**	328

1 Net of tax at the Group's prima facie income tax rate of 30%.

4. RISK MANAGEMENT

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

QBE is exposed to equity price risk on its investment in growth assets and may use derivative financial instruments to manage this exposure. The risk management processes over these derivative financial instruments are the same as those already explained in respect of interest rate derivative financial instruments. Exposure is also managed by diversification across international markets and currencies.

Growth assets are measured at fair value through profit or loss. The impact of a 20% increase or decrease in the value of investments owned by the Group at the balance date on profit or loss after income tax is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2022 US$M	2021 US$M
ASX 200	+20	**8**	7
	-20	**(8)**	(7)
S&P 500	+20	**8**	3
	-20	**(8)**	(3)
FTSE 100	+20	**8**	–
	-20	**(8)**	–
EURO STOXX	+20	**11**	–
	-20	**(11)**	–
Emerging market equity	+20	**9**	–
	-20	**(9)**	–
Unlisted property trusts	+20	**105**	106
	-20	**(105)**	(106)
Infrastructure assets	+20	**117**	110
	-20	**(117)**	(110)
Alternatives	+20	**25**	16
	-20	**(25)**	(16)

1 Net of tax at the Group's prima facie income tax rate of 30%.

QBE is also exposed to price risk on its fixed interest securities as discussed above in relation to interest rate risk, and below in relation to credit spread risk. All securities are measured at fair value through profit or loss.

Credit spread risk

Movements in credit spreads impact the value of corporate interest-bearing securities, emerging market and high yield debt and private credit, and therefore impact reported profit or loss after tax. This risk is managed by investing in mostly high quality, liquid interest-bearing securities and by managing the credit spread duration of the interest-bearing securities portfolio.

The impact of a 0.5% increase or decrease in credit spreads on interest-bearing financial assets held by the Group at the balance date on profit or loss after income tax is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2022 US$M	2021 US$M
Credit spread movement – interest-bearing financial assets[2]	+0.5	**(125)**	(114)
	-0.5	**120**	96

1 Net of tax at the Group's prima facie income tax rate of 30%.
2 Includes infrastructure debt and other investments.

Foreign exchange risk

QBE's approach to foreign exchange management is underpinned by the Group's foreign currency strategy. The Group's foreign exchange exposure generally arises as a result of either the translation of foreign currency amounts to the functional currency of a controlled entity (operational currency risk) or due to the translation of the Group's net investments in foreign operations to the functional currency of the ultimate parent entity of Australian dollars and to QBE's presentation currency of US dollars (currency translation risk).

Operational currency risk

Operational currency risk is managed as follows:

- Each controlled entity manages the volatility arising from changes in foreign exchange rates by matching liabilities with assets of the same currency, as far as is practicable, thus ensuring that any exposures to foreign currencies are minimised. The Group's aim is to mitigate, where possible, its operational foreign currency exposures at a controlled entity level.
- Forward foreign exchange contracts are used where possible to protect any residual currency positions. Where appropriate, forward foreign exchange contracts may also be used in relation to the Group's borrowings and may be designated as hedge relationships for accounting purposes. Further information on forward foreign exchange contracts used to manage operational currency risk is provided in note 5.6.

The risk management process relating to the use of forward foreign exchange contracts involves close senior management scrutiny. All forward foreign exchange contracts are subject to delegated authority levels provided to management and the levels of exposure are reviewed on an ongoing basis.

The analysis below demonstrates the impact on profit or loss after income tax of a 10% strengthening or weakening of the major currencies against the functional currencies of the underlying QBE entities for which the Group has a material exposure at the balance date. The exposures below reflect the aggregation of operational currency exposures of multiple entities with different functional currencies. The sensitivity is measured with reference to the Group's residual (or unmatched) operational foreign currency exposures at the balance date. Operational foreign exchange gains or losses are recognised in profit or loss in accordance with the policy set out in note 1.2.4. The sensitivities provided demonstrate the impact of a change in one key variable in isolation while other assumptions remain unchanged.

The sensitivities shown in the table below are relevant only at the balance sheet date, as any unmatched exposures are actively monitored by management and the exposure subsequently matched. The table below includes derivatives entered into on 31 December 2022 to mitigate exposures not currently reflected in the Group's balance sheet relating to unearned premium and deferred insurance costs balances as their equivalents will be monetary items under AASB 17 *Insurance Contracts* (refer to note 8.1.2).

	2022			2021		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT (LOSS)[1] US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT (LOSS)[1] US$M
US dollar	**1,066**	**+10**	**75**	198	+10	14
		-10	**(75)**		-10	(14)
Australian dollar	**214**	**+10**	**15**	95	+10	7
		-10	**(15)**		-10	(7)
Canadian dollar	**196**	**+10**	**14**	15	+10	1
		-10	**(14)**		-10	(1)
Sterling	**39**	**+10**	**3**	14	+10	1
		-10	**(3)**		-10	(1)
Euro	**(103)**	**+10**	**(7)**	9	+10	1
		-10	**7**		-10	(1)

1 Net of tax at the Group's prima facie income tax rate of 30%.

4. RISK MANAGEMENT

Currency translation risk

QBE is exposed to currency risk in relation to the translation of:

- the ultimate parent entity's net investments in foreign operations to its functional currency of Australian dollars; and
- all non-US dollar functional currency operations to the Group's presentation currency of US dollars.

Currency translation risk in relation to QBE's investment in foreign operations is monitored on an ongoing basis and may be mitigated by designation of foreign currency borrowings as a hedge of this risk. Any borrowing that qualifies as a hedging instrument may be designated as a hedge of the Australian dollar ultimate parent entity's net investments in foreign operations and any residual exposure to foreign operations in tradeable currencies may be hedged up to the limit specified in the Group risk appetite statement. The extent of hedging this exposure is carefully managed to ensure an appropriate balance between currency risk and associated risks such as liquidity risk and stability of capital adequacy levels.

QBE does not ordinarily seek to use derivatives to mitigate currency translation risk on translation to the ultimate parent entity functional currency of Australian dollars for the following reasons:

- currency translation gains and losses generally have no cash flow;
- currency translation gains and losses are accounted for in the foreign currency translation reserve (a component of equity) and therefore do not impact profit or loss unless the related foreign operation is disposed of; and
- management of translation risk needs to be balanced against the impact on capital requirements and liquidity risk.

QBE may, however, elect to use derivatives to manage currency translation risk in order to preserve capital.

Currency management processes are actively monitored by Group Treasury and involve close senior management scrutiny. All hedge transactions are subject to delegated authority levels provided to management, and the levels of exposure are reviewed on an ongoing basis. All instruments that are designated as hedges are tested for effectiveness in accordance with AASB 9 *Financial Instruments*.

Further information on derivatives and borrowings designated as hedges of net investments in foreign operations is provided in note 5.6.1.

Foreign exchange gains or losses arising on translation of the Group's foreign operations from the ultimate parent entity's functional currency of Australian dollars to the Group's US dollar presentation currency are recognised directly in equity in accordance with the policy set out in note 1.2.4. The Group cannot hedge this exposure.

The analysis below demonstrates the impact on equity of a 10% strengthening or weakening against the US dollar of the major currencies to which QBE is exposed through its net investments in foreign operations. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date.

	2022			2021		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US$M
Australian dollar	**3,323**	**+10**	**332**	2,702	+10	270
		-10	**(332)**		-10	(270)
Euro	**1,504**	**+10**	**150**	1,538	+10	154
		-10	**(150)**		-10	(154)
Sterling	**690**	**+10**	**69**	782	+10	78
		-10	**(69)**		-10	(78)
New Zealand dollar	**299**	**+10**	**30**	278	+10	28
		-10	**(30)**		-10	(28)
Singapore dollar	**127**	**+10**	**13**	121	+10	12
		-10	**(13)**		-10	(12)
Hong Kong dollar	**149**	**+10**	**15**	116	+10	12
		-10	**(15)**		-10	(12)

4.5 Liquidity risk

Overview

Liquidity risk is the risk of having insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors or only being able to access liquidity at excessive cost.

QBE's approach to managing liquidity risk is underpinned by the Group's liquidity risk appetite which is set by the Board and is summarised below.

QBE manages liquidity risk using a number of tools, as follows:

- cash flow targeting;
- maintenance of a minimum level of liquid assets relative to the Group's liabilities;
- cash flow forecasting; and
- stress testing and contingency planning.

Liquidity is managed across the Group using a number of cash flow forecasting and targeting tools and techniques. Cash flow forecasting and targeting are conducted at a legal entity level and involve actively managing operational cash flow requirements.

To supplement the cash flow targeting and to ensure that there are sufficient liquid funds available to meet insurance and investment obligations, a minimum percentage of QBE's liabilities is held, at all times, in cash and liquid securities. QBE also maintains a defined proportion of the funds under management in liquid assets.

QBE actively forecasts cash flow requirements to identify future cash surpluses and shortages to optimise invested cash balances and limit unexpected calls from the investment pool. The Group limits the risk of liquidity shortfalls resulting from mismatches in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large reinsurance recoveries.

The following table summarises the maturity profile of the Group's financial liabilities based on the remaining contractual obligations. Borrowings and contractual undiscounted interest payments are disclosed by reference to the first call date of the borrowings, details of which, including redemption terms, are included in note 5.1.

	LESS THAN 1 YEAR US$M	13 TO 36 MONTHS US$M	37 TO 60 MONTHS US$M	OVER 5 YEARS US$M	NO FIXED TERM US$M	TOTAL US$M
At 31 December 2022						
Derivative financial instruments	**256**	**131**	**–**	**–**	**–**	**387**
Trade payables	**2,620**	**197**	**–**	**–**	**1**	**2,818**
Other payables and accrued expenses	**692**	**11**	**–**	**2**	**–**	**705**
Treasury payables	**17**	**–**	**–**	**–**	**–**	**17**
Investment payables	**3**	**–**	**–**	**–**	**–**	**3**
Lease liabilities	**49**	**88**	**70**	**94**	**–**	**301**
Borrowings[1]	**406**	**1,000**	**863**	**481**	**–**	**2,750**
Contractual undiscounted interest payments	**155**	**195**	**49**	**9**	**–**	**408**
At 31 December 2021						
Derivative financial instruments	130	322	–	–	–	452
Trade payables	2,123	191	2	1	5	2,322
Other payables and accrued expenses	767	46	5	–	5	823
Treasury payables	19	–	–	–	–	19
Investment payables	51	–	–	–	–	51
Lease liabilities	56	90	60	148	–	354
Borrowings[1]	442	1,106	1,188	541	–	3,277
Contractual undiscounted interest payments	162	268	108	17	–	555

1 Excludes capitalised finance costs of $6 million (2021 $9 million).

The maturity profile of the Group's net discounted central estimate is analysed in note 2.3.6.

4. RISK MANAGEMENT

The maturity of the Group's interest-bearing financial assets is shown in the table below:

		INTEREST-BEARING FINANCIAL ASSETS MATURING IN:						
		LESS THAN 1 YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS	TOTAL
At 31 December 2022								
Fixed rate	US$M	**9,911**	**2,905**	**2,007**	**1,220**	**887**	**3,398**	**20,328**
Weighted average interest rate	% p.a.	**4.0**	**4.5**	**4.7**	**5.0**	**5.1**	**4.7**	**4.4**
Floating rate	US$M	**1,954**	**1,051**	**1,110**	**396**	**436**	**704**	**5,651**
Weighted average interest rate	% p.a.	**2.4**	**4.0**	**4.3**	**4.8**	**4.2**	**5.2**	**3.7**
At 31 December 2021								
Fixed rate	US$M	9,353	4,105	2,636	2,038	1,348	3,369	22,849
Weighted average interest rate	% p.a.	0.3	0.7	1.0	1.2	1.2	1.3	0.7
Floating rate	US$M	1,517	705	762	337	294	723	4,338
Weighted average interest rate	% p.a.	0.1	0.3	0.6	0.7	0.8	1.1	0.5

4.6 Operational risk

Overview

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk can materialise in a number of forms including fraud perpetrated by employees or by external parties (e.g. claims fraud or cyber attacks), employment practices (e.g. losses arising from acts inconsistent with laws or agreements governing employment, employee health or safety, or from diversity or discrimination events involving internal employees), improper business practices (e.g. failure to meet professional obligations or issues with the nature or design of an insurance product), business disruption and system failures, or business and transaction processing failures.

QBE manages operational risk through setting policy, minimum standards, and process and system controls, including effective segregation of duties, access controls, authorisations and reconciliation procedures, business continuity management, fraud management, information security and physical security.

QBE identifies, assesses and manages operational risk through the:

- risk and control self-assessment process, which identifies and assesses the key risks to achieving business objectives and is conducted at the business unit level;
- operational risk appetite statement, which sets out the nature and level of risk that the Board and Group Executive Committee are willing to take in pursuit of the organisation's objectives. The operational risk appetite statement is measured through an assessment of the control environment, key risk indicators, issues and incidents; and
- scenario analysis process, which assesses the impact of potentially extreme scenarios and the appropriateness of our contingency planning.

Key residual risks from the above processes are monitored by the Executive Risk Committee.

4.7 Compliance risk

Overview

Compliance risk is the risk of legal or regulatory penalties, financial loss or impacts and customer detriment resulting from non-compliance with laws, regulations or conduct standards.

QBE's approach to managing compliance risk is underpinned by the Group Compliance Risk Policy which is aligned to the Group RMS and risk appetite set by the Board and is summarised below.

QBE manages compliance risk through the following approach:

- governance arrangements that establish accountability, responsibility and authority in relation to the management of compliance risk;
- a culture based on honesty, integrity and respect that is embedded as part of QBE DNA and the Code of Ethics and Conduct;
- stakeholder management to maintain pro-active and co-operative relationships with lawmakers, regulators and other relevant external parties;
- strategic priorities and objectives that are aligned to risk appetites set by the Board; and
- people, systems and processes to support effective compliance risk management.

QBE's approach to compliance management is subject to continuous review and improvement to recognise changes in the regulatory and legal environment and industry, customer and community expectations.

4.8 Group risk

Overview

Group risk is the risk to a division arising specifically from being part of the wider Group, including financial impact and loss of support from the Company.

QBE's approach to managing Group risk is supported by divisional Group risk appetite statements where divisions define the Board-approved plan to address identified Group risk exposures. Sources of Group risk are summarised below.

Sources of Group risk may include:

- shared global reinsurance program, including counterparty risk of Equator Re;
- intercompany loans;
- contagion reputational risk;
- credit agency dependency;
- use of Group functions where there is a global operating model in place;
- use of QBE's internal asset management function – Group Investments;
- Group initiatives or decisions with a material impact on one or more divisions; and
- liquidity and central foreign exchange management.

QBE manages Group risk through various systems, controls and processes, including the management of reinsurance arrangements, use of intercompany transactions and balances accounting guidance, transfer pricing guidelines, investment management agreements, capital planning and assessments of the use of Group functions, Group initiatives and contagion reputational events.

5. CAPITAL STRUCTURE

Overview

QBE's objective in managing capital is to maintain an optimal balance between debt and equity in order to reduce the overall cost of capital while satisfying the capital adequacy requirements of regulators and rating agencies, providing financial security for our policyholders and continuing to provide an adequate return to shareholders.

The Company is listed on the Australian Securities Exchange and its share capital is denominated in Australian dollars. The Group also accesses international debt markets to diversify its funding base and maintain an appropriate amount of leverage. Borrowings are diversified across currencies and tenure.

Details of the Group's approach to capital risk management are disclosed in note 4.1.

5.1 Borrowings

FINAL MATURITY DATE	ISSUE DATE	PRINCIPAL AMOUNT	2022 US$M	2021 US$M
Senior debt				
25 May 2023	25 September 2017	$6 million	**6**	6
			6	6
Subordinated debt				
25 August 2036	25 August 2020	A$500 million[1]	**338**	362
13 September 2038	13 September 2021	£400 million	**478**	538
24 May 2042	24 May 2016	Nil (2021 £327 million)	**–**	442
24 November 2043	21 November 2016	$400 million/A$689 million[1]	**400**	400
2 December 2044	2 December 2014	$700 million/A$1,169 million[1]	**699**	698
12 November 2045	12 November 2015	$300 million	**300**	300
17 June 2046	17 June 2016	$524 million	**523**	522
			2,738	3,262
Total borrowings[2]			**2,744**	3,268
Amounts expected to be settled within 12 months[3]			**406**	442
Amounts expected to be settled in greater than 12 months[3]			**2,338**	2,826
Total borrowings			**2,744**	3,268

1 Details of related hedging activity are included in note 5.6.1.
2 No finance costs (2021 $3 million) were capitalised during the year.
3 Redemption of the securities are subject to the prior written approval of APRA.

Subordinated debt key terms

Subordinated debt due 2036

Interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 2.75% per annum.

Subordinated debt due 2038

Interest is payable semi-annually in arrears at a fixed rate of 2.5% per annum until 13 September 2028. The rate will reset in 2028 and 2033 to a rate calculated by reference to the then five-year gilt rate plus a margin of 2.061% per annum.

Subordinated debt due 2042

The securities were redeemed on 24 May 2022. Interest was payable semi-annually in arrears at a fixed rate of 6.115% per annum.

Subordinated debt due 2043

Interest is payable semi-annually in arrears at a fixed rate of 7.50% per annum until 24 November 2023. The rate will reset in 2023 and 2033 to a rate calculated by reference to the then 10-year US dollar swap rate plus a margin of 6.03% per annum.

Subordinated debt due 2044

Interest is payable semi-annually in arrears at a fixed rate of 6.75% per annum until 2 December 2024, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 4.3% per annum. The rate will reset again, on the same basis, on 2 December 2034.

Subordinated debt due 2045

Interest is payable semi-annually in arrears at a fixed rate of 6.1% per annum until 12 November 2025, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 3.993% per annum. The rate will reset again, on the same basis, on 12 November 2035.

Subordinated debt due 2046

Interest is payable semi-annually in arrears at a fixed rate of 5.875% per annum until 17 June 2026. The rate will reset in 2026 and 2036 to a rate calculated by reference to the then 10-year mid-market swap rate plus a margin of 4.395% per annum.

Deferral of interest

QBE has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default for securities due 2036, 2038, 2043, 2044, 2045 and 2046.

Redemption terms

The securities are redeemable at the option of QBE, with the prior written approval of APRA, at any time in the event of certain tax and regulatory events and on:

- 25 August 2026 and each interest payment date thereafter for securities due 2036;
- any business day within the six-month period up to and including the first reset date of 13 September 2028 and on each reset date thereafter for securities due 2038; and
- each reset date for securities due 2043, 2044, 2045 and 2046.

Conversion terms

The securities due 2036, 2038, 2043, 2044, 2045 and 2046 must be converted into a variable number of the Company's ordinary shares, or written off, if APRA determines QBE to be non-viable. The conversion rate is subject to a price floor of 20% of the VWAP of the shares in the five trading days before the date of issue of the securities.

Security arrangements

The claims of bondholders pursuant to the subordinated debt will be subordinated in right of payment to the claims of all senior creditors.

How we account for the numbers

Borrowings are initially measured at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised through profit or loss over the period of the financial liability using the effective interest method.

5. CAPITAL STRUCTURE

5.1.1 Fair value of borrowings

	2022 US$M	2021 US$M
Senior debt	**6**	6
Subordinated debt	**2,561**	3,475
Total fair value of borrowings	**2,567**	3,481

Consistent with other financial instruments, QBE is required to disclose the basis of valuation with reference to the fair value hierarchy which is explained in detail in note 3.2.1. 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.

5.1.2 Financing and other costs

	2022 US$M	2021 US$M
Interest expense on borrowings	**166**	177
Other costs	**79**	70
Total financing and other costs	**245**	247

5.1.3 Movement in borrowings

	2022 US$M	2021 US$M
At 1 January	**3,268**	2,955
Net changes from financing cash flows	**(412)**	348
Other non-cash changes	**2**	2
Foreign exchange	**(114)**	(37)
At 31 December	**2,744**	3,268

5.2 Cash and cash equivalents

	2022 US$M	2021 US$M
Fixed interest rate	**1**	14
Floating interest rate	**832**	805
	833	819

Restrictions on use

Included in cash and cash equivalents are amounts totalling $71 million (2021 $74 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's byelaws, these amounts can only be used to pay claims and allowable expenses of the syndicates and cannot be withdrawn from the trust funds until allowed to be distributed as profit once annual solvency requirements are met.

Also included in cash and cash equivalents is $126 million (2021 $125 million) relating to policyholder trust accounts in the United Kingdom which can only be accessed by QBE in certain circumstances, such as when QBE is owed a deductible by the policyholder on a claim. The Group recognises a corresponding payable in relation to these until such an event occurs.

QBE has operations in many countries which have foreign exchange controls and regulations. These controls and regulations can vary from simple reporting requirements to outright prohibition of movement of funds without explicit prior central bank or regulator approval. The impact of these controls and regulations may restrict the Group's capacity to repatriate capital and/or profits.

How we account for the numbers

Cash and cash equivalents include cash at bank and on hand and deposits at call which are readily convertible to cash on hand and which are used for operational cash requirements. Amounts in cash and cash equivalents are the same as those included in the consolidated statement of cash flows.

The reconciliation of profit or loss after income tax to net cash flows from operating activities is included in note 8.4.

5.3 Contributed equity and reserves

Overview

Contributed equity comprises share capital and capital notes.

Ordinary shares in the Company rank after all creditors, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

Capital notes are Additional Tier 1 instruments with discretionary and non-cumulative distributions, and no fixed redemption date.

5.3.1 Contributed equity

	2022 US$M	2021 US$M
Issued ordinary shares, fully paid	**8,356**	8,891
Capital notes	**886**	886
Contributed equity	**9,242**	9,777

Share capital

	2022		2021	
	NUMBER OF SHARES MILLIONS	US$M	NUMBER OF SHARES MILLIONS	US$M
Issued ordinary shares, fully paid at 1 January	**1,477**	**8,891**	1,471	9,387
Shares issued under the Employee Share and Option Plan	**4**	**29**	4	31
Shares issued under Dividend Reinvestment Plan	**4**	**36**	1	11
Shares issued under Bonus Share Plan	**–**	**–**	1	–
Foreign exchange	**–**	**(600)**	–	(538)
Issued ordinary shares, fully paid at 31 December	**1,485**	**8,356**	1,477	8,891
Shares notified to the Australian Securities Exchange	**1,485**	**8,358**	1,477	8,894
Less: plan shares subject to non-recourse loans, de-recognised under accounting standards	**–**	**(2)**	–	(3)
Issued ordinary shares, fully paid at 31 December	**1,485**	**8,356**	1,477	8,891

Capital notes

ISSUE DATE	PRINCIPAL AMOUNT	2022 US$M	2021 US$M
12 May 2020	$500 million	**493**	493
16 July 2020[1]	$400 million	**393**	393
		886	886

1 In July 2020, the terms of these instruments (originally issued in November 2017) were amended such that the notes are written off at a point of non-viability, as determined by APRA, with no possibility of conversion into ordinary shares of the Company. This resulted in the classification of these instruments as equity.

Key terms

Capital note issued 12 May 2020

Distributions of 5.875% per annum are paid semi-annually in arrears until 12 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 5.513% per annum.

Capital note issued 16 July 2020

Distributions of 5.250% per annum are paid semi-annually in arrears until 16 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 3.047% per annum.

Redemption terms

The notes are redeemable at the option of QBE, with the prior written approval of APRA, on each interest reset date or at any time in the event of certain tax or regulatory events. In the event that APRA was to declare a point of non-viability, the notes would be written off.

5. CAPITAL STRUCTURE

5.3.2 Reserves

	2022 US$M	2021 US$M
Owner occupied property revaluation reserve[1]		
At 1 January	**1**	1
At 31 December	**1**	1
Cash flow hedge reserve[2]		
At 1 January	**–**	(25)
Hedging amounts recognised in other comprehensive income	**104**	92
Hedging amounts reclassified to profit or loss	**(72)**	(56)
Taxation	**(10)**	(11)
At 31 December	**22**	–
Cost of hedging reserve[3]		
At 1 January	**5**	2
Amounts recognised in other comprehensive income	**3**	7
Amounts reclassified to profit or loss	**(2)**	(2)
Taxation	**–**	(2)
At 31 December	**6**	5
Foreign currency translation reserve[4]		
At 1 January	**(1,765)**	(2,031)
Net movement on translation	**222**	218
Net movement on hedging transactions	**(1)**	48
At 31 December	**(1,544)**	(1,765)
Share-based payment reserve[5]		
At 1 January	**164**	168
Options and conditional rights expense	**39**	32
Transfers from reserve on vesting of options and conditional rights	**(31)**	(30)
Foreign exchange	**(10)**	(6)
At 31 December	**162**	164
Premium on purchase of non-controlling interests[6]		
At 1 January	**(13)**	(13)
Foreign exchange	**1**	–
At 31 December	**(12)**	(13)
Total reserves at 31 December	**(1,365)**	(1,608)

Each of the above reserves relates to the following:

1 Fair value movements in the carrying value of owner occupied property.

2 Cash flow hedges of foreign exchange and interest rate risk, the accounting policies for which are disclosed in note 5.6.1.

3 Cost of hedging elections as described in note 5.6.1.

4 Exchange gains and losses arising on translation of foreign controlled entities and related hedging instruments, the accounting policies for which are disclosed in note 5.6.1.

5 Equity-settled share-based payment awards.

6 Movements in ownership interests in controlled entities that do not result in a loss of control and represent the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received.

5.4 Dividends

Overview

Our dividend policy is designed to ensure that we reward shareholders relative to cash profit and maintain sufficient capital for future investment and growth of the business.

	2022	2021	
	INTERIM	FINAL	INTERIM
Dividend per share (Australian cents)	**9**	19	11
Franking percentage	**10%**	10%	10%
Franked amount per share (Australian cents)	**0.9**	1.9	1.1
Dividend payout (A$M)	**133**	281	162
Payment date	**23 September 2022**	12 April 2022	24 September 2021

On 17 February 2023, the directors declared a 10% franked final dividend of 30 Australian cents per share payable on 14 April 2023. The final dividend payout is A$445 million (2021 A$281 million).

	2022 US$M	2021 US$M
Previous year final dividend on ordinary shares – 10% franked (2020 nil)	**210**	–
Interim dividend on ordinary shares – 10% franked (2021 10% franked)	**87**	118
Bonus Share Plan dividend forgone	**(3)**	(1)
Total dividend paid	**294**	117

Dividend Reinvestment and Bonus Share Plans

The Company operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) which allow equity holders to receive their dividend entitlement in the form of ordinary shares of the Company.

Bonus Share Plan dividend forgone

The amount paid in dividends during the year has been reduced as a result of certain eligible shareholders participating in the BSP and forgoing all or part of their right to dividends. These shareholders were issued ordinary shares under the BSP. During the year, 349,232 (2021 116,016) ordinary shares were issued under the BSP.

Franking credits

The franking account balance on a tax paid basis at 31 December 2022 was a surplus of A$54 million (2021 A$54 million).

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.

5. CAPITAL STRUCTURE

5.5 Earnings per share

Overview

Earnings per share (EPS) is the amount of profit or loss after income tax attributable to each share. Diluted EPS adjusts the EPS for the impact of shares that are not yet issued but which may be in the future, such as shares potentially issuable from convertible notes, options and employee share-based payments plans.

	2022 US CENTS	2021 US CENTS
For profit after income tax		
Basic earnings per share	**48.6**	47.5
Diluted earnings per share	**48.2**	47.2

5.5.1 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:

	2022 US$M	2021 US$M
Profit after income tax attributable to ordinary equity holders of the Company	**770**	750
Less: distributions paid on capital notes classified as equity (note 5.3.1)	**(50)**	(50)
Profit used in calculating basic and diluted earnings per share	**720**	700

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

	2022 NUMBER OF SHARES MILLIONS	2021 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share	**1,482**	1,474
Weighted average number of dilutive potential ordinary shares issued under the Employee Share and Option Plan	**11**	8
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,493**	1,482

How we account for the numbers

Basic earnings per share is calculated by dividing profit or loss after income tax attributable to members of the Company, adjusted for the cost of servicing capital notes classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the weighted average number of shares to include dilutive potential ordinary shares and instruments with mandatory conversion features. As there are no impacts on interest and other financing costs from such instruments, diluted earnings per share utilises the same earnings figure used in the determination of basic earnings per share.

5.6 Derivatives

Overview

Derivatives may be used as a tool to hedge the Group's foreign exchange exposures. Each controlled entity manages operational foreign exchange volatility by matching liabilities with assets of the same currency, as far as practicable. Forward foreign exchange contracts are used to manage residual currency exposures, with both the foreign exchange gains or losses on translation of the exposure and the mark-to-market of related derivatives reported through profit or loss. Forward foreign exchange contracts and purchased currency options may also be utilised in cash flow hedging of foreign currency borrowings and/or hedging exposure to net investments in foreign operations (NIFO).

Interest rate swaptions are used to hedge exposure to interest rate movements on the Group's borrowings.

Refer to note 4.4 for additional information relating to QBE's approach to managing interest rate risk and foreign exchange risk.

The Group's exposure to treasury derivatives at the balance date determined by reference to the functional currency of the relevant controlled entity is set out in the table below:

	2022			2021		
	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	**990**	**251**	**172**	2,143	118	161
Forward foreign exchange contracts used in cash flow hedges	**(1,404)**	**–**	**186**	(1,599)	–	291
Forward foreign exchange contracts used in NIFO hedges	**1,081**	**2**	**29**	489	11	–
Interest rate swaptions	**339**	**31**	**–**	363	13	–
		284	**387**		142	452

The fair value of forward foreign exchange contracts and interest rate swaptions 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.

How we account for the numbers

Derivatives are initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and remeasured to fair value at each reporting date. Remeasurements are recognised in profit or loss at each reporting date, unless the derivative is designated as part of a qualifying hedge relationship (refer to note 5.6.1).

5.6.1 Designated hedges

The Group's material designated hedge relationships are analysed below by risk category and are accounted for with reference to the accounting policies set out at the end of this note. Hedging ratios, being the relationship between the quantity of the hedging instrument and the quantity of the hedged item, are 1:1 as the nominal values of hedging instruments match those of the hedged items. Any ineffectiveness arising from factors such as credit risk is not expected to be material. Amounts recognised in equity or reclassified to profit or loss are disclosed in note 5.3.2.

Cash flow hedges of borrowings

At the balance date, forward foreign exchange contracts were used to hedge foreign currency risk associated with highly probable forecast transactions in relation to $400 million of subordinated debt maturing in 2043 and $700 million of subordinated debt maturing in 2044. Foreign currency risk on future coupons and principal amounts is hedged up to and including the first call dates of the subordinated debt, being 2023 and 2024 respectively. Similarly, an interest rate swaption was put in place to hedge interest rate risk in relation to coupons on A$500 million of subordinated debt maturing in 2036. The swaption is exercisable in August 2023 and hedges coupon payments from that date to the first call date in August 2026. These hedges were put in place to more effectively manage currency exposures and costs of funding.

5. CAPITAL STRUCTURE

Only the spot components of the forward foreign exchange contracts and the intrinsic value of the interest rate swaption are designated in hedge relationships. For forward foreign exchange contracts, reclassifications of hedging gains and losses to profit or loss are included in foreign exchange (refer to note 3.1), consistent with the currency movement of the hedged borrowings. For the interest rate swaption, reclassifications of any cumulative hedging gains or losses to profit or loss will occur as related coupon payments are made during the period from August 2023 to August 2026. A ‘cost of hedging’ election was made in respect of these hedges, as described below, and amortisation of the forward and currency basis components is included in financing costs (refer to note 5.1.2) where they relate to hedged coupons, or in foreign exchange (refer to note 3.1) where they relate to principal amounts.

The interest rate swaption does not generate any cash flows until August 2023, when the potential settlement would occur if the swaption is in-the-money at that point in time. The timing of cash flows relating to the forward foreign exchange contracts and corresponding average forward rates are provided in the following table:

		2022			2021		
			MATURING IN:			MATURING IN:	
		LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Nominal amounts	Buy US$M/ Sell A$M	**477/819**	**747/1,251**	**–**	77/130	1,225/2,071	–
Average forward rate	US$/A$	**0.58**	**0.60**	**–**	0.60	0.59	–

Hedges of currency risk relating to translation of net investments in foreign operations

At the balance date, forward foreign exchange contracts and borrowings were designated as NIFO hedges. Only the spot components of the forward foreign exchange contracts are designated as being in hedge relationships. The forward and currency basis components are included in foreign exchange (refer to note 3.1), with a ‘cost of hedging’ election made in respect of US dollar NIFO hedges, as described below. Cumulative hedging gains or losses recognised in equity are recycled to profit or loss only on disposal of the foreign operation.

The timing of cash flows relating to the hedging instruments and corresponding average forward rates, if applicable, are provided in the following table, with borrowings being disclosed by reference to their first call dates where available (refer to note 5.1):

		2022			2021		
			MATURING IN:			MATURING IN:	
		LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS	LESS THAN 1 YEAR	1 TO 5 YEARS	OVER 5 YEARS
Debt instruments used in US dollar NIFO hedges							
Subordinated debt	US$M	**–**	**528**	**–**	–	528	–
Senior debt	US$M	**6**	**–**	**–**	–	6	–
Debt instruments used in sterling NIFO hedges							
Subordinated debt	£M	**–**	**–**	**327**	327	–	–
Forward foreign exchange contracts used in Hong Kong dollar NIFO hedges							
Nominal amounts	Buy A$M/ Sell HKDM	**185/970**	**–**	**–**	175/970	–	–
Average forward rate	A$/HKD	**5.24**	**–**	**–**	5.55	–	–
Forward foreign exchange contracts used in US dollar NIFO hedges							
Nominal amounts	Buy A$M/ Sell US$M	**418/300**	**991/700**	**–**	–	497/350	–
Average forward rate	A$/US$	**0.72**	**0.71**	**–**	–	0.70	–

How we account for the numbers

When a derivative or other financial instrument is designated in a qualifying hedge relationship, the relevant controlled entity formally documents the relationship between the hedging instrument and hedged item, as well as its risk management objectives and its strategy for undertaking hedging transactions. The relevant entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedge effectiveness requirements are met, including the relevant economic relationship, the effect of credit risk and the hedge ratio.

For qualifying cash flow hedges and NIFO hedges, the gain or loss on the hedging instrument associated with the effective portion of the hedge is accumulated in equity through other comprehensive income and is subsequently reclassified to profit or loss when the hedged item also affects profit or loss. For cash flow hedges, this is reflected in the cash flow hedge reserve; for NIFO hedges, this is reflected in the foreign currency translation reserve (refer to note 5.3.2). The gain or loss on any ineffective portion of the hedging instrument is recognised in profit or loss immediately.

Where the forward and currency basis components of a designated derivative do not form part of the designated hedge relationship, these components are accounted for at fair value through profit or loss unless a 'cost of hedging' election is made. Under this election, the fair value of these components at inception of the hedge are amortised through profit or loss over time periods relevant to the hedge, with other changes in their fair values after inception recognised in equity through other comprehensive income. This election can be made on a hedge-by-hedge basis and is reflected in the cost of hedging reserve (refer to note 5.3.2).

Hedge accounting is discontinued when the qualifying hedge no longer meets the criteria for hedge accounting, including when the risk management objective is no longer met or is no longer relevant; the hedging instrument expires or is sold, terminated or exercised; the hedged item matures, is sold or repaid; or a hedged forecast transaction is no longer considered highly probable. When a cash flow hedge is discontinued, any cumulative hedging gain or loss in equity at that time remains in equity and is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is a forecast transaction that is no longer considered highly probable, the cumulative gain or loss is immediately reclassified to profit or loss. When a hedge of a net investment in a foreign operation is discontinued, any cumulative hedging gain or loss at that time remains in equity and is only recycled to profit or loss on disposal of the foreign operation, forming part of the resulting gain or loss.

6. TAX

Overview

Income tax expense or credit is the accounting tax outcome for the period and is calculated as the tax payable on the current period taxable income based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. The relationship between accounting profit or loss and income tax expense or credit is provided in the reconciliation of prima facie tax to income tax expense or credit (refer to note 6.1). Income tax expense does not equate to the amount of tax actually paid to tax authorities around the world, as it is based upon the accrual accounting concept.

Accounting income and expenses do not always have the same recognition pattern as taxable income and expenses, creating a timing difference as to when a tax expense or credit can be recognised. These differences usually reverse over time but, until they do, a deferred tax asset or liability is recognised on the balance sheet. Note 6.2 details the composition and movements in deferred tax balances and the key management assumptions applied in recognising tax losses.

Details of franking credits available to shareholders are disclosed in note 5.4.

6.1 Reconciliation of prima facie tax to income tax expense or credit

	NOTE	2022 US$M	2021 US$M
Profit before income tax		**919**	913
Prima facie tax expense at 30%		**276**	274
Tax effect of non-temporary differences:			
Untaxed dividends		**(3)**	(2)
Differences in tax rates		**(18)**	(93)
Other, including non-taxable income and non-allowable expenses		**55**	(2)
Prima facie tax adjusted for non-temporary differences		**310**	177
Deferred tax assets recognised		**(181)**	(18)
Underprovision (overprovision) in prior years		**12**	(3)
Income tax expense		**141**	156
Analysed as follows:			
Current tax		**91**	169
Deferred tax		**50**	(13)
		141	156
Deferred tax expense (credit) comprises:			
Deferred tax assets recognised in profit or loss	6.2.1	**(193)**	(57)
Deferred tax liabilities recognised in profit or loss	6.2.2	**243**	44
		50	(13)

How we account for the numbers

The current income tax expense or credit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries in which controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, as appropriate.

6.2 Deferred income tax

	NOTE	2022 US$M	2021 US$M
Deferred tax assets	6.2.1	**587**	521
Deferred tax liabilities	6.2.2	**147**	31

6.2.1 Deferred tax assets

	NOTE	2022 US$M	2021 US$M
Amounts recognised in profit or loss			
Financial assets – fair value movements		**22**	6
Provision for impairment		**13**	13
Employee benefits		**66**	70
Intangible assets		**158**	159
Insurance provisions		**712**	706
Tax losses recognised		**309**	197
Other		**195**	159
		1,475	1,310
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**29**	30
Other		**5**	4
		34	34
Deferred tax assets before set-off		**1,509**	1,344
Set-off of deferred tax liabilities	6.2.2	**(922)**	(823)
	6.2	**587**	521

Movements

	NOTE	2022 US$M	2021 US$M
At 1 January		**1,344**	1,306
Amounts recognised in profit or loss	6.1	**193**	57
Amounts recognised in other comprehensive income		**1**	1
Foreign exchange		**(29)**	(20)
At 31 December		**1,509**	1,344

Critical accounting judgements and estimates

Recoverability of deferred tax assets

QBE assesses the recoverability of deferred tax assets at each balance date. In making this assessment, QBE considers in particular each controlled entity's future business plans, history of generating taxable profits, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised.

The recognised deferred tax asset relating to the North American tax group of $390 million (2021 $295 million) comprises $239 million (2021 $105 million) of carry forward tax losses and $151 million (2021 $190 million) of deductible temporary differences, net of applicable offsetting deferred tax liabilities, as a result of insurance technical reserves and the tax deductibility of goodwill and other intangibles.

Uncertainty continues to exist in relation to the utilisation of this asset, which is subject to there being continued future taxable profits over the period of time in which the losses can be utilised. QBE has made a judgement that the North American tax group will be able to generate sufficient taxable profits over the foreseeable future, based upon its future business plans. Key assumptions include an expectation of future taxable profit driven by no material deterioration in the prior accident year central estimate, a sustained return to underwriting profitability, benefits flowing from initiatives to reduce the cost base of the division and future increases in investment yields. Losses expire over the next 18 years, with the majority expiring between 2031 and 2040. The uncertainty around the recognition of the deferred tax asset will be resolved in future years if taxable profits are generated. Recovery of the asset continues to be sensitive to changes in the combined operating ratio, premium growth and investment yield assumptions as these items are the key drivers of future taxable profits.

6. TAX

6.2.2 Deferred tax liabilities

	NOTE	2022 US$M	2021 US$M
Amounts recognised in profit or loss			
Intangible assets		**154**	155
Insurance provisions		**769**	556
Financial assets – fair value movements		**37**	2
Other provisions		**23**	38
Other		**77**	83
		1,060	834
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**9**	20
		9	20
Deferred tax liabilities before set-off		**1,069**	854
Set-off of deferred tax assets	6.2.1	**(922)**	(823)
	6.2	**147**	31

Movements

	NOTE	2022 US$M	2021 US$M
At 1 January		**854**	811
Amounts recognised in profit or loss	6.1	**243**	44
Amounts recognised in other comprehensive income		**(9)**	8
Foreign exchange		**(19)**	(9)
At 31 December		**1,069**	854

How we account for the numbers

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the controlled entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset in the consolidated financial statements when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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6.2.3 Tax losses

The Group has not brought to account $217 million (2021 $402 million) of tax losses, which includes the benefit arising from tax losses in overseas countries. $69 million (2021 $78 million) of tax losses not brought to account have an indefinite life and the remaining $148 million (2021 $324 million) expire in eight to 18 years. The benefits of unused tax losses will only be brought to account when it is probable that they will be realised.

This benefit of tax losses will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

6.2.4 Tax consolidation legislation

On adoption of the tax consolidation legislation, the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity. The head entity is QBE Insurance Group Limited.

7. GROUP STRUCTURE

Overview

This section provides information to help users understand the Group structure, including the impact of changes in the financial year. This includes acquisitions and disposals of businesses, intangible assets acquired or developed and the results of impairment reviews.

7.1 Disposals

During the period, the Group disposed of Westwood Insurance Agency in North America, details of which are set out in the table below:

	2022 US$M
Intangible assets[1]	329
Other assets	7
Total assets	336
Total liabilities	3
Net assets at the date of disposal	333
Proceeds on disposal (net of transaction costs)[2]	371
Net gain on disposal	38

1 Includes $328 million of goodwill relating to the North American cash-generating unit which has been allocated to Westwood Insurance Agency, reflecting the intangible value of the business relative to the remainder of the cash-generating unit.
2 Includes $10 million of contingent consideration which has been measured at fair value.

7. GROUP STRUCTURE

7.2 Intangible assets

Overview

Intangible assets are assets with no physical substance. The most significant classes of intangible assets are detailed below:

Lloyd's syndicate capacity

The Lloyd's syndicate capacity intangible asset relates to the syndicate capacity acquired as part of the acquisition of QBE Underwriting Limited (formerly trading as Limit) in 2000 and costs incurred as a result of increasing capacity since that date. Syndicate capacity is the aggregate of the premium limits of each member of that syndicate at a point in time. An existing capital provider has the first right to participate on the next year of account, giving the indefinite right to participate on all future years of account. The Group has demonstrated a long-term commitment to developing its operations at Lloyd's. The value of this asset is in the access it gives to future underwriting profits at Lloyd's. For these reasons, Lloyd's syndicate capacity is deemed to have an indefinite useful life.

Customer relationships

Customer relationships comprise the capitalisation of future profits relating to insurance contracts acquired and the expected renewal of those contracts. It also includes the value of distribution networks and agency relationships. Customer relationships are amortised over remaining lives of up to eight years depending on the classes of business to which the assets relate.

Brand names

These assets reflect the revenue generating ability of acquired brands. In some circumstances, brand names are considered to have an indefinite useful life due to the long-term nature of the asset.

Insurance licences

These assets give the Group the right to operate in certain geographic locations and to write certain classes of business with a potential to generate additional revenue. In some cases, these are considered to have an indefinite useful life due to their long-term nature; however, where there is a finite useful life, assets are amortised over the remaining period, up to 15 years.

Software

This includes both acquired and internally developed software which is not integral or closely related to an item of hardware such as an underwriting system. Capitalised software is amortised over periods of up to 10 years, reflecting the period during which the Group is expected to benefit from the use of the software.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill has an indefinite useful life and therefore is not subject to amortisation but is tested for impairment annually, or more often if there is an indication of impairment.

	IDENTIFIABLE INTANGIBLES							
2022	**LLOYD'S SYNDICATE CAPACITY US$M**	**CUSTOMER RELATION-SHIPS US$M**	**BRAND NAMES US$M**	**INSURANCE LICENCES US$M**	**SOFTWARE US$M**	**OTHER US$M**	**GOODWILL US$M**	**TOTAL US$M**
Cost								
At 1 January	86	454	26	139	492	19	2,016	3,232
Additions	–	–	–	–	132	–	–	132
Impairment	–	–	–	–	(11)	–	–	(11)
Disposals	–	(57)	–	–	(119)	(9)	(328)	(513)
Foreign exchange	(10)	(7)	(1)	(7)	(31)	–	(110)	(166)
At 31 December	76	390	25	132	463	10	1,578	2,674
Amortisation								
At 1 January	–	(426)	(22)	(77)	(239)	(19)	–	(783)
Amortisation[1]	–	(13)	–	(2)	(64)	–	–	(79)
Disposals	–	56	–	–	119	9	–	184
Foreign exchange	–	6	1	5	10	–	–	22
At 31 December	–	(377)	(21)	(74)	(174)	(10)	–	(656)
Carrying amount								
At 31 December	76	13	4	58	289	–	1,578	2,018

1 Amortisation of $63 million is included in underwriting expenses as it relates to intangible assets integral to the Group's underwriting activities.

2021	IDENTIFIABLE INTANGIBLES LLOYD'S SYNDICATE CAPACITY US$M	CUSTOMER RELATION-SHIPS US$M	BRAND NAMES US$M	INSURANCE LICENSES US$M	SOFTWARE US$M	OTHER US$M	GOODWILL US$M	TOTAL US$M
Cost								
At 1 January	87	455	27	148	442	19	2,107	3,285
Additions	–	–	–	–	91	–	–	91
Impairment	–	–	–	(2)	–	–	–	(2)
Disposals	–	–	–	–	(1)	–	–	(1)
Foreign exchange	(1)	(1)	(1)	(7)	(40)	–	(91)	(141)
At 31 December	86	454	26	139	492	19	2,016	3,232
Amortisation								
At 1 January	–	(412)	(22)	(79)	(219)	(19)	–	(751)
Amortisation[1]	–	(16)	–	(2)	(51)	–	–	(69)
Foreign exchange	–	2	–	4	31	–	–	37
At 31 December	–	(426)	(22)	(77)	(239)	(19)	–	(783)
Carrying amount								
At 31 December	86	28	4	62	253	–	2,016	2,449

1 Amortisation of $50 million is included in underwriting expenses as it relates to intangible assets integral to the Group's underwriting activities.

How we account for the numbers

Intangible assets are measured at cost less accumulated amortisation and impairment. Those with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits, with amortisation expense reported in underwriting and other expenses or in amortisation and impairment of intangibles depending on the use of the asset. Intangible assets with an indefinite useful life are not subject to amortisation but are tested for impairment annually or more frequently if there are indicators of impairment. Intangible assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

7.2.1 Impairment testing of intangible assets

Overview

An intangible asset's recoverable value is the greater of its value in use and its fair value less cost to sell.

For intangible assets with a finite life, if there are indicators that the intangible asset's recoverable value has fallen below its carrying value (e.g. due to changing market conditions), an impairment test is performed and a loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment or more frequently where there is an indication that the carrying amount may not be recoverable.

Goodwill is allocated to cash-generating units, or groups of cash-generating units, expected to benefit from synergies arising from the acquisition giving rise to the goodwill. Cash-generating units or groups of cash-generating units reflect the level at which goodwill is monitored for impairment by QBE. As the Group acquires or disposes of operations or reorganises the way that operations are managed, reporting structures may change, giving rise to a reassessment of cash-generating units and the allocation of goodwill to those cash-generating units.

The goodwill relating to certain acquisitions is denominated in currencies other than the US dollar and so is subject to foreign exchange movements.

Goodwill is analysed by groups of cash-generating units as follows:

	2022 US$M	2021 US$M
North America	**30**	358
International	**490**	524
Australia Pacific	**1,058**	1,134
	1,578	2,016

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Impairment losses

During 2022, software assets of $11 million were impaired following management's review of their recoverable amounts. During 2021, insurance licences of $2 million were impaired.

How we account for the numbers

Impairment testing of identifiable intangible assets

The recoverable amount of each intangible asset with an indefinite useful life has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts relevant to the initial valuation of the identifiable intangible asset are reviewed and updated (if appropriate). Cash flow forecasts are based on a combination of actual performance to date and expectations of future performance based on prevailing and anticipated market factors.
- Discount rates include a beta and a market risk premium sourced from observable market information, and a specific risk premium appropriate to reflect the nature of the risk associated with the intangible asset or the cash-generating unit to which the asset is allocated.

Impairment testing of goodwill

The recoverable amount of each cash-generating unit or group of cash-generating units has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts reflect combined operating ratio and investment return assumptions that build from the latest three-year business plan. These forecasts cover a period of five years, with the final two years determined with reference to the terminal growth rates discussed below. The cash flow forecasts are based on a combination of historical performance and expectations of future performance based on prevailing and anticipated market factors and the benefit of committed cost saving measures.
- Terminal value is calculated using a perpetuity growth formula from the end of the cash flow forecast period. Growth rates reflect the long-term average growth rates of the countries relevant to the cash-generating unit or group of cash-generating units and are based on observable market information. The terminal growth rates used in impairment testing are: North America 2.3% (2021 2.3%), Australia Pacific 2.5% (2021 2.5%) and International 2.0% (2021 2.0%).
- Discount rates reflect a beta and a market risk premium sourced from observable market information, and a specific risk premium appropriate to reflect the nature of the business of each cash-generating unit or group of cash-generating units. The pre-tax discount rates used were: North America 12.7% (2021 9.7%), Australia Pacific 14.0% (2021 12.8%) and International 10.8% (2021 8.9%). The post-tax discount rates used were: North America 9.9% (2021 7.6%), Australia Pacific 9.9% (2021 9.1%) and International 8.6% (2021 7.2%).

Critical accounting judgements and estimates

The Group's business plan, which is the basis for cash flow forecasts used to determine the recoverable amount of goodwill, considers the potential impact of climate change through the catastrophe allowance which reflects the anticipated rise in trends in the frequency and cost of weather-related events, as well as other assumptions, including relating to premium rate, which reflect QBE's underwriting strategy and planned management actions in response to these risks.

The disposal of Westwood Insurance Agency included an allocation of $328 million of goodwill relating to the North American cash-generating unit (refer to note 7.1). Following the disposal, the remaining North America goodwill is $30 million.

7.3 Controlled entities

Overview

This section lists the Group's controlled entities. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 31 December 2022 and the results for the financial year then ended, or for the period during which control existed if the entity was acquired or disposed of during the financial year.

7.3.1 Controlled entities

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2022 %	EQUITY HOLDING 2021 %
Ultimate parent entity			
QBE Insurance Group Limited	Australia		
Controlled entities			
Austral Mercantile Collections Pty Limited	Australia	**100.00**	100.00
Australian Aviation Underwriting Pool Pty Limited	Australia	**100.00**	100.00
Burnett & Company, Inc.	United States	**100.00**	100.00
Elders Insurance (Underwriting Agency) Pty Limited	Australia	**80.00**	80.00
Equator Reinsurances Limited	Bermuda	**100.00**	100.00
General Casualty Company of Wisconsin	United States	**100.00**	100.00
General Casualty Insurance Company	United States	**100.00**	100.00
Greenhill BAIA Underwriting GmbH	Germany	**100.00**	100.00
Greenhill International Insurance Holdings Limited	United Kingdom	**100.00**	100.00
Greenhill Sturge Underwriting Limited	United Kingdom	**100.00**	100.00
Greenhill Underwriting Espana Limited	United Kingdom	**100.00**	100.00
Lifeco s.r.o.	Czech Republic	**100.00**	100.00
NAU Country Insurance Company	United States	**100.00**	100.00
North Pointe Insurance Company	United States	**100.00**	100.00
Praetorian Insurance Company	United States	**100.00**	100.00
QBE (PNG) Limited	PNG	**100.00**	100.00
QBE Administration Services, Inc.	United States	**100.00**	100.00
QBE Americas, Inc.	United States	**100.00**	100.00
QBE Asia Pacific Holdings Limited	Hong Kong	**100.00**	100.00
QBE Asia Services Sdn. Bhd	Malaysia	**100.00**	100.00
QBE Blue Ocean Re Limited	Bermuda	**100.00**	100.00
QBE Corporate Limited	United Kingdom	**100.00**	100.00
QBE Emerging Markets Holdings Pty Limited	Australia	**100.00**	100.00
QBE Employee Share Trust[1]	Australia	**–**	–
QBE Europe SA/NV	Belgium	**100.00**	100.00
QBE European Operations plc	United Kingdom	**100.00**	100.00
QBE European Services Limited	United Kingdom	**100.00**	100.00
QBE European Underwriting Services (Australia) Pty Limited	Australia	**100.00**	100.00
QBE Finance Holdings (EO) Limited	United Kingdom	**100.00**	100.00
QBE FIRST Enterprises, LLC	United States	**100.00**	100.00
QBE FIRST Property Tax Solutions, LLC	United States	**100.00**	100.00
QBE General Insurance (Hong Kong) Limited	Hong Kong	**100.00**	100.00
QBE Group Services Pty Ltd	Australia	**100.00**	100.00
QBE Group Shared Services Limited	United Kingdom	**100.00**	100.00
QBE Holdings (AAP) Pty Limited	Australia	**100.00**	100.00
QBE Holdings (EO) Limited	United Kingdom	**100.00**	100.00
QBE Holdings, Inc.	United States	**100.00**	100.00
QBE Hongkong & Shanghai Insurance Limited	Hong Kong	**100.00**	100.00
QBE Insurance (Australia) Limited	Australia	**100.00**	100.00

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

7. GROUP STRUCTURE

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2022 %	EQUITY HOLDING 2021 %
QBE Insurance (Fiji) Limited	Fiji	**100.00**	100.00
QBE Insurance (International) Pty Limited	Australia	**100.00**	100.00
QBE Insurance (Malaysia) Berhad	Malaysia	**100.00**	100.00
QBE Insurance (PNG) Limited	PNG	**100.00**	100.00
QBE Insurance (Singapore) Pte Ltd	Singapore	**100.00**	100.00
QBE Insurance (Vanuatu) Limited	Vanuatu	**100.00**	100.00
QBE Insurance (Vietnam) Company Limited	Vietnam	**100.00**	100.00
QBE Insurance Corporation	United States	**100.00**	100.00
QBE Insurance Holdings Pty Limited	Australia	**100.00**	100.00
QBE International Markets Pte Ltd	Singapore	**100.00**	100.00
QBE Investments (Australia) Pty Limited	Australia	**100.00**	100.00
QBE Investments (North America), Inc.	United States	**100.00**	100.00
QBE Irish Share Incentive Plan[1]	Ireland	**–**	–
QBE Latin America Insurance Holdings Pty Ltd	Australia	**100.00**	100.00
QBE Lenders' Mortgage Insurance Limited	Australia	**100.00**	100.00
QBE Management (Ireland) Limited	Ireland	**100.00**	100.00
QBE Management, Inc.	United States	**100.00**	100.00
QBE Management Services (Philippines) Pty Limited	Australia	**100.00**	100.00
QBE Management Services (UK) Limited	United Kingdom	**100.00**	100.00
QBE Management Services Pty Limited	Australia	**100.00**	100.00
QBE Mortgage Insurance (Asia) Limited	Hong Kong	**100.00**	100.00
QBE Partner Services (Europe) LLP	United Kingdom	**100.00**	100.00
QBE Regional Companies (N.A.), Inc.	United States	**100.00**	100.00
QBE Reinsurance Corporation	United States	**100.00**	100.00
QBE Reinsurance Services (Bermuda) Limited	Bermuda	**100.00**	100.00
QBE Services Inc	Canada	**100.00**	100.00
QBE Specialty Insurance Company	United States	**100.00**	100.00
QBE s.r.o.	Czech Republic	**100.00**	100.00
QBE Stonington Insurance Holdings Inc	United States	**100.00**	100.00
QBE Strategic Capital (Europe) Limited	United Kingdom	**100.00**	100.00
QBE Strategic Capital (International) Limited	United Kingdom	**100.00**	100.00
QBE Strategic Capital Company Pty Limited	Australia	**100.00**	100.00
QBE UK Finance IV Limited	United Kingdom	**100.00**	100.00
QBE UK Limited	United Kingdom	**100.00**	100.00
QBE UK Share Incentive Plan[1]	United Kingdom	**–**	–
QBE Underwriting Limited	United Kingdom	**100.00**	100.00
QBE Underwriting Services (Ireland) Limited (in liquidation)	Ireland	**100.00**	100.00
QBE Underwriting Services (UK) Limited	United Kingdom	**100.00**	100.00
QBE Ventures Pty Limited	Australia	**100.00**	100.00
QBE Workers Compensation (NSW) Limited (dormant)	Australia	**100.00**	100.00
QBE Workers Compensation (VIC) Pty Limited (dormant)	Australia	**100.00**	100.00
Queensland Insurance (Investments) Pte Limited (in liquidation)	Fiji	**100.00**	100.00
Regent Insurance Company	United States	**100.00**	100.00
Sinkaonamahasarn Company Limited (in liquidation)[2]	Thailand	**49.00**	49.00
Southern National Risk Management Corporation	United States	**100.00**	100.00
Southern Pilot Insurance Company	United States	**100.00**	100.00
Standfast Corporate Underwriters Limited	United Kingdom	**100.00**	100.00
Stonington Insurance Company	United States	**100.00**	100.00
Trade Credit Collections Pty Limited	Australia	**100.00**	100.00
Trade Credit Underwriting Agency NZ Limited	New Zealand	**100.00**	100.00
Trade Credit Underwriting Agency Pty Limited	Australia	**100.00**	100.00
Westwood Insurance Agency (sold effective 29 April 2022)[3]	United States	**–**	100.00

1 QBE Employee Share Trust, QBE Irish Share Incentive Plan and QBE UK Share Incentive Plan have been included in the consolidated financial statements as these entities are special purpose entities that exist for the benefit of the Group.

2 Although QBE has less than a 50% equity interest in Sinkaonamahasarn Company Limited, controlled entities have the right to acquire the remaining share capital.

3 Disclosures relating to the disposal of Westwood Insurance Agency are included in note 7.1.

All equity in controlled entities is held in the form of shares or through contractual arrangements.

How we account for the numbers

Controlled entities

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over it. All transactions between and with controlled entities are eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, balance sheet and statement of changes in equity.

Where control of an entity commences during a financial year, its results are included in the consolidated statement of comprehensive income from the date on which control is obtained. Where control of an entity ceases during a financial year, its results are included for that part of the year during which the control existed.

A change in ownership of a controlled entity without the gain or loss of control is accounted for as an equity transaction.

8. OTHER

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards or the *Corporations Act 2001*.

8.1 Other accounting policies

8.1.1 New accounting standards and amendments adopted by the Group

The Group adopted the following new or amended accounting standards from 1 January 2022:

TITLE	
AASB 2020-3	*Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*
AASB 2021-3	*Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021*

The adoption of these revised standards did not significantly impact the Group's accounting policies or financial statements.

8.1.2 New accounting standards and amendments issued but not yet effective

TITLE		OPERATIVE DATE
AASB 2020-1	*Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2023
AASB 2021-2	*Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-5	*Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
AASB 2022-6	*Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2023
AASB 17	*Insurance Contracts*	1 January 2023
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2025

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Group until the operative dates stated; however, early adoption is often permitted.

The Group currently plans to adopt the standards and amendments detailed above in the reporting periods beginning on their respective operative dates. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Group's financial statements, except where noted below.

AASB 17 *Insurance Contracts*

AASB 17, a new accounting standard for insurance contracts, was adopted by the AASB in July 2017. In June 2020, the IASB issued *Amendments to IFRS 17* which deferred the effective date from 1 January 2021 to 1 January 2023 and made significant amendments to the standard in response to feedback from, and implementation issues raised by, stakeholders. These amendments were adopted by the AASB in July 2020.

Measurement of insurance contracts

Measurement models

The standard introduces a new 'general model' for the recognition and measurement of insurance contracts. The liability for remaining coverage (which represents insurance coverage to be provided after the balance date) under the general model is measured as the sum of:

- the present value of expected future cash flows and a risk adjustment (collectively referred to as the 'fulfilment cash flows'); and
- a contractual service margin (CSM), being the unearned profit, which is recognised as insurance revenue in profit or loss over the coverage period of the contracts. The CSM is earned based on a pattern of coverage units which may not be the same as the pattern of incidence of risk used to earn gross written premium under AASB 1023.

AASB 17 permits the use of a simplified approach referred to as the 'premium allocation approach' (which is similar to the current basis on which general insurance is brought to account under AASB 1023) if the liability for remaining coverage under the premium allocation approach is not expected to materially differ from that under the general model, or if the coverage period of the contracts is not greater than one year. QBE has developed a model and methodology for assessing eligibility of contracts with coverage periods of greater than one year to apply the premium allocation approach. Our assessment, which involved detailed modelling under a range of scenarios as well as a qualitative assessment of contract features, has determined that the premium allocation approach is expected to apply to the vast majority of the Group's business.

For groups of contracts that apply the premium allocation approach and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. QBE does not plan to apply this option and expects to amortise acquisition costs over the coverage period of the related insurance contracts, consistent with current accounting under AASB 1023.

Onerous contracts

AASB 17 requires the identification of 'groups' of onerous contracts which will be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under AASB 1023. Contracts that are measured using the premium allocation approach are assumed not to be onerous unless facts and circumstances indicate otherwise. QBE has developed a framework for identifying relevant facts and circumstances that may be indicators of possible onerous contracts which includes consideration of management information for Group planning and performance management.

If facts and circumstances that may be indicators of possible onerous contracts exist, the onerous contract losses are measured based on an estimation of fulfilment cash flows and are recognised in profit or loss. Onerous contract losses must be measured on a gross basis (excluding the effect of reinsurance), with the impact on equity and profit or loss mitigated by related income on reinsurance recoveries to the extent that the onerous contracts are covered by reinsurance. In isolation, the application of the onerous contracts requirements is expected to result in a decrease in opening equity on adoption of AASB 17.

Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. The Group intends to apply a cost of capital approach as a key input to determining the risk adjustment for both the liability for incurred claims and the liability for remaining coverage. When applying the premium allocation approach, no explicit risk adjustment is determined for the liability for remaining coverage, except when measuring onerous contracts.

The Group expects to adopt an AASB 17 risk adjustment from a target range (expressed as a percentage of expected future cash flows which are equivalent to the AASB 1023 central estimate), a range that is expected to be slightly lower than the equivalent AASB 1023 risk margin range. Similar to the risk margin, the risk adjustment includes the benefit of diversification. AASB 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities.

Discount rates

AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free rates as described in note 2.3.4. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used. QBE will apply a 'bottom-up approach' which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which will result in higher discount rates relative to current requirements and an increase in opening equity on adoption of AASB 17. The illiquidity premium within discount rates will be derived based on the long-term weighted average credit spread of a reference portfolio of assets with a similar currency mix and weighted average duration as the related insurance liabilities over the longer term. The effect of credit risk and other factors that are not relevant to the illiquidity characteristics of insurance contracts will be eliminated to estimate the portion of the spread that reflects the illiquidity premium.

Foreign exchange

Insurance contract assets and liabilities that are denominated in foreign currency are treated as monetary items under AASB 17. This differs from current industry practice in respect of unearned premium and deferred insurance costs which are treated as non-monetary items. Based on the exchange rates at the transition date, the impact of this change on opening equity is not expected to be material. The resulting exposures from the change in treatment will be mitigated going forward as part of the Group's operational currency risk management strategy, with new forward foreign exchange contracts entered into at 31 December 2022 to mitigate these exposures from 2023.

Interim reporting

QBE expects to apply the option to measure accounting estimates based on assumptions relevant at each reporting date. This means that estimates made in interim financial statements will be updated in the subsequent annual financial statements where required.

Presentation and disclosure

The standard introduces changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the statement of comprehensive income and balance sheet and increased disclosures compared with existing reporting requirements.

8. OTHER

Existing insurance and reinsurance contract line items on the balance sheet (including trade debtors arising from general insurance contracts, unearned premium, deferred insurance costs, gross outstanding claims and reinsurance and other recoveries on outstanding claims) will be replaced by insurance contract assets and liabilities, and reinsurance contract assets and liabilities. Insurance contract liabilities under AASB 17 will include all cash flows that directly relate to the fulfilment of insurance contracts (direct business and inward reinsurance), including acquisition, claims settlement, policy administration and maintenance costs. It also includes other costs such as direct overheads which are currently recognised in trade and other payables on the balance sheet.

Transition

AASB 17 will be applied retrospectively to all of QBE's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. QBE will apply a modified retrospective approach for the following:

- certain contracts acquired in the past (e.g. as part of a business combination) that, at the time of acquisition, were considered past expiry and were in their claims settlement period. For these contracts, the related liabilities are expected to be classified as liabilities for incurred claims, on the basis that it would be impracticable to treat these liabilities as related to unexpired coverage; and
- determination of the CSM for contracts measured under the general model, for which sufficient data on historical assumptions is not available for the estimation of future cash flows and risk adjustment at initial recognition as well as the amount of CSM earned to profit or loss up to the transition date, which are key inputs. To the extent that this information is not available without the use of hindsight, permitted modifications in AASB 17 will be applied to estimate these amounts based on transition date expectations about changes that occurred between initial recognition and the transition date.
- identification of groups of onerous contracts relating to past underwriting years. These have been assessed based on information available at the transition date to the extent that reasonable and supportable information about past facts and circumstances is not available without the use of hindsight.

Financial impact

Based on the above and work performed to date, the impact of AASB 17 adoption on the Group's reported net assets of $8,882 million as at 1 January 2022 is currently expected to be modest and within a range of a $50 million decrease to a $150 million increase, or less than 2% of net assets, before associated tax effects. The opening net asset impact is mainly driven by increases to net assets from the application of the AASB 17 risk adjustment and higher discount rates reflecting the inclusion of the illiquidity premium, offset by decreases to net assets driven by onerous contracts and the impact of changes in the pattern of revenue recognition for certain classes of business (largely resulting from the application of the general model). The requirements of AASB 17 are complex and the actual impact is subject to the finalisation of key assumptions in relation to each of these components.

The Group's implementation of AASB 17 is well progressed and work is ongoing to finalise the impacts and to restate comparative information for reporting on this basis in 2023.

8.2 Contingent liabilities

Overview

Contingent liabilities are disclosed when the possibility of a future settlement of economic benefits is considered to be less than probable but more likely than remote. If the expected settlement of the liability becomes probable, a provision is recognised.

QBE is required to support the underwriting activities of the Group's controlled entities including corporate members at Lloyd's. Funds at Lloyd's are those funds of the Group which are subject to the terms of the Lloyd's Deposit Trust Deed and are required to support underwriting for the following year and the open years of account, determined by a formula prescribed by Lloyd's each year. At the balance date, letters of credit and similar forms of support of $2,330 million (2021 $2,177 million) were in place in respect of the Group's participation in Lloyd's, along with cash and investments of $89 million (2021 $106 million). In addition, a controlled entity has entered into various trust and security deeds with Lloyd's in respect of assets lodged to support its underwriting activities. These deeds contain covenants that require the entity to meet financial obligations should they arise in relation to cash calls from syndicate participations. A cash call would be made first on the assets held in syndicate trust funds and would only call on funds at Lloyd's after syndicate resources were exhausted. Only if the level of these trust funds was not sufficient would a cash call result in a draw down on the letters of credit and other assets lodged with Lloyd's.

In the normal course of business, the Group is also exposed to contingent liabilities in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities. 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.

Entities in the Group may also provide guarantees to support representations in commercial transactions.

8.3 Offsetting financial assets and liabilities

The Group has $228 million (2021 $243 million) receivable from and payable to a single counterparty which are fully set off in the balance sheet in accordance with Australian Accounting Standards, on the basis that the Group intends to settle these on a net basis and has a legally enforceable right to do so.

8. OTHER

8.4 Reconciliation of profit after income tax to net cash flows from operating activities

Overview

AASB 1054 *Australian Additional Disclosures* requires a reconciliation of profit or loss after income tax to net cash flows from operating activities.

	2022 US$M	2021 US$M
Profit after income tax	**778**	757
Adjustments for:		
Depreciation and impairment of property, plant and equipment	**31**	37
Amortisation of right-of-use lease assets	**61**	60
Amortisation/impairment of intangibles	**90**	71
Gain on sale of entities and businesses	**(38)**	–
Share of net loss of associates	**7**	7
Net foreign exchange (gains) losses	**(14)**	4
Fair value losses on financial assets	**1,295**	409
Equity-settled share-based payments expense	**39**	32
Balance sheet movements:		
Increase in trade debtors	**(2,612)**	(1,920)
Increase in net operating assets	**(164)**	(229)
Increase in trade payables	**1,796**	1,755
Increase in gross outstanding claims liability	**900**	753
Increase in unearned premium	**934**	1,422
Increase in deferred insurance costs	**(378)**	(474)
Increase in net defined benefit obligation	**–**	2
Decrease in net tax assets	**67**	68
Net cash flows from operating activities	**2,792**	2,754

8.5 Share-based payments

Overview

Share-based payments are equity-based compensation schemes provided to employees and executives. The Company issues shares from time to time under an Employee Share and Option Plan (the Plan). Any full-time or part-time employee of the Group or any equally-owned joint venture who is offered shares or options is eligible to participate in the Plan.

8.5.1 Share schemes

A summary of deferred equity award plans is set out below:

Current deferred equity plans

PLAN	AVAILABLE TO:	NATURE OF AWARD	VESTING CONDITIONS
Annual Performance Incentive (API) (2022)	Executives and other key senior employees	• 60%-67% delivered in cash (50% in the case of the Group CEO). • 33%-40% deferred as conditional rights to fully paid ordinary shares of the Company (50% in the case of the Group CEO).	The conditional rights are deferred in equal tranches over two, three or four years, dependent on the vesting period of the award. API outcomes are subject to the achievement of: • performance outcomes measured through a business scorecard containing key financial measures alongside strategically important non-financial measures; and • individual performance objectives measured both on what has been achieved and how it was achieved during the year.
Long-term Incentive (LTI) (2019–2022)	Executives and other key senior employees	• Conditional rights to fully paid ordinary shares of the Company.	The conditional rights vest in three tranches on achievement of the performance measures at the end of a three-year period as follows: • 33% at the end of the three-year performance period; • 33% on the first anniversary of the end of the performance period; and • 34% on the second anniversary of the end of the performance period. Vesting is subject to performance conditions as follows: • For 2022 awards, 70% of conditional rights are subject to the achievement against the Group cash ROE performance target based on a three-year arithmetic average; and 30% of conditional rights are based on the Group's relative total shareholder return, compared against a global insurance peer group, over a three-year performance period. • For 2019-2021 awards, 50% of conditional rights are subject to the achievement against the Group cash ROE performance target based on the average of three individual annual performance ranges set over three individual years (for 2021 awards), or a three-year arithmetic average (for 2019 and 2020 awards); and 50% of conditional rights are based on the Group's relative total shareholder return, compared against two independent peer groups, over a three-year performance period.

Legacy deferred equity plans

PLAN	AVAILABLE TO:	NATURE OF AWARD	VESTING CONDITIONS
Executive Incentive Plan (EIP) (2017–2021)	Executives (before 1 Jan 2019) and other key senior employees	• 40%-50% delivered in cash. • 50%-60% deferred as conditional rights[1] to fully paid ordinary shares of the Company.	The conditional rights are deferred in four equal tranches, such that 25% vests on each of the first, second, third and fourth anniversaries of the award. EIP outcomes were subject to the achievement of: • a blend of divisional combined operating ratios (COR) for 2021, or Group COR for 2017-2020, and Group cash ROE targets; • divisional COR targets in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

8. OTHER

Short-term Incentive (STI) (2014–2021)	Executives and other key senior employees	• 67% delivered in cash (50% in the case of the Group CEO). • 33% deferred as conditional rights to fully paid ordinary shares of the Company (50% in the case of the Group CEO).	The conditional rights are deferred in two equal tranches, such that 50% vests on the first anniversary of the award and 50% vests on the second anniversary of the award. STI outcomes were subject to the achievement of: • a blend of divisional CORs for 2021, or Group COR for 2017-2020, and Group cash ROE targets; • divisional COR targets[2] in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.

1 For participants outside Australia, the deferred component was generally delivered in equal shares of conditional rights and cash.
2 Divisional return on allocated capital targets until 31 December 2016.

Additionally, for both current and legacy deferred equity plans:
- plan rules provide suitable discretion for the People & Remuneration Committee to adjust any formulaic outcome to ensure that awards made under the API, LTI, EIP and STI appropriately reflect performance;
- during the period from the grant date to the vesting date, further conditional rights are issued under the BSP to reflect dividends paid on ordinary shares of the Company. These conditional rights are subject to the same vesting conditions as the original grant of conditional rights;
- recipients must remain in the Group's service throughout the service period in order for the awards to vest, except in cases where good leaver provisions apply. Vesting is also subject to malus, with clawback provisions applicable to allocations since 2021 under the plans;
- under good leaver provisions (e.g. retirement, redundancy, ill health, injury or mutually agreed separation), conditional rights remain subject to the performance and vesting conditions; and
- once vested, conditional rights can be exercised for no consideration.

8.5.2 Conditional rights

Details of the number of employee entitlements to conditional rights to ordinary shares granted, vested and transferred to employees during the year are as follows:

	2022 NUMBER OF RIGHTS	2021 NUMBER OF RIGHTS
At 1 January	**10,983,929**	13,247,240
Granted	**6,938,596**	4,061,715
Dividends attaching	**306,532**	83,887
Vested and transferred to employees	**(3,741,501)**	(4,196,217)
Forfeited	**(1,826,998)**	(2,212,696)
At 31 December	**12,660,558**	10,983,929
Weighted average share price at date of vesting of conditional rights during the year	**A$11.43**	A$9.41
Weighted average fair value of conditional rights granted during the year	**A$11.20**	A$9.23

8.5.3 Fair value of conditional rights

The fair value of conditional rights granted during the year was determined using the following significant assumptions:

		2022	2021
Five-day volume weighted average price of instrument at grant date	A$	**11.42–12.61**	9.30–12.01
Expected volatility	%	**28–29**	25–27
Risk-free rate	%	**1.49–3.12**	0.09–0.81
Expected life of instrument	Years	**0.1–5.0**	0.1–5.0

The fair value is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. Some of the assumptions used may be based on historical data which is not necessarily indicative of future trends. Reasonable changes in these assumptions would not have a material impact on the Group's financial statements.

8.5.4 Employee options

The market value of all shares underlying the options at the balance date was A$0.2 million (2021 A$0.2 million). During 2022, no options (2021 nil) were cancelled or forfeited. At 31 December 2022, 17,000 remained, excluding notional dividends (2021 17,000). The options were issued to employees in 2004 in lieu of shares under the Plan. The options vested immediately and are exercisable until March 2024.

8.5.5 Share-based payment expense

This expense, which includes amounts in relation to cash-settled share-based payment awards, was $44 million (2021 $36 million). These amounts are included in underwriting and other expenses.

8.5.6 Shares purchased on-market

The Group may purchase shares on-market to satisfy entitlements under employee share schemes. The Group acquired 0.1 million (2021 0.1 million) such shares during the period at an average price of A$11.78 (2021 A$11.07).

How we account for the numbers

The fair value of the employee services received in exchange for the grant of equity-settled instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted, excluding the impact of any non-market vesting conditions. The impacts of non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable.

The fair value of each instrument is recognised evenly over the service period ending at the vesting date; however, at each balance date, the Group revises its estimates of the number of instruments that are expected to become exercisable due to the achievement of non-market vesting conditions. The Group recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity.

8. OTHER

8.6 Key management personnel

Overview

AASB 124 *Related Party Disclosures* requires disclosure of the compensation of directors (executive and non-executive) and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. This group is collectively defined as key management personnel. Additional details in respect of key management personnel and their remuneration are shown in the Remuneration Report.

	2022 US$000	2021 US$000
Short-term employee benefits	**13,446**	15,711
Post-employment benefits	**192**	166
Other long-term employment benefits	**101**	82
Share-based payments	**7,088**	11,254
	20,827	27,213

How we account for the numbers

Short-term employee benefits – profit sharing and bonus plans

A provision is recognised for profit sharing and bonus plans where there is a contractual obligation or where past practice has created a constructive obligation at the end of each reporting period. Bonus or profit sharing obligations are settled within 12 months from the balance date.

Post-employment benefits – defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays a fixed contribution into a fund during the course of employment and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are expensed as incurred.

Other long-term employee employment benefits

The liabilities for long service leave and annual leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond yields with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Share-based payments

Further information in relation to remuneration under equity-based compensation schemes is provided in note 8.5.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. When applicable, the Group recognises termination benefits at the earlier of the date when the Group:

- can no longer withdraw the offer of those benefits; and
- recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

8.7 Defined benefit plans

Overview

Defined benefit plans are post-employment plans which provide benefits to employees on retirement, disability or death. The benefits are based on years of service and an average salary calculation. Contributions are made to cover the current cash outflows from the plans and a liability is recorded to recognise the estimated accrued but not yet funded obligations.

	DATE OF LAST ACTUARIAL ASSESSMENT	FAIR VALUE OF PLAN ASSETS 2022 US$M	FAIR VALUE OF PLAN ASSETS 2021 US$M	PRESENT VALUE OF PLAN OBLIGATIONS 2022 US$M	PRESENT VALUE OF PLAN OBLIGATIONS 2021 US$M	NET RECOGNISED SURPLUSES (DEFICITS) 2022 US$M	NET RECOGNISED SURPLUSES (DEFICITS) 2021 US$M
Defined benefit plan surpluses							
Iron Trades Insurance staff trust	31 Dec 2022	**205**	365	**(164)**	(285)	**41**	80
Janson Green final salary superannuation scheme[1]	31 Dec 2022	**117**	197	**(112)**	(185)	**5**	12
		322	562	**(276)**	(470)	**46**	92
Defined benefit plan deficits							
QBE the Americas plan[1]	31 Dec 2022	**154**	214	**(167)**	(224)	**(13)**	(10)
Other plans[2]	31 Dec 2022	**23**	34	**(36)**	(53)	**(13)**	(19)
		177	248	**(203)**	(277)	**(26)**	(29)

1 Defined benefit plan obligations are funded.
2 Other plans include $9 million (2021 $11 million) of defined benefit post-employment plan obligations that are not funded.

The measurement of assets and liabilities in defined benefit plans makes it necessary to use assumptions about discount rates, expected future salary increases, investment returns, inflation and life expectancy. If actual outcomes differ materially from actuarial assumptions, this could result in a significant change in employee benefit expense recognised in profit or loss or in actuarial remeasurements recognised in other comprehensive income, together with the defined benefit assets and liabilities recognised in the balance sheet.

The Group does not control the investment strategies of defined benefit plans; they are managed by independent trustees. Nonetheless, the Group has agreed, as part of ongoing funding arrangements, that the trustees should manage their strategic asset allocation in order to minimise the risk of material adverse impact. In particular, the Group has agreed with the trustees to reduce the level of investment risk by investing in assets that match, where possible, the profile of the liabilities. This involves holding a mixture of government and corporate bonds. The Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is also appropriate.

The charge recognised in profit or loss in the year of $2 million (2021 $2 million) is included in underwriting expenses. Total employer contributions expected to be paid to the various plans in 2023 amount to $1 million.

How we account for the numbers

The surplus or deficit recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating the term of the related superannuation liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, and are recognised in other comprehensive income. Past service costs are recognised immediately in profit or loss.

8. OTHER

8.8 Remuneration of auditors

Overview

QBE may engage the external auditor for non-audit services other than excluded services subject to the general principle that fees for non-audit services should not exceed 50% of all fees paid to the external auditor in any one financial year. The Board believes some non-audit services are appropriate given the external auditor's knowledge of the Group. External tax services are generally provided by an accounting firm other than the external auditor. Consistent with prior periods, the external auditor cannot provide the excluded services of preparing accounting records or financial reports or acting in a management capacity.

	2022 US$000	2021 US$000
PricewaterhouseCoopers (PwC) Australian firm		
Audit or review of financial reports of the ultimate parent entity	**2,051**	2,022
Audit of financial reports of controlled entities	**2,223**	2,258
Audit of statutory returns	**553**	591
Other assurance services	**725**	515
Taxation services	**14**	14
Advisory services	**–**	524
	5,566	5,924
Related practices of PwC Australian firm (including overseas PwC firms)		
Audit of financial reports of controlled entities	**8,247**	9,157
Audit of statutory returns	**2,691**	2,640
Other assurance services	**135**	53
Taxation services	**11**	34
Advisory services	**1,058**	72
	12,142	11,956
	17,708	17,880
Audit and assurance services	**16,625**	17,236
Other services	**1,083**	644
	17,708	17,880
Other auditors		
Audit of financial reports of controlled entities	**1,231**	1,101

8.9 Ultimate parent entity information

Overview

The *Corporations Act 2001* requires the disclosure of summarised financial information relating to the ultimate parent entity, QBE Insurance Group Limited.

8.9.1 Summarised financial data of QBE Insurance Group Limited (the Company)

	2022 US$M	2021 US$M
Profit (loss) after income tax	**225**	(73)
Other comprehensive loss	**(795)**	(727)
Total comprehensive loss	**(570)**	(800)
Assets due within 12 months[1]	**1,192**	1,737
Shares in controlled entities	**13,072**	14,012
Total assets	**14,264**	15,749
Liabilities payable within 12 months[2]	**334**	451
Borrowings	**2,972**	3,511
Total liabilities	**3,306**	3,962
Net assets	**10,958**	11,787
Contributed equity	**9,242**	9,777
Treasury shares held in trust	**(1)**	(2)
Foreign currency translation reserve	**(39)**	137
Other reserves	**112**	112
Retained profits	**1,644**	1,763
Total equity	**10,958**	11,787

1 Includes amounts due from QBE companies of $360 million (2021 $667 million).
2 Includes amounts due to QBE companies of $241 million (2021 $379 million).

8.9.2 Guarantees and contingent liabilities

	2022 US$M	2021 US$M
Support of the Group's participation in Lloyd's	**2,330**	2,177
Support of other insurance operations of controlled entities	**2,383**	2,512

8.9.3 Tax consolidation legislation

The accounting in relation to the legislation is set out in note 6.2.4. On adoption of the tax consolidation legislation, the directors of the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity.

Details of franking credits available to shareholders are shown in note 5.4.

How we account for the numbers

The financial information of the ultimate parent entity of the Group has been prepared on the same basis as the consolidated financial report except for shares in controlled entities, which are recorded at cost less any provision for impairment.

Directors' declaration

FOR THE YEAR ENDED 31 DECEMBER 2022

In the directors' opinion:

(a) the financial statements and notes set out on pages 88 to 161 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 31 December 2022 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1.2.1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Group Chief Executive Officer and Group Chief Financial Officer required by section 295A of the *Corporations Act 2001* and as recommended under the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Signed in Sydney this 17th day of February 2023 in accordance with a resolution of the directors.

Michael Wilkins AO
Director

Andrew Horton
Director

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Report on the audit of the Financial Report

Our opinion

In our opinion:

The accompanying Financial Report of QBE Insurance Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

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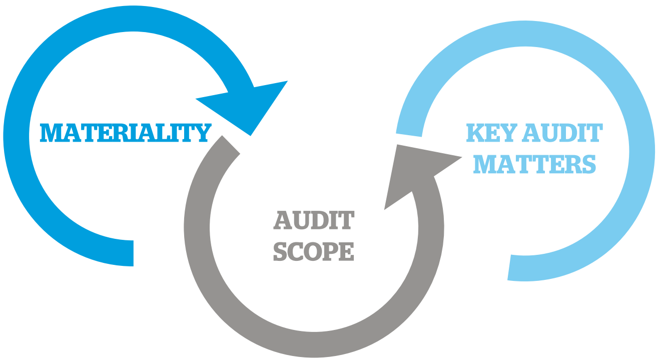
Our audit approach

An audit is designed to provide reasonable assurance about whether the Financial Report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of US$70 million, which represents approximately 0.5% of the Group's net earned premium.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Financial Report as a whole.
- We chose Group net earned premium because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is not as volatile as other profit or loss measures.
- We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In conjunction with component auditors, we conducted an audit of the most financially significant components, being the Australia Pacific, International and North America divisions. In addition, we performed specified risk focused audit procedures in relation to the captive reinsurer, Equator Re, and other head office entities. Further audit procedures were performed over the consolidation process.
- We determined the level of direction and supervision we needed to have over the audit work performed by component auditors to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion.
- We kept in regular communication with component auditors throughout the year with conference calls and written instructions. Further, we visited and met with management and component auditors in London and Sydney.
- We also ensured that our team, including the component auditors across the Group, possessed the appropriate competence and capabilities needed for the audit of a complex global insurer. This included industry expertise as well as specialists and experts in IT, actuarial, tax and valuations.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period. The key audit matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter

Valuation of net outstanding claims liability

(Refer to note 2.3) US$17,428 million

Key audit matter

The liability for outstanding claims relates to claims incurred during the year or prior periods, net of any reinsurance and other recoveries.

The liability for outstanding claims is estimated by the Group as a central estimate but, as is the case with any accounting estimate, there is a risk that the ultimate claims paid will differ from the initial estimate. A risk margin is therefore applied by the Group to reflect the uncertainty in the estimate. The central estimate and risk margin combined, which are estimated based on judgements and actuarial expertise, are intended to achieve a probability of adequacy within the Group's desired range of 87.5% - 92.5%, being the estimated overall sufficiency of the liability to pay future claims.

We considered the valuation of the net outstanding claims liability a key audit matter due to:

- The significant judgement required by the Group and the inherent uncertainty in estimating the expected future payments for claims incurred, including those not yet reported.
- The uncertainty related to catastrophe events, particularly those occurring closer to year end, and in relation to classes of business where there is a greater length of time between the initial claim event and settlement, because of the inherent difficulty in assessing amounts until further evidence is available.
- The uncertainty created by the COVID-19 pandemic on particular classes of business including property business interruption as a result of ongoing legal test cases and other factors.
- Models used to calculate the net outstanding claims liability across the Group are complex and judgement is applied in determining the appropriate construct of the models.
- The higher degree of auditor judgement and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly loss ratios, claim frequencies and average claim sizes, and allowance for future claims inflation.
- The audit effort required the use of experts with specialised skills and knowledge.

How our audit addressed the key audit matter

Together with PwC actuarial experts, our procedures included:

Gross discounted central estimate

- Evaluating the design of the Group's relevant controls over the claims reserving process and assessing whether a sample of these controls operated effectively throughout the year.
- Evaluating whether the Group's actuarial methodologies were consistent with recognised practices and with prior periods.
- Evaluating the appropriateness and reliability of data used to derive the central estimate, including testing a sample of case estimates and settlements by agreeing to underlying documentation.
- Assessing the appropriateness of significant actuarial assumptions such as loss ratios, claim frequencies and average claim sizes, and claims inflation expectations, focusing on those classes of business which have been impacted by the COVID-19 pandemic and more recently the higher inflationary environment. We assessed these assumptions by comparing them with our expectations based on the Group's experience, current trends and benchmarks, and our own industry knowledge.
- Testing the discount assumptions applied through evaluating the yield curves and claims payment patterns. This included comparing the rates applied to external market data and the payment patterns to historical information.

Reinsurance and other recoveries

- Evaluating a sample of reinsurance recoveries held by divisions and the Group against underlying contracts to assess the existence of cover and appropriateness of their recognition.
- Assessing the recoverability of reinsurance recoveries by considering the payment history and credit worthiness of reinsurer counterparties for a sample of reinsurance recoveries.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Key audit matter	How our audit addressed the key audit matter
	Risk margin and probability of adequacy • Assessing the Group's approach to setting the risk margin in accordance with the requirements of Australian Accounting Standards, with a focus on the assessed level of uncertainty in the net central estimate leading to a change in the margin year on year. • Considering the Group's key judgements about the variability of each class of business underwritten and the extent of correlation within each division based on the Group's experience and prior periods. • Evaluating the Group's calculation of the probability of adequacy for reasonableness and consistency with previous valuations by developing an understanding of and testing the actuarial techniques applied by the Group. We also considered the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.
Carrying value of goodwill (Refer to note 7.2.1) US$1,578 million An impairment assessment is performed annually by the Group, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Potential impairment is identified by comparing the value-in-use of a cash-generating unit (CGU) to its carrying value, including goodwill. The value-in-use for each of the CGUs is estimated by the Group using a discounted cash flow model which includes significant judgements and assumptions relating to cash flow projections, investment returns, terminal growth rates and discount rates. We considered the carrying value of goodwill a key audit matter due to: • The inherent estimation uncertainty and subjectivity in judgements in a number of assumptions, including cash flow projections, investment returns, terminal growth rates, and discount rates. • Models used to calculate value-in-use are complex and judgement is applied in determining the appropriate construct of the models. • The higher degree of auditor judgement and effort in performing procedures and evaluating audit evidence in relation to significant assumptions, particularly cash flow projections. • The audit effort required the use of experts with specialised skills and knowledge.	Our procedures included: • Evaluating the determination and composition of the CGUs to which goodwill is allocated. • Evaluating the appropriateness of the value-in-use methodology adopted against the requirements of Australian Accounting Standards. • Developing an understanding of the process by which the cash flow projections were developed and comparing the cash flows included in the impairment assessment with the three year business plan presented to the Board. • Evaluating the appropriateness of significant assumptions used to derive the cash flow projections by comparing to external market and industry data where available, and current and past performance of the CGUs. • Together with PwC valuation experts, we: – Assessed the consistency of the terminal growth rates and investment returns with available external information. – Reperformed the calculation of the discount rates applied to cash flow projections, comparing key inputs (including risk-free rates, market premiums and unlevered betas) to industry and other benchmarks. • Testing the mathematical accuracy of the models which were used to determine the value-in-use of the CGUs. We also considered the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets in the North American tax group (Refer to note 6.2.1) US$390 million The Group holds deferred tax assets comprised of carry forward tax losses and deductible temporary differences related to the North American tax group. The Group performs a recoverability assessment at each balance date in order to evaluate the expected utilisation of the deferred tax assets. The assessment is largely dependent upon the future profitability of the North American CGU, as well as the period over which tax losses will be available for recovery, and the execution of any future tax planning strategies. We considered the recoverability of the deferred tax assets in the North American tax group a key audit matter due to: • The inherent estimation uncertainty and subjectivity in judgements in a number of assumptions, including cash flow projections, investment returns, and terminal growth rates. • The higher degree of auditor judgement and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly cash flow projections.	Our procedures included: • Evaluating the appropriateness of the recoverability assessment against the requirements of Australian Accounting Standards, and in particular the "convincing other evidence" test under AASB 112 *Income Taxes*. • Evaluating the appropriateness of significant assumptions used to derive the cash flow projections, by comparing with external market and industry data where available, and current and past performance of the North American tax group. • Testing the mathematical accuracy of the model which was used to determine the recoverability of the deferred tax assets. We also considered the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.
Valuation of level 3 investments (Refer to note 3.2.1) US$1,809 million The Group held US$27,299 million of investments at 31 December 2022, of which US$1,809 million were classified as level 3 in accordance with AASB 13 *Fair Value Measurement*. The Group exercises judgement in valuing level 3 investments as there are significant unobservable inputs as a result of market illiquidity and/or instrument complexity. The level 3 investments held at fair value largely consist of infrastructure assets and unlisted property trusts. We considered the valuation of level 3 investments a key audit matter due to: • The extent of judgement involved in determining the fair value of investments as a result of significant unobservable market inputs. • The level of effort required in evaluating audit evidence obtained in relation to the valuation, and use of experts with specialised skills and knowledge.	Our procedures included: • Evaluating the design of the Group's relevant controls over the investments process and assessing whether a sample of these controls operated effectively throughout the year. • Evaluating the appropriateness of the valuation methodologies used against the requirements of Australian Accounting Standards. • For a sample of infrastructure assets and unlisted property trusts, where the Group determines the fair value with reference to external information, we: – Compared the price used by the Group to the 31 December 2022 price quoted by the fund manager. – Obtained the most recent audited financial statements of the relevant funds and evaluated the reliability and accuracy of past statements. – Inspected the most recent reports provided by the fund manager setting out the controls in place at the fund manager, and that included an independent audit opinion over the design and operating effectiveness of those controls, where available. We also considered the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.

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Key audit matter	How our audit addressed the key audit matter
Operation of IT systems and controls The Group's operations and financial reporting are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls. The Group's IT controls over IT systems include: • The framework of governance over IT systems. • Controls over program development and changes. • Controls over access to programs, data and IT operations. • Governance over generic and privileged user accounts. We considered this a key audit matter given the reliance on the IT systems in the financial reporting process and the impact on relevant controls we seek to rely on as part of the audit.	Together with IT specialists, our procedures included: • Evaluating the design and testing the operating effectiveness of key controls over the continued integrity of the IT systems that are relevant to financial reporting. Where we identified design and operating effectiveness weaknesses relating to IT systems or application controls relevant to the audit, we performed alternative audit procedures. • Assessing the operation of key applications to establish the accuracy of selected calculations, the correct generation of certain reports, and to evaluate the correct operation of selected automated controls and technology-dependent manual controls. • Where technology services were provided by a third party, we considered assurance reports from the third party's auditor on the design and operating effectiveness of controls and management's monitoring controls over third parties.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2022, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 62 to 84 of the Directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of QBE Insurance Group Limited for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Voula Papageorgiou
Partner

Sydney
17 February 2023

Shareholder information

The Company was incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code 'QBE'.

Registered office

QBE Insurance Group Limited

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Website: www.qbe.com

QBE website

QBE's website provides investors with information about QBE including annual reports, corporate governance statements, sustainability reports, half-yearly reports and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE's dividends and online access to your shareholding details via the share registry.

Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE's share registry:

Computershare Investor Services Pty Limited (Computershare)

GPO Box 2975
Melbourne VIC 3001 Australia

452 Johnston Street
Abbotsford VIC 3067 Australia

Telephone: 1300 723 487 (Australia)
Telephone: +61 3 9415 4840 (International)

Website: www.computershare.com.au
Email: qbe.queries@computershare.com.au

For security purposes, you will need to quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHESS) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Please contact your stockbroker. Computershare cannot assist you with these changes.

Shareholding details online

Manage your shareholding online by visiting QBE's share registry, Computershare. Log onto www.investorcentre.com to view your holding balance and dividend statements, to update your address (if you are registered with an SRN) or direct credit instructions, provide DRP or BSP instructions or change/add your tax file number (TFN)/Australian Business Number (ABN) details.

You may also register to receive shareholder documentation electronically including your dividend statements, notices of meetings and proxy and annual reports.

Privacy legislation

Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in QBE's share register. These details must continue to be included in the public register even if you cease to be a securityholder. A copy of the privacy policy is available on Computershare's website.

Dividends

QBE pays cash dividends to shareholders resident in Australia and New Zealand by direct credit. Shareholders in the United Kingdom and the United States also have the option to receive their cash dividends by direct credit, although it is not mandatory. The benefit to shareholders of the direct credit facility is access to cleared funds quickly and securely, reducing the risk of cheques being lost or stolen. Shareholders in other countries will receive cheque payments in Australian dollars if they have not elected to receive their payment by direct credit. Shareholders receive a dividend statement for tax records, either by post or by email depending on the selected communications option.

Eligible shareholders can participate in QBE's DRP and BSP when the plans are active. The DRP enables shareholders to subscribe for additional shares. The BSP is a bonus share plan whereby the dividend entitlement is forgone for bonus shares in lieu of the dividend. In order to participate in either the DRP or BSP, shareholders must have a minimum shareholding of 100 shares and have a registered address in Australia or New Zealand.

Participants may change their election to participate in the DRP and BSP at any time. DRP/BSP election cut-off dates and application forms are available from QBE's website.

Shareholder information continued

Tax file number (TFN), Australian Business Number (ABN) or exemption – Australian residents

You can confirm whether you have lodged your TFN, ABN or exemption by visiting Computershare's Investor Centre. If you choose not to lodge these details, QBE is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of dividends paid. Australian shareholders living abroad should advise Computershare of their resident status.

Conduit foreign income (CFI)

Shareholders will receive CFI credits in respect of the whole unfranked portion of QBE dividends. These credits exempt non-resident shareholders from Australian withholding tax.

Unpresented cheques/unclaimed money

Under the *Unclaimed Moneys Act 1950*, unclaimed dividends six or more years old must be given to the Australian Capital Territory. It is very important that shareholders bank outstanding dividend cheques promptly and advise Computershare immediately of changes of address or bank account details.

Recent QBE dividends

DATE PAID	TYPE	RECORD DATE	AUSTRALIAN CENTS PER SHARE	FRANKING %
28 March 2013	Final	8 March 2013	10	100
23 September 2013	Interim	2 September 2013	20	100
31 March 2014	Final	13 March 2014	12	100
23 September 2014	Interim	29 August 2014	15	100
13 April 2015	Final	6 March 2015	22	100
2 October 2015	Interim	28 August 2015	20	100
14 April 2016	Final	11 March 2016	30	100
28 September 2016	Interim	26 August 2016	21	50
13 April 2017	Final	10 March 2017	33	50
29 September 2017	Interim	25 August 2017	22	30
20 April 2018	Final	9 March 2018	4	30
5 October 2018	Interim	24 August 2018	22	30
18 April 2019	Final	8 March 2019	28	60
4 October 2019	Interim	23 August 2019	25	60
9 April 2020	Final	6 March 2020	27	30
25 September 2020	Interim	21 August 2020	4	10
24 September 2021	Interim	20 August 2021	11	10
12 April 2022	Final	8 March 2022	19	10
23 September 2022	Interim	19 August 2022	9	10

Annual General Meeting

The Annual General Meeting of QBE Insurance Group Limited will be held at 10am on Friday, 12 May 2023. Details of the meeting, including information about how to vote, will be contained in our notice of meeting.

Annual Report mailing list

Amendments to the *Corporations Act 2001* have removed the obligation for companies to mail an annual report to shareholders. To improve efficiency, save costs and reduce our impact on the environment by minimising unnecessary use of paper and printing resources, QBE's Annual Report is published on our website at www.qbe.com.

If you wish to receive a hard copy of the Annual Report, please update your communication preferences by logging into your shareholding at www.investorcentre.com.

Top 20 shareholders as at 31 January 2023

NAME	NUMBER OF SHARES	% OF TOTAL
HSBC Custody Nominees (Australia) Limited	503,774,141	33.93
J P Morgan Nominees Australia Pty Limited	350,927,399	23.64
Citicorp Nominees Pty Limited	181,216,948	12.21
National Nominees Limited	83,012,852	5.59
BNP Paribas Noms Pty Ltd (DRP)	59,301,799	3.99
Buttonwood Nominees Pty Ltd	38,332,106	2.58
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	30,301,515	2.04
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	20,203,333	1.36
Argo Investments Limited	9,540,088	0.64
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	8,363,538	0.56
HSBC Custody Nominees (Australia) Limited – A/C 2	4,938,802	0.33
HSBC Custody Nominees (Australia) Limited – GSCO ECA	4,148,730	0.28
Netwealth Investments Limited (Wrap Services A/C)	4,093,036	0.28
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	3,669,264	0.25
BNP Paribas Noms (NZ) Ltd (DRP)	3,230,182	0.22
ECapital Nominees Pty Limited (Accumulation A/C)	2,346,289	0.16
Mutual Trust Pty Ltd	1,969,946	0.13
HSBC Custody Nominees (Australia) Limited -GSI EDA	1,812,215	0.12
HSBC Custody Nominees (Australia) Limited	1,335,575	0.09
UBS Nominees Pty Ltd	1,239,960	0.09
	1,313,757,718	88.49

QBE substantial shareholders as at 31 January 2023

NAME	NUMBER OF SHARES	% OF TOTAL [1]	DATE OF NOTICE
AustralianSuper Pty Ltd	124,439,018	8.39	1 August 2022
State Street Corporation	90,387,067	6.09	4 October 2022
Vanguard Group (The Vanguard Group, Inc and its controlled entities)	80,289,148	6.06	17 May 2019
BlackRock Group (and its associated entities)	79,689,478	6.03	6 June 2019
Macquarie Group Limited	77,605,494	5.23	14 September 2022

1 Percentage of total at date of notice.

Distribution of shareholders and shareholdings as at 31 January 2023

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 1,000	43,209	58.26	16,520,112	1.11
1,001 to 5,000	24,777	33.40	56,026,919	3.77
5,001 to 10,000	3,889	5.24	27,282,596	1.84
10,001 to 100,000	2,204	2.97	47,033,248	3.17
100,001 and over	95	0.13	1,337,844,455	90.11
Total	74,174	100.00	1,484,707,330	100.00

Shareholdings of less than a marketable parcel as at 31 January 2023

	SHAREHOLDERS		SHARES	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Holdings of 37 or fewer shares[1]	3,723	5.02	48,419	0.0033

1 Determined based on less than marketable parcel of $500 based on a closing price of $13.74 on 31 January 2023.

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2023	**February**	**17**	Results and dividend announcement for the full year ended 31 December 2022
	March	**6**	Shares begin trading ex dividend
		7	Record date for determining shareholders' entitlement to the 2022 final dividend
		8	DRP/BSP election close date – last day to nominate participation in the DRP or BSP
	April	**14**	Payment date for the 2022 final dividend
	May	**12**	2023 Annual General Meeting
	June	**30**	Half year end
	August	**10**[1]	Results and dividend announcement for the half year ended 30 June 2023
		17[1]	Shares begin trading ex dividend
		18[1]	Record date for determining shareholders' entitlement to the 2023 interim dividend
		21[1]	DRP/BSP election close date – last day to nominate participation in the DRP or BSP
	September	**22**[1]	Payment date for the 2023 interim dividend
	December	**31**	Full year end

1 Dates shown may be subject to change.

10-year history

FOR THE YEAR ENDED 31 DECEMBER

		2022	2021	2020	2019[1]	2018[1]	2017[1]	2016	2015	2014	2013
Profit or loss information											
Gross written premium	US$M	**20,001**	18,457	14,643	13,442	13,657	13,328	14,395	15,092	16,332	17,975
Gross earned premium	US$M	**19,067**	17,035	14,008	13,257	13,601	13,611	14,276	14,922	16,521	17,889
Net earned premium	US$M	**14,327**	13,408	11,708	11,609	11,640	11,351	11,066	12,314	14,084	15,396
Claims ratio	%	**58.1**	62.4	76.3	69.8	63.6	71.5	58.2	60.4	63.2	64.5
Commission ratio	%	**14.8**	15.5	16.1	15.6	16.9	17.1	18.4	17.2	16.8	16.8
Expense ratio	%	**12.8**	13.6	15.0	14.6	15.4	15.9	17.4	17.3	16.1	16.5
Combined operating ratio	%	**85.7**	91.5	107.4	100.0	95.9	104.5	94.0	94.9	96.1	97.8
Investment income (loss)											
before net fair value gains/losses	US$M	**519**	531	432	555	690	576	641	541	676	691
after net fair value gains/losses	US$M	**(776)**	122	226	1,036	547	758	746	665	814	772
Insurance profit (loss)	US$M	**1,533**	1,215	(727)	647	826	(60)	1,075	1,031	1,074	841
Insurance profit (loss) to net earned premium	%	**10.7**	9.1	(6.2)	5.6	7.1	(0.5)	9.7	8.4	7.6	5.5
Financing and other costs	US$M	**245**	247	252	257	305	302	294	244	297	345
Operating profit (loss)											
before income tax	US$M	**919**	913	(1,472)	672	627	(793)	1,072	953	931	(448)
after income tax and non-controlling interests	US$M	**770**	750	(1,517)	571	567	(1,212)	844	687	742	(254)
Balance sheet and share information											
Number of ordinary shares on issue[2]	millions	**1,485**	1,477	1,471	1,305	1,327	1,358	1,370	1,370	1,363	1,247
Shareholders' equity	US$M	**8,990**	8,881	8,491	8,153	8,381	8,859	10,284	10,505	11,030	10,356
Total assets	US$M	**49,502**	49,303	46,625	40,035	39,582	43,862	41,583	42,176	45,000	47,271
Net tangible assets per share[2]	US$	**4.70**	4.36	4.05	4.11	4.22	4.29	4.90	5.07	5.32	4.75
Borrowings to total capital	%	**23.4**	26.9	25.8	24.0	24.5	27.1	24.1	24.0	24.1	32.8
Basic earnings (loss) per share[2]	US cents	**48.6**	47.5	(108.5)	41.8	29.0	(91.5)	61.6	50.3	57.4	(22.8)
Basic earnings (loss) per share – adjusted cash basis[3]	US cents	**57.2**	54.6	(60.7)	55.7	51.4	(19.2)	65.5	65.3	63.5	62.9
Diluted earnings (loss) per share	US cents	**48.2**	47.2	(108.5)	41.5	28.6	(91.5)	60.8	49.8	55.8	(22.8)
Return on average shareholders' equity	%	**8.6**	8.6	(18.2)	6.7	4.5	(13.0)	8.1	6.4	6.9	(2.3)
Dividend per share	Australian cents	**39**	30	4	52	50	26	54	50	37	32
Dividend payout	A$M	**578**	443	59	681	669	356	741	685	492	394
Total investments and cash[4]	US$M	**28,167**	28,967	27,735	24,374	22,887	26,141	25,235	26,708	28,583	30,619

1 Profit or loss information for 2017 to 2019 excludes the results of discontinued operations.

2 Reflects shares on an accounting basis.

3 Calculated with reference to adjusted cash profit or loss, being profit or loss after tax adjusted for impairment of intangibles and other non-cash items net of tax as well as coupons on Additional Tier 1 instruments.

4 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties; excludes balances held for sale.

Glossary

Accident year claims	The matching of all claims occurring (regardless of when reported or paid) during a given 12-month period with all premium earned over the same period.
Acquisition costs	The total of net commission and underwriting and other expenses incurred in the generation of net earned premium and often expressed as a percentage of net earned premium.
Admitted insurance	Insurance written by an insurance company that is admitted (or licensed) to do business in the state in the United States in which the policy was sold.
Agent	One who negotiates contracts of insurance or reinsurance as an insurance company's representative i.e. the agent's primary responsibility is to the insurance company, not the insured party.
Aggregate reinsurance	Reinsurance cover that provides protection for an accumulation of claims arising from multiple events over a specified period of time.
APRA	Australian Prudential Regulation Authority, being the Group's primary insurance regulator.
Attachment point	The amount of claims retained by the cedant in a reinsurance arrangement, after which reinsurance protection will apply.
Borrowings to total capital	The Group's gearing ratio (also referred to as debt to total capital), calculated as borrowings expressed as a percentage of total capital. Total capital is shareholders' equity plus Tier 1 instruments classified as liabilities (which are excluded from borrowings for the purposes of this calculation), and subordinated debt.
Broker	One who negotiates contracts of insurance or reinsurance on behalf of an insured party, receiving a commission from the insurance or reinsurance company for placement and other services rendered. In contrast with an agent, the broker's primary responsibility is to the insured party, not the insurance company.
Capacity	In relation to a Lloyd's member, the maximum amount of insurance premium (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, it is the aggregate of each member's capacity allocated to that syndicate.
Captive	A licensed entity within the Group that provides reinsurance protection to other controlled entities.
Cash profit or loss	Profit or loss after tax attributable to QBE shareholders, adjusted for the post-tax effect of amortisation and impairment of intangibles and other non-cash items.
Casualty insurance	Insurance that is primarily concerned with the claims resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance.
Catastrophe claims ratio	Total of all net claims resulting from catastrophe events as a percentage of net earned premium.
Catastrophe reinsurance	A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for financial losses related to an accumulation of claims resulting from a catastrophe event or series of events.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims incurred	The aggregate of all claims paid during an accounting period adjusted for the change in the claims provision in that accounting period.
Claims provision	The estimate of the most likely cost of settling present and future claims and associated claims adjustment expenses plus a risk margin to cover possible fluctuation of the liability.

Claims ratio	Net claims incurred as a percentage of net earned premium.
Coefficient of variation	The measure of variability in the net discounted central estimate used in the determination of the probability of adequacy.
Combined operating ratio (COR)	The sum of the net claims ratio, commission ratio and expense ratio. A combined operating ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss.
Commercial lines	Refers to insurance for businesses, professionals and commercial establishments.
Commission	Fee paid to an agent or broker as a percentage of the policy premium. The percentage varies widely depending on coverage, the insurer and the marketing methods.
Commission ratio	Net commission expense as a percentage of net earned premium.
Credit spread	The difference in yield between a bond and a reference yield (e.g. BBSW or a fixed sovereign bond yield).
Credit spread duration	The weighted average term of cash flows for a corporate bond. It is used to measure the price sensitivity of a corporate bond to changes in credit spreads.
Deductible	The amount or proportion of some or all losses arising under an insurance contract that the insured must bear.
Deferred acquisition costs	Acquisition costs relating to the unexpired period of risk of contracts in force at the balance date which are carried forward from one accounting period to subsequent accounting periods.
Ex-cat claims ratio	Net claims excluding catastrophe claims, prior accident year claims development and movements in risk margin, as a percentage of net earned premium.
Excess of loss reinsurance	A form of reinsurance in which, in return for a premium, the reinsurer accepts liability for claims settled by the original insurer in excess of an agreed amount, generally subject to an upper limit.
Expense ratio	Underwriting and administrative expenses as a percentage of net earned premium.
Facultative reinsurance	The reinsurance of individual risks through a transaction between the reinsurer and the cedant (usually the primary insurer) involving a specified risk.
General insurance	Generally used to describe non-life insurance business including property and casualty insurance.
Gross claims incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Gross earned premium (GEP)	The proportion of gross written premium recognised as revenue in the current accounting period, reflecting the pattern of the incidence of risk and the expiry of that risk.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium.
Incurred but not enough reported (IBNER)	The upward adjustment to claims incurred as a result of the initial under-estimation of the ultimate cost of claims.
Incurred but not reported (IBNR)	Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date.
Insurance profit or loss	The sum of the underwriting result and net investment income or loss on assets backing policyholders' funds.
Insurance profit margin	The ratio of insurance profit or loss to net earned premium.

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2 Operating and financial review
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Glossary continued

Inward reinsurance	See Reinsurance.
Lead/non-lead underwriter	A lead underwriter operates in the subscription market and sets the terms and price of an insurance or reinsurance policy. The follower or non-lead underwriter is an underwriter of a syndicate or an insurance or reinsurance company that agrees to accept a proportion of a given risk on terms set by the lead underwriter.
Lenders' mortgage insurance (LMI)	A policy that protects the lender (e.g. a bank) against non-payment or default on the part of the borrower on a residential property loan.
Letters of credit (LoC)	Written undertaking by a financial institution to provide funding if required.
Limit	The maximum amount that a reinsurer will pay in respect of claims covered by a reinsurance contract.
Lloyd's	Insurance and reinsurance market in London. It is not a company but is a society of individuals and corporate underwriting members.
Lloyd's managing agent	An underwriting agent which has permission from Lloyd's to manage one or more syndicates and carry on underwriting and other functions for a member.
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Managing General Agent (MGA)	A wholesale insurance agent with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. MGAs generally provide underwriting and administrative services such as policy issuance on behalf of the insurers they represent. Some may handle claims.
Maximum event retention (MER)	An estimate of the largest claim to which an insurer will be exposed (taking into account the probability of that loss event at a return period of one in 250 years) due to a concentration of risk exposures, after netting off any potential reinsurance recoveries and inward and outward reinstatement premiums.
Modified duration	The weighted average term of cash flows in a bond. It is used to measure the price sensitivity of a bond to changes in interest rates.
Multi-peril crop insurance (MPCI)	United States federally regulated crop insurance protecting against crop yield losses by allowing participating insurers to insure a certain percentage of historical crop production.
Net claims incurred	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
Net claims ratio	Net claims incurred as a percentage of net earned premium.
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium.
Net written premium (NWP)	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.
Outstanding claims liability	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Personal lines	Insurance for individuals and families, such as private motor vehicle and homeowners' insurance.
Policyholders' funds	The net insurance liabilities of the Group.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.

Premium solvency ratio	Ratio of net tangible assets to net earned premium. This is an important industry indicator in assessing the ability of general insurers to settle their existing liabilities.
Prescribed Capital Amount (PCA)	The sum of the capital charges for asset risk, asset concentration risk, insurance concentration risk and operational risk as required by APRA. The PCA must be disclosed at least annually.
Probability of adequacy	A statistical measure of the level of confidence that the outstanding claims liability will be sufficient to pay claims as and when they fall due.
Proportional reinsurance	A type of reinsurance in which the insurer and the reinsurer share claims in the same proportion as they share premiums.
Prudential Capital Requirement (PCR)	The sum of the PCA plus any supervisory adjustment determined by APRA. The PCR may not be disclosed.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.
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. The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
Reinsurance to close	A reinsurance agreement under which members of a syndicate, for a year of account to be closed, are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate.
Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer. The term includes retrocessionaires, being insurers that assume reinsurance from a reinsurer.
Retention	That amount of liability for which an insurer will remain responsible after it has completed its reinsurance arrangements.
Retrocession	Reinsurance of a reinsurer by another reinsurance company.
Return on allocated capital (RoAC)	Divisional management-basis profit as a percentage of allocated capital as determined by the Group's economic capital model.
Return on equity (ROE)	Net profit after tax as a percentage of average shareholders' equity.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Stop loss reinsurance	A form of excess of loss reinsurance which provides that the reinsurer will pay some or all of the reinsured's claims in excess of a stated percentage of the reinsured's premium income, subject (usually) to an overall limit of liability.
Surplus (or excess) lines insurers	In contrast to admitted insurers, every state in the United States also allows non-admitted (or surplus lines or excess lines) carriers to transact business where there is a special need that cannot or will not be met by admitted carriers. The rates and forms of non-admitted carriers generally are not regulated in that state, nor are the policies back-stopped by the state insolvency fund covering admitted insurance. Brokers must inform insurers if their insurance has been placed with a non-admitted insurer.
Survival ratio	A measure of how many years it would take for dust disease claims to exhaust the current level of claims provision. It is calculated on the average level of claims payments in the last three years.

Glossary continued

Syndicate	A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent.
Total investment income or loss	Gross investment income or loss including foreign exchange gains and losses and net of investment expenses.
Total shareholder return (TSR)	A measure of performance of a company's shares over time. It includes share price appreciation and dividend performance.
Treaty reinsurance	Reinsurance of risks in which the reinsurer is obliged by agreement with the cedant to accept, within agreed limits, all risks to be underwritten by the cedant within specified classes of business in a given period of time.
Underwriting	The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
Underwriting expenses	The aggregate of policy acquisition costs, excluding commissions, and the portion of administrative, general and other expenses attributable to underwriting operations.
Underwriting result	The amount of profit or loss from insurance activities exclusive of net investment income or loss and capital gains or losses.
Underwriting year	The year in which the contract of insurance commenced or was underwritten.
Unearned premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
Volume weighted average price (VWAP)	A measure of the average trading price during a period, adjusted for the volume of transactions. This is often used for determining the share price applicable to dividend and other share-related transactions.

QBE Insurance Group Limited

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