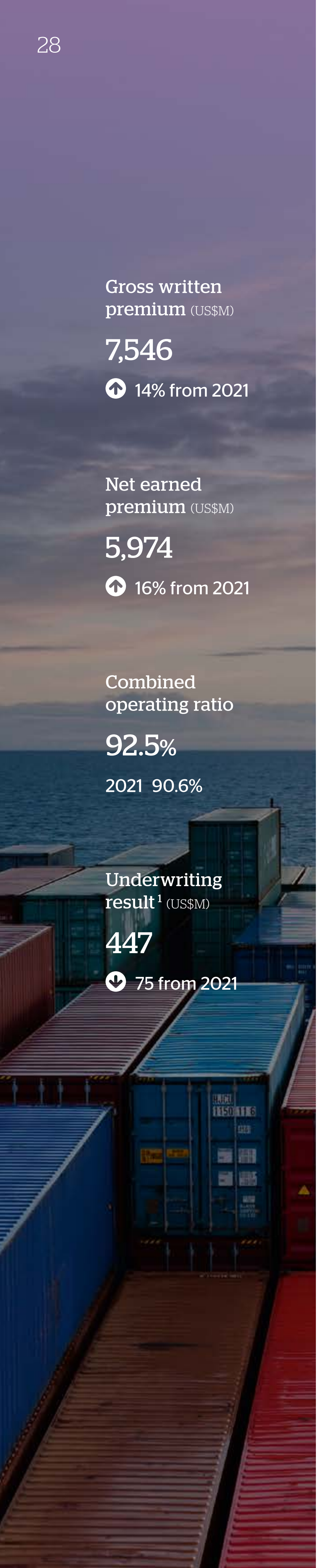
International business review



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

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.

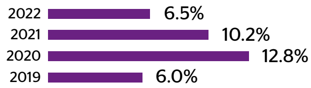
The net commission ratio improved by 0.3% to 17.4%, mainly representing favourable changes in portfolio mix.

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%

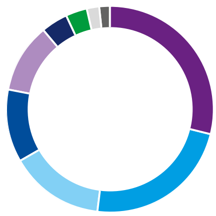
3.7% from 2021



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