

QBE INSURANCE GROUP LTD

FACT SHEET

SEPTEMBER 2024

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Issuer Outline

QBE Insurance Group Limited is an insurance company that underwrites most forms of commercial and industrial insurance policies, as well as individual policies. QBE also manages Lloyds syndicates and provides investment management services. The Company provides its services both domestically and internationally.

Sector:	Financial
Sub-Sector:	Insurance
Country:	AU
Ownership:	Public

IAM Credit View

We have a positive recommendation on the QBE Credit. QBE has strong capitalisation and gearing comfortably around the middle of its target range. Its balance sheet is robust with a strong prescribed capital amount (PCA) coverage ratio at the top end of the 1.6-1.8x range. QBE demonstrated strong results in 1H24 with 5.5% GWP growth and an improved combined ratio of 93.8% (full year outlook of ~93.5%). QBE has made good strategic progress on the North American closure which will improve capital efficiency.

From a relative value standpoint, we believe the QBE AUD Tier 2 curve has potential to tighten from here especially as it trades wider than the AUD Major Bank Tier 2 curve. The company's credit quality has strengthened, which is also illustrated by S&P's move to positive outlook in May 2024. Note, the longer dated Tier 2s tend to generate demand based on all-in yields, so the longer dated Tier 2 bonds potentially could perform better vs the shorter dated Tier 2 bonds, all-else-equal.

- QBE is the largest P&C insurance company in Australia with an established business franchise and excellent capital levels.
- The group has a wide global footprint across 27 countries; its main three markets are the US, Europe, and Australia.
- QBE has a diversified underwriting portfolio with the commercial risk business being the largest segment,

Issuer Credit Rating & Outlook

Agency	Rating	Outlook
S&P	A-	POS
Moody's	A3	STABLE
Fitch	A-	STABLE

Key Financials (USD m)

YE 31 December	2023	2022
Gross Premiums Written	21,748	20,001
Net Premiums Earned	20,826	14,327
Insurance Results	1,315	1,533
Net Profit	1,355	770
Combined Ratio	95.2%	85.7%
Return on Equity	16.0%	8.6%
PCA Coverage Ratio	182%	179%
Investment Assets	28,670	27,299
Total Debt	2,798	2,744
Total Equity	9,953	8,990
Net Premium Leverage	209.2%	159.4%

Investment Assets (%)	2023	2022
Cash	26.90%	22.20%
Bonds	65.90%	89.20%
Equity	1.50%	1.40%
Property	1.90%	2.70%
Infrastructure	3.10%	3.00%
Other	0.60%	0.80%

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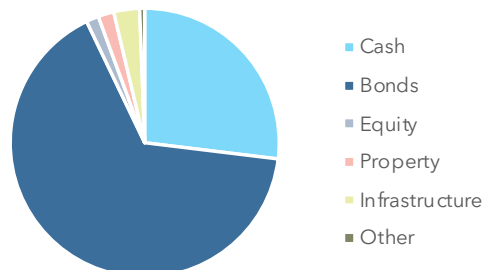
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accounting for 30.3% of gross written premiums (GWP) in FY23.

- QBE's balance sheet strength is robust with a strong prescribed capital amount (PCA) coverage ratio of 182% (1.82x) in FY23.
- The investment portfolio is conservative with almost 88% being placed in fixed-income instruments, of which over 85% is A-and above rated and mostly of short duration.

Investment Assets (%)



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Tier 2 Structure

Interest Deferral/Cancellation	Interest is non-deferrable, subject to the issuer remaining solvent at the time of payment.
Non-Viability Trigger	If APRA determines that an issuer requires capital support to prevent it becoming non-viable (a 'non-viability event'), the insurer may be required to write-off some or all the face value of the notes or convert some or all of the notes into ordinary shares.
Optional Redemption Date	The notes do have an optional redemption date. This means that the issuer may redeem Subordinated Notes on the optional redemption date with APRA approval.

Company Background

QBE Group Insurance is the largest non-life insurer in Australia in terms of total assets, capital size and consolidated premiums. It has a wide global footprint across 27 countries, with the US business (QBE North America) accounting for about 34.7% of the group's premiums in FY23 (the year ending Dec-23), the International (mostly European risk) business at 40.5%, and Australia Pacific operations at 24.8%. QBE specialises in commercial risk, which accounts for 30.3% of consolidated GWP in FY23. Other major lines of business of the group include crop insurance from North America (20.7%), public/product liability (13.0%), motor insurance (9.9%), and professional indemnity (6.6%).

Risks & Catalysts

- Given the company's exposure to very large risk policies and its operations in catastrophe-prone countries, natural disasters remain one of the top risks to the group.
- Out of QBE's three core divisions, its North American operation (~35% of GWP) is a problematic performer, as reflected by its asset impairments and reserve strengthening over the years.
- QBE expects favourable pricing conditions despite continued inflation, geopolitical unrest and climate-related events with mid-single digit growth in GWP and targets a combined ratio of ~93% in FY24.
- As compared to its major Australian peers, QBE's capital is more susceptible to foreign currency risk and property risk, but less so to equity risk.

For more information call 1300 784 132 or email adviserservices@incomeam.com

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Summary Bond Details

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call ¹	Maturity Date	Issue Rating (S&P/Moody's/Fitch)
AU3CB0313229	AUD350m	Subordinated	6.303%	Semi-annual	11 September 2034	11 September 2039	BBB / - / BBB
AU3FN0091427	AUD400m	Subordinated	3mBBSW + 1.95%	Quarterly	11 June 2030	11 June 2035	BBB / - / BBB
AU3FN0055489	AUD500m	Subordinated	3mBBSW + 2.75%	Quarterly	25 August 2026	25 August 2036	BBB- / Baa1 / BBB
AU3FN0082384	AUD330m	Subordinated	3mBBSW + 2.55%	Quarterly	26 October 2028	26 October 2038	BBB- / - / BBB
AU3FN0078747	AUD300m	Subordinated	3mBBSW + 3.10%	Quarterly	28 June 2029	28 June 2039	BBB- / - / BBB

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