

QBE Insurance Group

2019

**half year**

**fixed income**

**investor update**

Thursday 15 August 2019

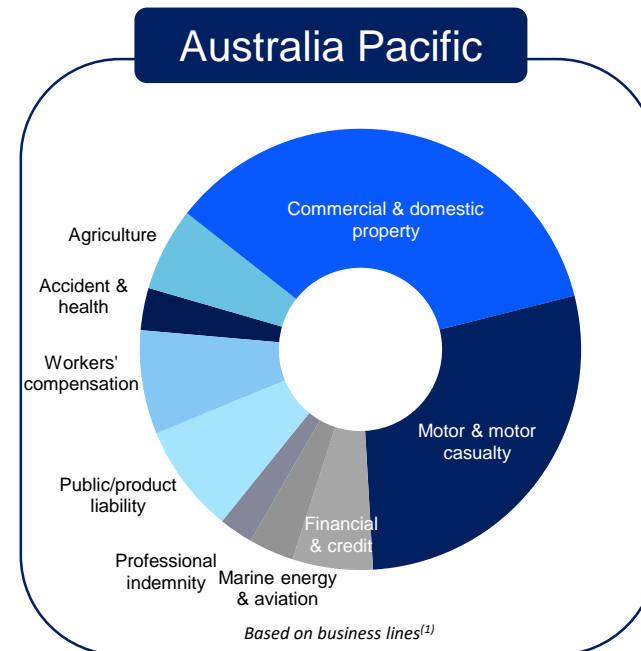
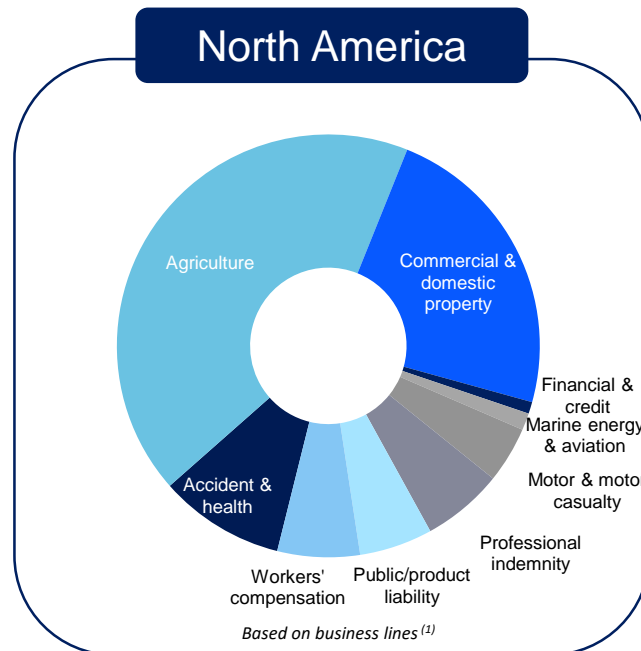
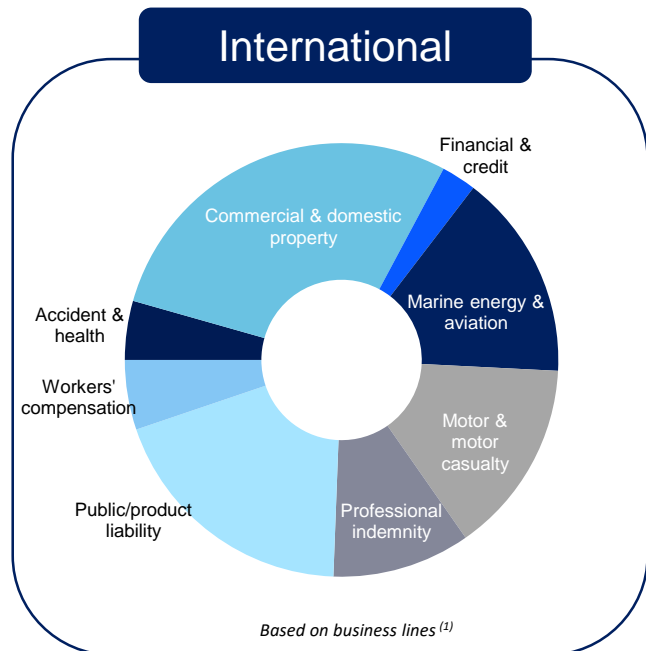
All figures in US\$ and as at 30 June 2019 unless otherwise stated



## QBE Insurance Group Limited (“QBE”) operates in 3 segments with operations in 28 countries globally

QBE is an international general insurance and reinsurance company, with meaningful operations in the major insurance hubs. QBE is listed on the Australian Securities Exchange and headquartered in Sydney, Australia.

QBE is a specialty property and casualty insurer and reinsurer, with primary focus on commercial lines.



1. Approximate representation of divisional gross written premium by class.

## Maintaining a strong capital position

- PCA multiple at 1.75x (1.6x-1.8x target range)
- Remains above S&P 'AA' minimum levels
- Shareholder returns of A\$0.5Bn

## Ratings

- S&P, Moody's, Fitch and AM Best affirmed QBE's credit ratings
- Moody's revised outlook from negative to stable
- Ratings are supported by the Group's globally diversified multiline business, strong market positions and robust balance sheet

## Regulatory

- QBE is regulated by key global regulators in Australia, UK, Europe, USA and Bermuda





## Reducing Debt

- Borrowings reduced by \$540M since December 2017 via repurchase of \$594M (face value) of senior debt
- Debt to equity ratio down from 40.8% at December 2017 to 36.8%, closer to the 25%-35% target range
- Net reduction of \$1,856M in value of borrowings since December 2012





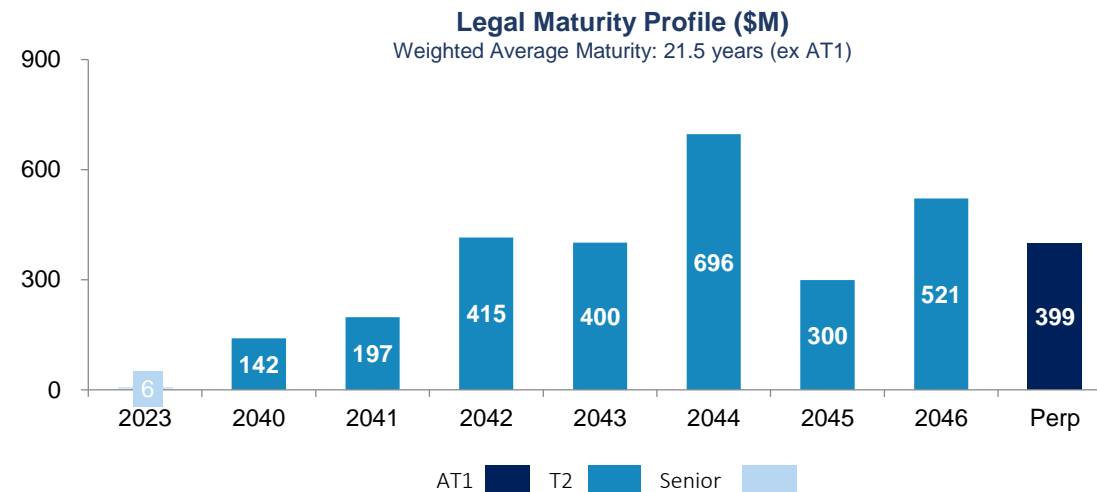
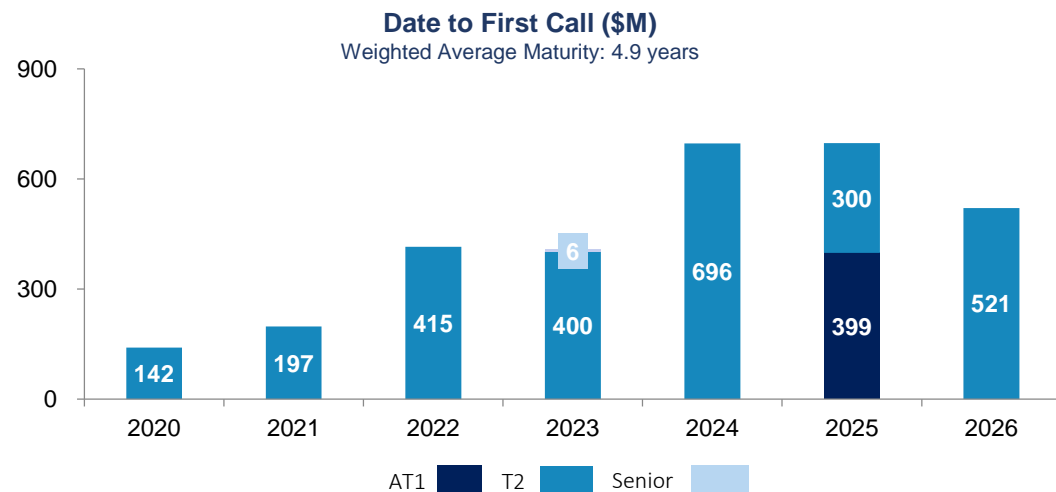
## QBE Insurance Group is rated by 4 major rating agencies

|   | Long Term<br>FSR <sup>(1) (2)</sup> | Debt Issue<br>ICR <sup>(3)</sup> | Outlook | Rating<br>Affirmation |
|---|-------------------------------------|----------------------------------|---------|-----------------------|
|    | A+                                  | A-                               | Stable  | May 2019              |
|    | A (excellent)                       | bbb+                             | Stable  | July 2019             |
|    | A+                                  | A-                               | Stable  | July 2019             |
|  | A1                                  | A3                               | Stable  | April 2019            |

1. Insurance Financial Strength ratings: reflects ability of an insurer to meet its obligations and claims

2. Insurance Financial Strength (IFS) ratings, as applicable to operating insurance entities. QBE Insurance Group Limited as the holding company is rated two notches lower

3. Debt ratings: reflects ability of the company to pay the security holder's interest in addition to principal repayment

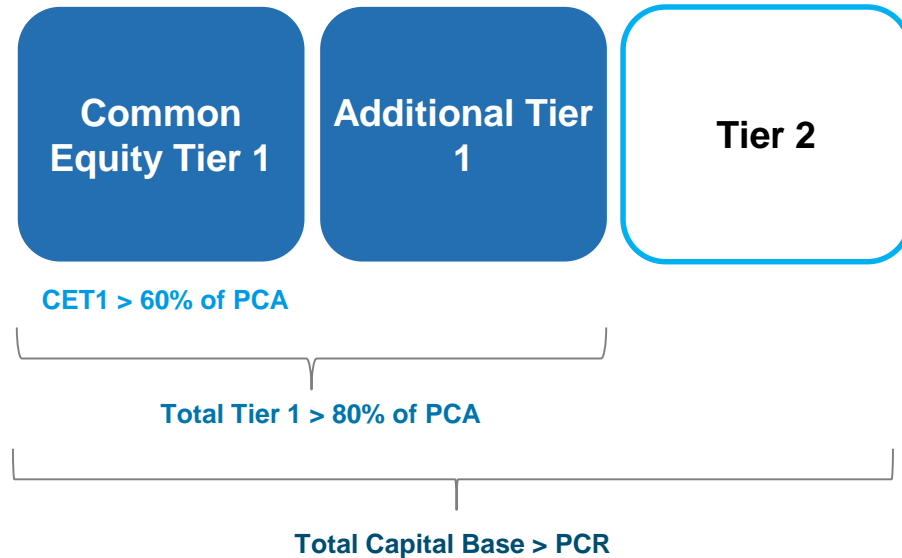


|                                  | Issued Debt       | Ccy | Issue Date | Outstanding Value (USD) | Coupon         | First Call Date | Maturity Date |
|----------------------------------|-------------------|-----|------------|-------------------------|----------------|-----------------|---------------|
| <b>Junior Subordinated (AT1)</b> | AT1               | USD | Nov-17     | 399                     | 5.250%         | May-25          | Perp          |
| <b>Subordinated (Tier 2)</b>     | AUD 25NC5 Sep-20  | AUD | Sep-15     | 142                     | 3M BBSW + 4.0% | Sep-20          | Sep-40        |
|                                  | USD 30NC10 May-21 | USD | May-11     | 167                     | 7.250%         | May-21          | May-41        |
|                                  | GBP 30NC10 May-21 | GBP | May-11     | 30                      | 7.500%         | May-21          | May-41        |
|                                  | GBP 30NC10 May-22 | GBP | May-16     | 415                     | 6.115%         | May-22          | May-42        |
|                                  | USD 30NC10 Nov-23 | USD | Oct-16     | 400                     | 7.500%         | Nov-23          | Nov-43        |
|                                  | USD 30NC10 Dec-24 | USD | Nov-14     | 696                     | 6.750%         | Dec-24          | Dec-44        |
|                                  | USD 30NC10 Nov-25 | USD | Nov-15     | 300                     | 6.100%         | Nov-25          | Nov-45        |
|                                  | USD 30NC10 Jun-26 | USD | Jun-16     | 521                     | 5.875%         | Jun-26          | Jun-46        |
| <b>Senior</b>                    | 2023 Senior       | USD | Sep-17     | 6                       | 3.000%         | -               | May-23        |

Total issued debt

3,076

## Capital Base / Tiers of Capital



Source: Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", January 2013

| \$M          | 1H19  |
|--------------|-------|
| Capital Base | 8,866 |
| PCA          | 5,056 |
| PCA Multiple | 1.75x |

## Point of Non-Viability Loss Absorption

- All Additional Tier 1 and Tier 2 must include loss absorption provisions (via conversion or write-down) upon a non-viability trigger event
- Both sequential (loss absorption hierarchy) and partial loss absorption amongst parity securities are permitted by APRA:

*"A regulated institution may provide for Additional Tier 1 Capital instruments to be converted or written off prior to any conversion or write-off of Tier 2 Capital instruments. In these circumstances, conversion or write-off of Tier 2 Capital instruments will only be necessary to the extent that conversion of Additional Tier 1 Capital instruments has not resulted in APRA withdrawing the notice issued to the regulated institution" - Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", January 2013*

- APRA has stated that it is of the view that it is **less likely for insurers (compared to banks) to trigger non-viability** in Australia:

*"A decision by APRA that it is necessary to trigger write off or conversion in circumstances where an insurer would otherwise become non-viable is expected to be less likely for insurers than may be expected to be the case for ADIs. This reflects the different nature of the circumstances that may lead to an insurer becoming non-viable and the options available to APRA and the insurer to address such situations." - APRA Response to Submissions – Review of capital standards for general insurers and life insurers, December 2011*

**QBE is focused on the governance and sustainability of our business, being a great employer and on making a positive contribution to the economies and communities in which we operate.**

Our Sustainability Framework helps us drive performance and manage risks across the areas of sustainability that are most important to our business and stakeholders.



## Key Achievements



Developed a detailed approach for how we manage climate-related risks. See [Our Approach to Climate Change](#) for more information.



Developed a [Group Energy Policy](#) to support an orderly transition to a lower carbon global economy.



Included in the 2019 Bloomberg Gender-Equality Index.



Committed to developing a [Financial Inclusion Action Plan](#) in Australia.



Joined RE100 and committed to sourcing 100% renewable electricity for our operations by end of 2025.



See [the Sustainability section](#) of our website for more information.



## Forward Focus



Ambition to grow our impact investments to \$1 billion by 2021. Refer to the [Premiums4Good](#) section of our website for more information.



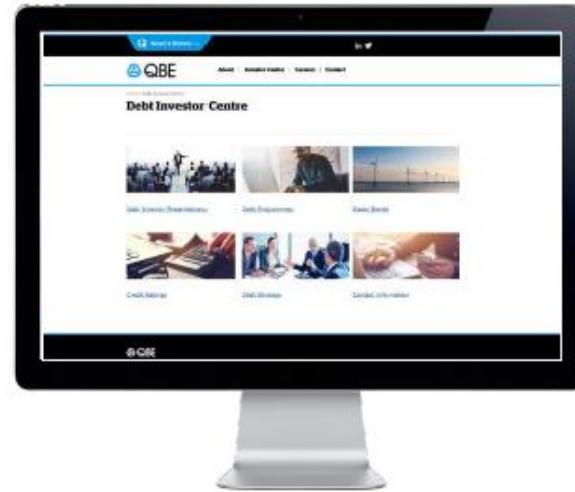
Continue to implement our Climate Change Action Plan (in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures). Refer to our [2018 Annual Report](#) for more information.



Continued focus on 5 key Sustainable Development Goals (SDGs) across our business:



Further information about QBE's role in the SDGs can be found in our [2018 Sustainability Report](#).



[www.group.qbe.com/investor-centre/disclaimer/debt-investor-centre](http://www.group.qbe.com/investor-centre/disclaimer/debt-investor-centre)

## Contact our Global Treasury team

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The information in this presentation provides an overview of the results for the half year ended 30 June 2019.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange (“ASX”). Copies of those lodgments are available from either the ASX website [www.asx.com.au](http://www.asx.com.au) or QBE’s website [www.qbe.com](http://www.qbe.com).

The information is supplied in summary form and is therefore not necessarily complete. Prior to making a decision in relation to QBE’s securities, products or services, investors, potential investors and customers must undertake their own due diligence as to the merits and risks associated with that decision, which includes obtaining independent financial, legal and tax advice on their personal circumstances. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

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Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and

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Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no reduction in premium rates in excess of our business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts ;recoveries from our strong reinsurance panel; no unplanned asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this presentation.

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