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12 November 2018

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

Dear Sir/Madam,

UBS AUSTRALASIAN CONFERENCE 2018 PRESENTATION

Please find attached a copy of QBE's presentation to be delivered today.

Yours faithfully

Carolyn Scobie
Company Secretary

Attachment

QBE Insurance Group

UBS Australasian Conference 2018

Pat Regan Group Chief Executive Officer

Monday 12 November 2018

All figures in US$ unless otherwise stated

Agenda

- 2018 performance update
- LMI update
- 2019 reinsurance program
- Outlook

2018 performance update

Pricing remains favourable

1H18 average rate increase of 4.6%[1]

3Q average rate increase 5.9%[1]

3Q YTD average rate increase 5.0%[1]

Cell Reviews and Brilliant Basics rollout ongoing

400+ reviews YTD

Underwriting MI improving: hazard index analysis & rate adequacy

Global underwriting standards in place by year end

Underwriting trends

Attritional claims ratio improving

Large risk & cat within allowance

Hazard index reducing

Improving investment yield

Bottom of 2.25%-2.75% target range

Upper end of 2.25%-2.75% target range (incl risk-free rate benefit)

Rising risk-free rates bode well for 2019

Balance sheet strengthened

PCA benefit from LatAm settlement

PCA stable at upper end of range

2018 buyback commitment (A$333M) complete

Simplification agenda progressing

Argentina, Brazil, Ecuador, Mexico, Thailand completed

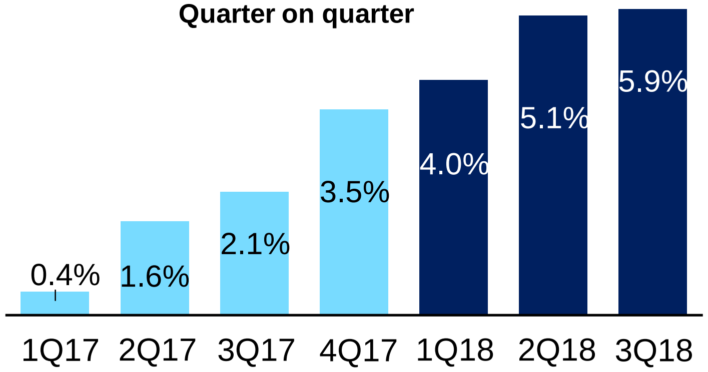
NA personal lines

Puerto Rico sale progressing

1. Excludes CTP

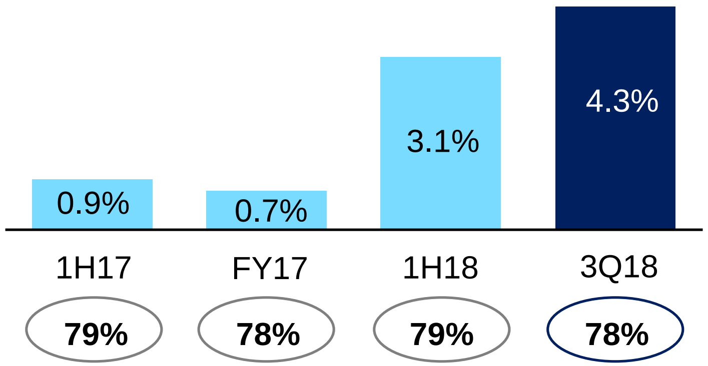
Pricing momentum maintained

Positive Group-wide[1] trend…

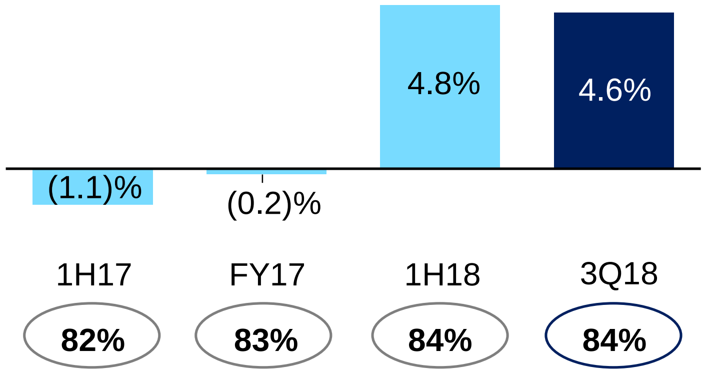


- Premium rate increases continue
- Asia Pacific rates now positive
- Group-wide retention stable
- 3Q18 YTD +5.0%[1] (3Q17 +1.4%)[1]

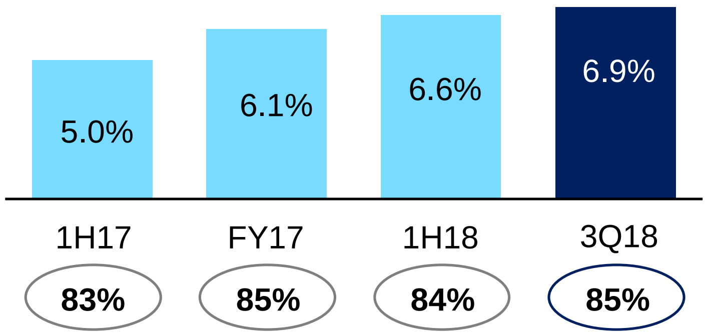
North America



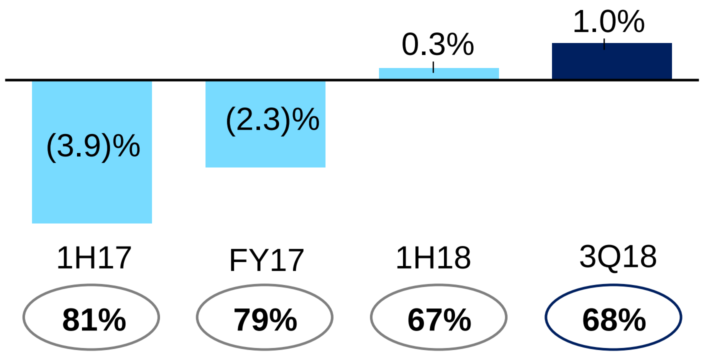
Europe



Australia & New Zealand[1]



Asia Pacific



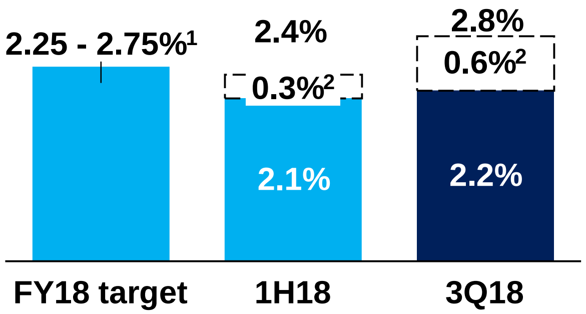
12mth premium rate change

12mth premium retention

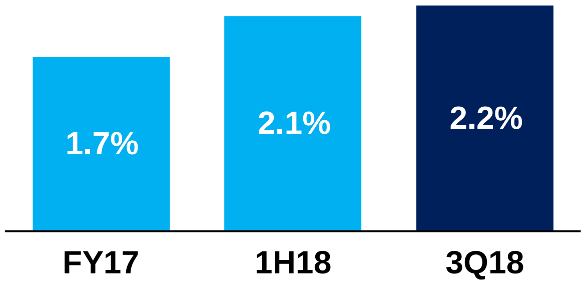
1. Group and Australia & New Zealand premium rate changes exclude CTP

Investment performance improved in 3Q18

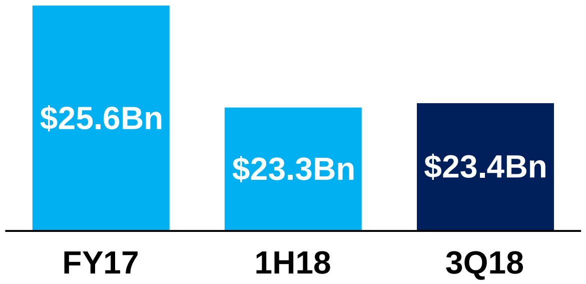
Annualised net investment return



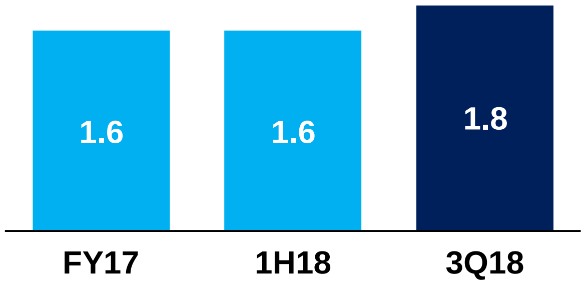
Fixed income running yield



Funds under management[3]



Duration



- **3Q markets volatile - rising yields**
- **USD duration extended through 3Q**
- **Growth asset allocation increased to 12%, 3Q YTD annualised returns of ~12%**
- **FUM stable post the 1H18 capital actions**
- **FY18 return towards top of 2.25%-2.75% (including risk-free rate liability benefit)**

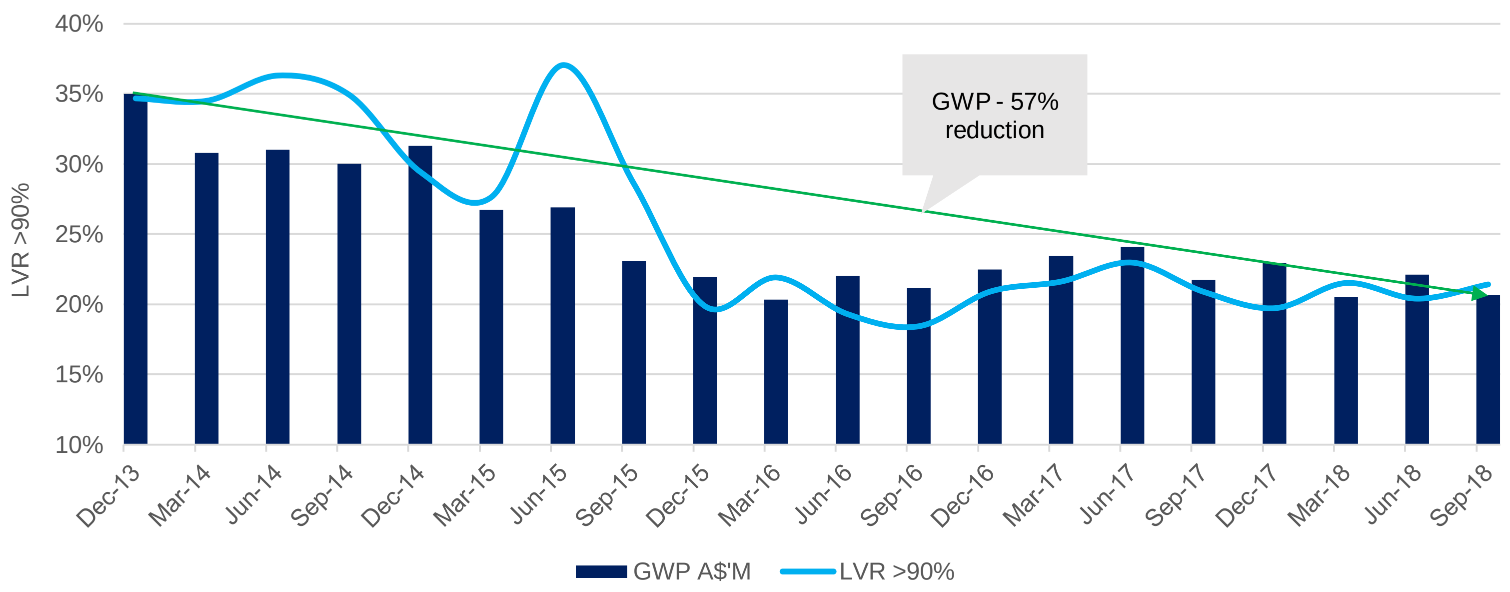
1. Full year 2018 investment return target range revised to exclude Latin American Operations held for sale at 30 June 2018
2. Impact of higher risk-free rates used to discount net outstanding claims
3. Continuing operations basis

LMI – a smaller book with better quality new business

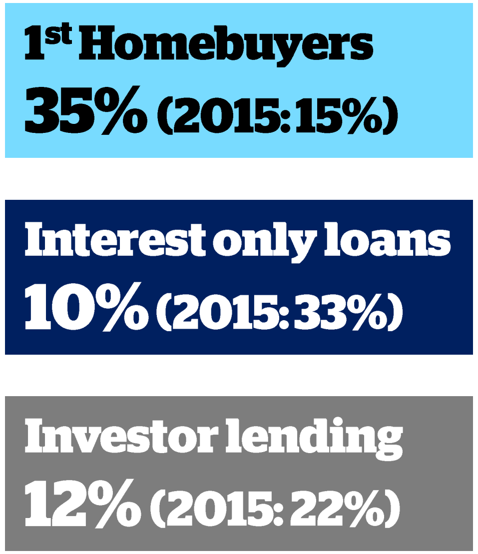
LMI new business has halved since 2013

Reduced new business volumes, lower LVR lending and aging has resulted in an effective LVR of ~50%

QBE LMI new business and +90% LVR decreasing



New business trends



2019 reinsurance placement - progressing to plan

Not renewing in-the-money risk and catastrophe aggregate treaty

Returning to a more traditional catastrophe reinsurance structure

More appropriate risk cover

Optimising balance sheet protection, capital credit, cost and earnings variability

Earnings volatility: upside and downside

Positive impact on attritional and expense ratios

Outlook

Our 2018 priorities

1. Simplify QBE
2. Brilliant Basics
3. Drive performance improvement
4. Further reposition North America
5. Remediate Asia
6. Further develop talent and culture
7. Build for the future

2018 targets

COMBINED OPERATING RATIO	95.0% – 97.0%[1,2]
INVESTMENT RETURN	2.25% – 2.75%[2]

Reinsurance placement & cost-out

ASX release and briefing call	Tuesday 11th December 9am (AEDT)

1. Assumes risk-free rates as at 31 December 2017
2. Full year 2018 combined operating ratio and investment return target ranges have been amended to exclude Latin American Operations held for sale at 30 June 2018

Questions & Answers

Disclaimer

The information in this presentation provides an overview of the unaudited results YTD 2018 as at 30 September 2018.

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 or QBE’s website www.qbe.com.

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

This presentation contains certain “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “outlook” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and QBE assumes no obligation to update such information.

Any forward-looking statements assume 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.

This presentation does not constitute an offer or invitation for the sale or purchase of securities. In particular, this presentation does not constitute an offer of securities for sale in the United States, or to any person that is, or is acting for the account or benefit of, any U.S. Person, or in any other jurisdiction in which such an offer would be illegal. Securities of QBE may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. Persons without registration under the Securities Act or an exemption from registration.

UBS Australasian conference

12th November 2018

Presentation script

Slide 2: Agenda

Good morning everybody and thank you for joining me today.

I have a few items to talk about this morning, including a brief update on the insurance pricing environment, how our 2018 full year performance is tracking, a few comments on our LMI business, and a very high-level overview of our 2019 reinsurance plans which are progressing nicely.

Before I get underway though, I wanted to touch briefly on our recent announcement regarding the consolidation of the Group's divisional structure. The move from what used to be five/six divisions (pre-our Latam sale) to now three operating divisions is an important further step along our path to simplification.

Remediation of Asia Pacific is now largely complete and has led to much improved loss ratios but also naturally led to some reduction in premium income. The restructure allows us to right-size the back office, while maintaining oversight of the Asia and Pacific regions and also keeping the customer focus of the local operating teams.

These changes will also contribute to the Group-wide cost-out initiative that we will discuss in a separate announcement on December 11.

Slide 3: 2018 performance update

Turning to our 2018 performance.

We have continued to make good progress since the first half results, with Q3 being in line with expectations in all divisions.

Pricing

The global pricing environment has remained supportive in Q3, which combined with our approach to pricing in our cell reviews, helped us achieve a Q3 YTD premium rate increase of 5.0% up from 4.6% at the half year.

I will talk more about premium rates shortly.

Cell Reviews and Brilliant Basics Rollout

On cell reviews we have done another two full rounds. This takes the total completed to over 400 in 2018. This is in addition to the cell reviews undertaken separately by the divisions themselves – which number in the thousands.

These reviews continue to be a really important tool for us to drive underwriting discipline. A CEO led process looking in detail at each of our underwriting portfolios on a regular basis makes a difference. With each round of reviews that takes place, we are also improving the forward-looking underwriting MI and developing a better data set to make decisions. For example: exposure analysis, rate adequacy tracking etc.

I am really pleased to say that Jason Brown, currently of CEO of Asia Pacific, will assume the brand-new role of Group Chief Underwriting Officer from 1 January. This role (together with the divisional CUOs) is fundamental to the success of the Brilliant Basics program of work and helping me drive the cell review process. The success Jason has achieved in decisively re-underwriting our book in AP (as well as his knowledge of the overall group) means he's very well equipped to handle this new challenge.

As I have said previously, implementation of our Brilliant Basics program is not an easy task to undertake and requires significant dedication. Very very few international insurers even try a common standard of underwriting, pricing and claims across their group. We are aiming for a common level of excellence in every portfolio in every country where we do business. We aren't there yet but we are progressing well. For example, by year end we will have global underwriting standards in place right across the group.

As I’ve said before this isn’t just about achieving common minimum standards everywhere, although that is important. But moving to genuine levels of market leading excellence – the Brilliant in BB. Whether that’s using machine learning, open source data, insuretech partnerships to accelerate things like pricing or risk selection or advanced data analytic techniques, I am passionate about QBE achieving genuine market leading capabilities. And as another example Tim Pitt recently joined us from XL Catlin in the brand-new role of Global Head of Pricing to help us accelerate our efforts there.

We are committed to the Brilliant Basics process and believe that this will be a key differentiator in our performance.

Underwriting trends

I am pleased to say that at the end of Q3 we are well positioned to deliver against our combined operating ratio target range of 95%-97%. Probably most importantly, our attritional claims ratio continues to edge lower.

On large risk and CAT claims you will have seen that a number of international insurers recently reported profit warnings from either large individual risk claims and/or CAT activity.

Our large risk claim frequency continues to trend down, and catastrophe claims YTD are comfortably within allowances. This isn’t by accident. All of this is a by-product of portfolio simplification, the country exits and the re-underwriting we have been doing across the group. For example we continue to reduce our hazard index for the property portfolio and have further reduced catastrophe aggregate exposure in non-peak zones such as Fiji.

Improving investment yield

Given our short asset duration, QBE is uniquely positioned to benefit from rising interest rates.

While global investment markets have been quite volatile in the second half of the year and especially so in October, it is pleasing to see risk-free rates continue their upward trajectory, led by US Treasuries.

Although higher risk-free rates adversely impact our current year investment return this is completely offset by the benefit of higher risk-free rates to discount liabilities. And I am pleased with our YTD investment performance and higher yields bode well for comfortably higher returns in FY19 and beyond.

I will talk in more detail about our investment returns in a moment.

Balance sheet strengthened

I am pleased with the current strength and positioning of the balance sheet.

Our PCA multiple is stable towards the upper end of our target range and our reserving PoA is also expected to be stable at 90%.

Simplification agenda progressing

Through 2018 we have made numerous decisions to exit or sell underperforming and/or overly complex businesses. Which I might add, we have managed to do at a premium to book value.

The work that has been done to date is significant.

The new news today is that the sale agreement for the remainder of the North American personal lines operations is now imminent and should be announced very shortly. Combined with the other transactions we have announced this year, this simplification program of work is now largely complete, and we are approaching a position upon which we can look to build and selectively grow going forward.

Slide 4: Pricing momentum maintained

A notable feature of the Group's HY result was our premium rate increases and I am pleased that we have another quarter of healthy rate increases.

In fact the Group achieved an average rate increase of 5.9% in Q3, up from 5.1% in Q2 and 4.0% in Q1.

For Q3 2018 YTD we have achieved an average Group-wide rate increase of 5.0% which compares to 1.4% at Q3 2017.

While market conditions are certainly a little more supportive, we believe our forensic approach to portfolio analysis and increasingly sophisticated assessment of premium rate adequacy by class of business is contributing to above market-average premium rate increases. A few examples this year include:

- In our Australian business – 17.7% for commercial property, 14.2% for Aviation 14.2%, and 10% in strata
- For our European operations –10.6% in international property, or 8.9% for Financial lines and 18.6% in the Reinsurance casualty portfolio

- And in North America we have achieved 10.1% in reinsurance A&H, and 8.6% in our accident and health portfolio
- Importantly for the recovery in Asia Pacific, rate trends have continued to improve further with now a slight positive overall.

Just as pleasing as the level of premium rate increases being achieved is that retention levels have continued to hold up. These results are directly attributable to our granular and forensic drive for premium rate increases - trying to achieve the right rate increases on the right risks.

Slide 5: Investment performance improved in Q318

Turning now to our investment performance in a little more detail.

Risk-free rates have risen further since 30 June and have generated unrealised mark-to-market movements in our fixed income book, albeit those mark to market movements were completely offset by discount rate gains on the liability side of the balance sheet.

Including significant further market volatility in October, we now anticipate a net investment return near the bottom end of our previously announced target range of 2.25%-2.75%. However, including the discount rate benefit in the underwriting result, our investment return is likely to come in towards the top end of the target range.

We have taken advantage of higher US yields to extend duration, with asset duration extended to 1.8 years during Q3 (and around 1.9 years today) from 1.6 years at 30 June.

As we look to finalise our 2019 plans, it is pleasing to see our fixed income running yield had increased to 2.2% at Q3. This, coupled with additional term premium generated by duration extension and a modestly increased exposure to growth/risk assets, bodes well for higher returns in 2019.

Slide 6: LMI – a smaller book with better quality new business

Given recent publicity around the slowdown in residential property values, I thought it was worth a brief discussion on our LMI business.

A modest decline in residential property values will not of its own accord cause major stress in our mortgage insurance business and of course unemployment, which is the real driver of mortgage stress, remains at or near record lows with a stable outlook.

And the book is now of a different and higher quality.

New business volumes are now less than half the level they were in 2013. And new business quality is much stronger:

- Greater than 90% LVR lending down from 35% to 20% of new business today;
- Interest only lending has fallen to 10% of new business from 33% in 2015; and
- investor lending is down to 12% from 22% over the same time horizon.

Notwithstanding the modest recent pullback in property prices, many years of strong property returns coupled with those recent new business lending dynamics has contributed to an average effective LVR of around 50%.

Slide 7: 2019 reinsurance placement - progressing to plan

As we said with the release of the interim result, we are not going to renew the in-the-money risk and catastrophe aggregate treaty that has been in place since 2015.

Although the aggregate has served the Group well, the treaty is no longer appropriate for numerous reasons including pricing, the time value of money as interest rates rise and the growing exposure to a single reinsurer.

More importantly, as we improve underwriting disciplines, we expect to see a further reduction in the frequency of large individual risk claims. If we were to maintain in-the-money reinsurance, then our improved risk profile would not translate into an improved combined operating ratio.

Our 2019 reinsurance placement will therefore look much more traditional. The placement is very much progressing to plan and will include the following features relative to the expiring program:

- A significantly lower peak zone catastrophe retention, being the US and Australia
- An even greater reduction in non-peak zone catastrophe retention
- Significantly increased vertical catastrophe limit and
- a traditional catastrophe aggregate treaty - protecting against multiple medium sized CATs, as well as
- significantly lower per risk retention

Overall, we expect to be better protected against catastrophes but will retain more on the frequency of our large individual risk claims. With the work being undertaken across the Group to improve underwriting discipline and reduce our risk profile, I think it is appropriate that we 'eat a little more of our own cooking' so to speak on the frequency of large risk claims.

As we mentioned at the HY, while our overall reinsurance expense 2019 will be less than 2018, we think it's prudent (without the aggregate treaty) to budget for a slightly higher net cost of large individual risk and catastrophe claims in 2019 -overall a slight 2019 P&L headwind.

That said, this headwind should only be temporary, as the frequency of large risk claims reduce.

Slide 11 – 2018 Outlook slide

Finally, to reiterate our FY18 full year targets.

We continue to target a FY18 combined operating ratio of 95.0% - 97.0%.

Including the beneficial impact of higher risk-free rates used to discount claims liabilities, we think our investment return is likely to be towards the end of the target range.

In closing, I am pleased with the progress we have made on our key priorities, executing against our strategic agenda, achieving rate increases, improving underwriting performance, hiring high quality talent while at the same time ensuring we build a QBE for the future.

I now believe that we have the right operating structure, the right team, and are well placed to move the Group forward and complete the rebuild of QBE to be a leading international specialty insurer and reinsurer.

And I look forward to updating you again on December 11 on our Group-wide cost-out program and the finalised details of our 2019 reinsurance.