QBE Insurance Group

2018 full year results

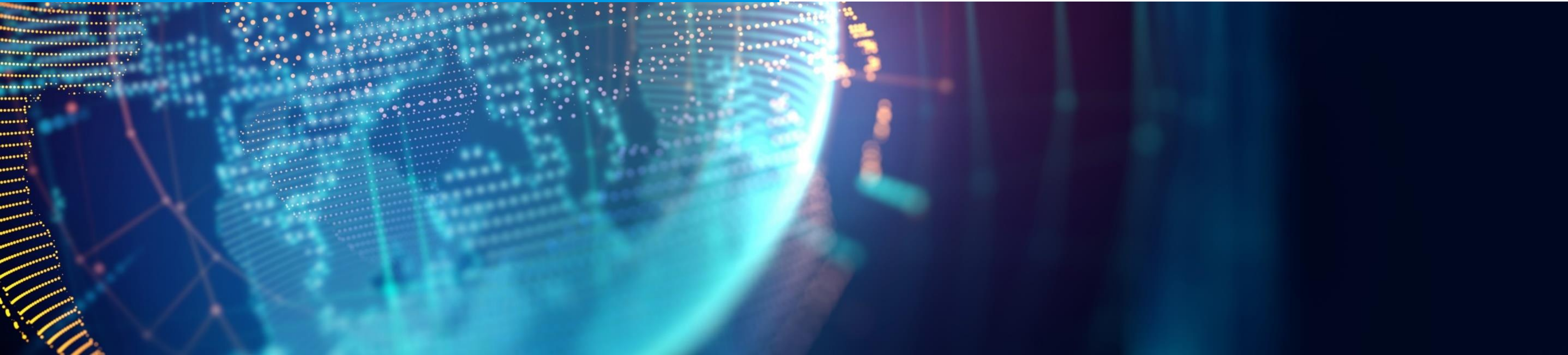
Monday 25 February 2019

All figures in US$ unless otherwise stated

QBE

Pat Regan

Group Chief Executive Officer



2018 year in review

QBE

Simplified and more focused

Portfolio simplified

Exited loss making portfolios at a premium to book

3 divisions going forward

Targeted de-risking

Activities improving consistency

Reduced catastrophe exposure

Improved property hazard profile

Cell reviews

Strengthened performance mgmt and accountability

Driving consistency of performance and earnings quality

Helping achieve above market rate increases

Brilliant Basics accelerating

Group-wide standardisation

Global underwriting standards in place

Global claims standards in place

Step change in pricing capability

Pricing momentum

2018 average rate increase of 5.0%[1]

Premium rate increases in all regions

Strong momentum in 2H

Delivered 2018 in line with targets

Combined operating ratio 95.7%[2]

~3% improvement in attritional ratio[3]

~2% improvement in CAY (ex cat)

~4% GWP growth[4]

Strong balance sheet

2018 buyback commitment complete

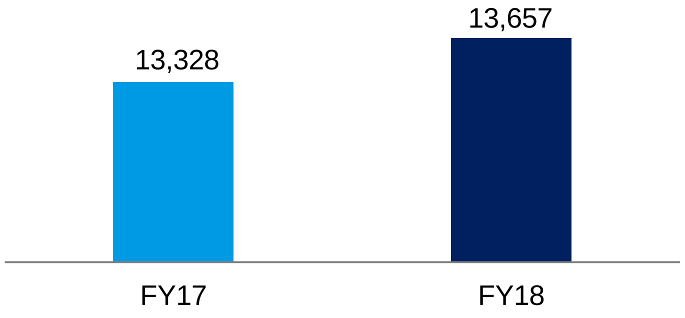
PCA towards top end of range

S&P capital remains above 'AA' level

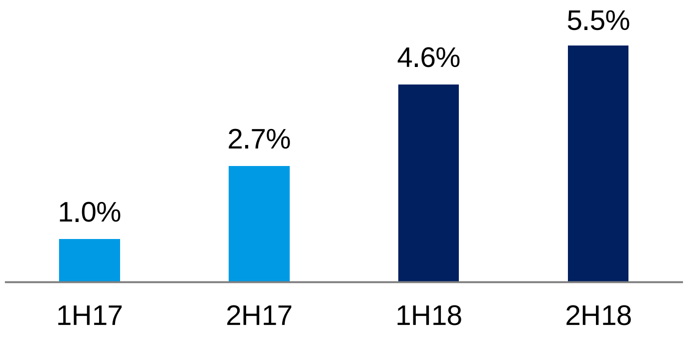
1. Excludes CTP
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3. Excludes Crop and LMI
4. Continuing operations and adjusted constant currency basis

Results snapshot[1]

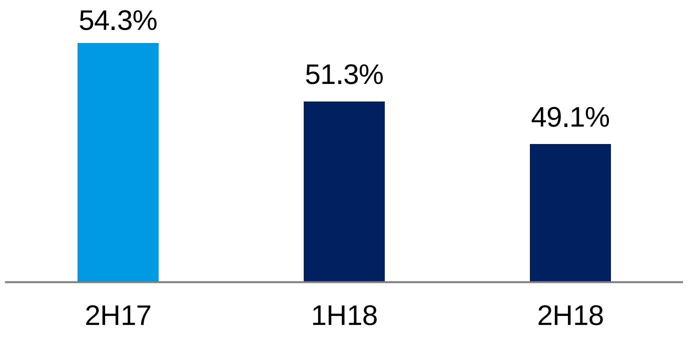
GWP ($M)



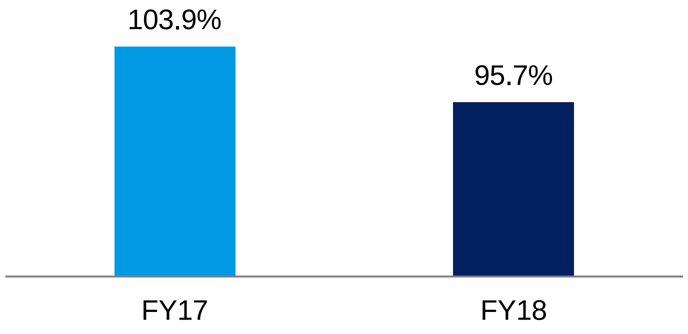
Premium rate increases



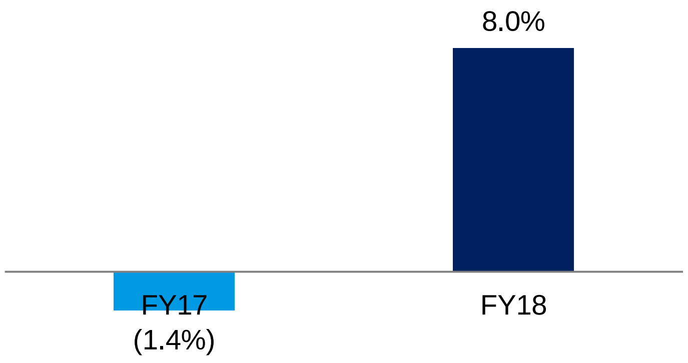
Attritional claims ratio[2]



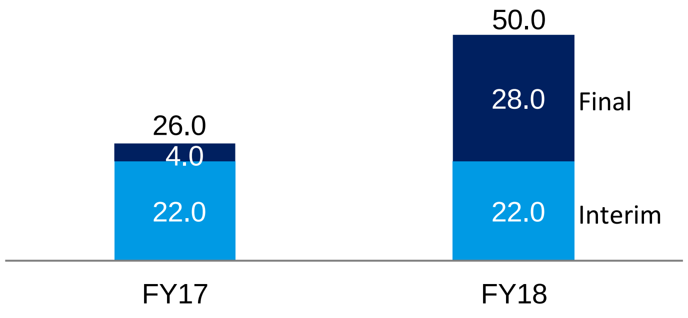
COR[3]



Cash RoE



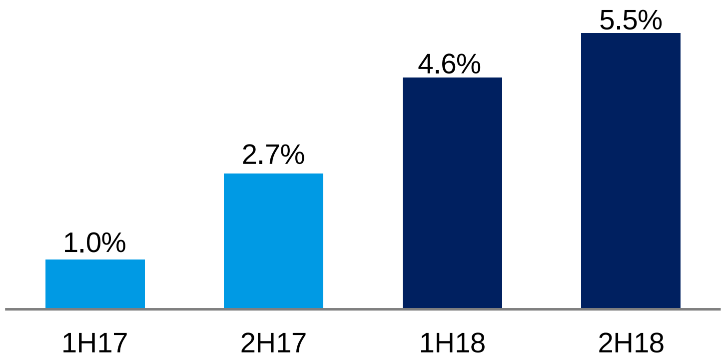
Dividend per share (A¢)



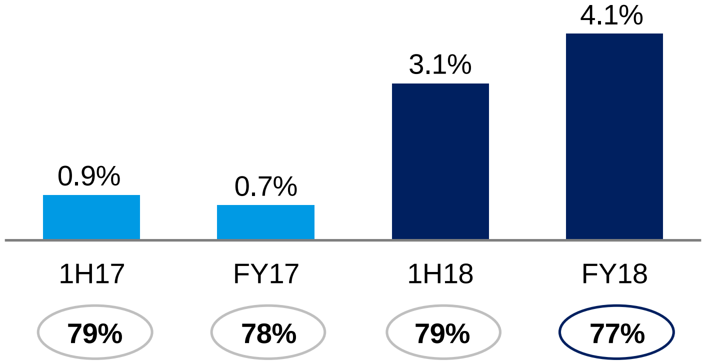
1. Continuing operations and adjusted basis
2. Excludes Crop and LMI
3. Excludes the impact of changes in risk-free rates used to discount net outstanding claims

Pricing momentum

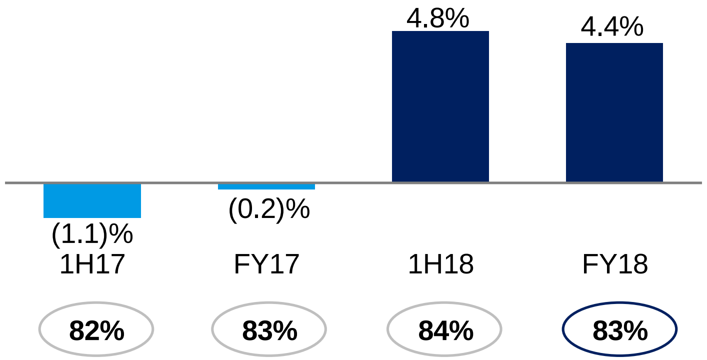
Positive HoH trend Group-wide[1]…



North America

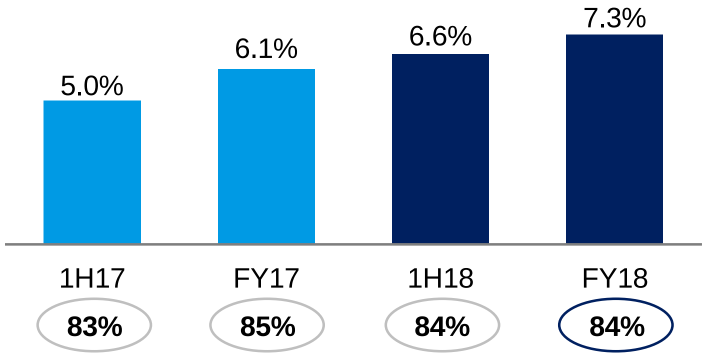


Europe

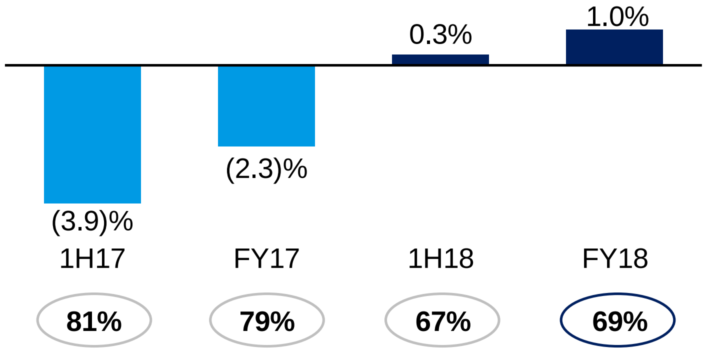


- 2018 +5.0%[1] (FY17 +1.8%[1])
- Targeted rate increases in all markets
- Group-wide retention stable

Australia & New Zealand[1]



Asia Pacific

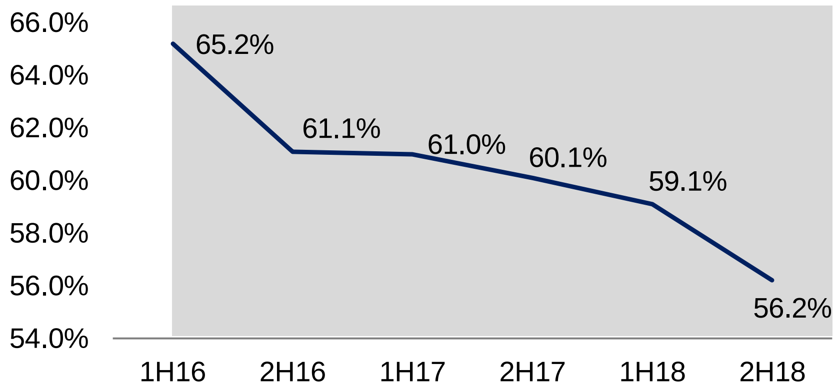


12mth premium rate change   12mth premium retention

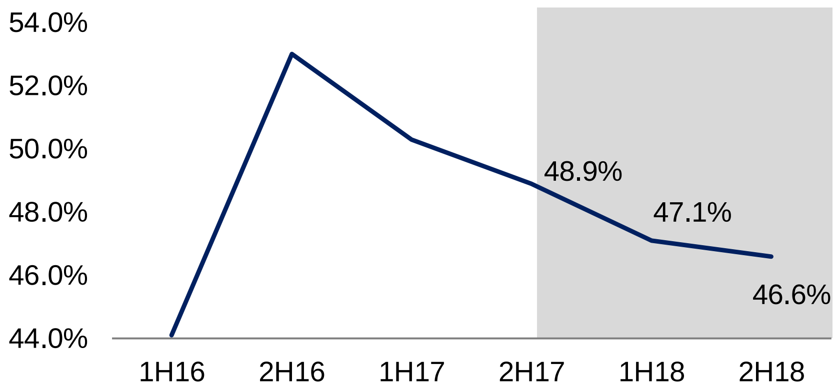
1. Group and Australia & New Zealand premium rate changes exclude CTP

Actions to date are driving a lower attritional claims ratio[1]

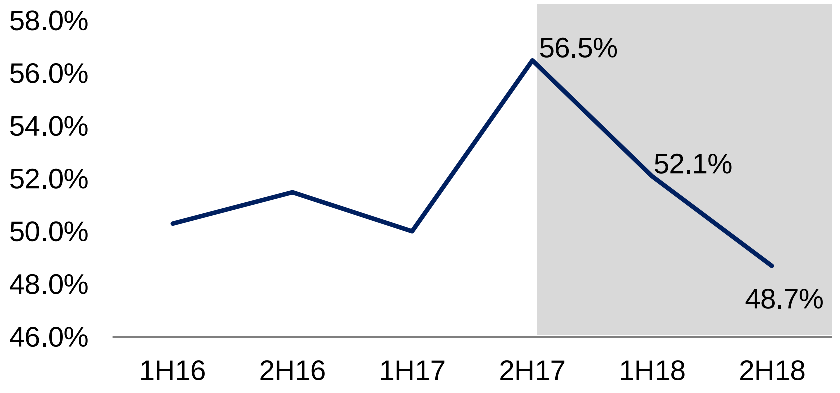
Australia & New Zealand[2]



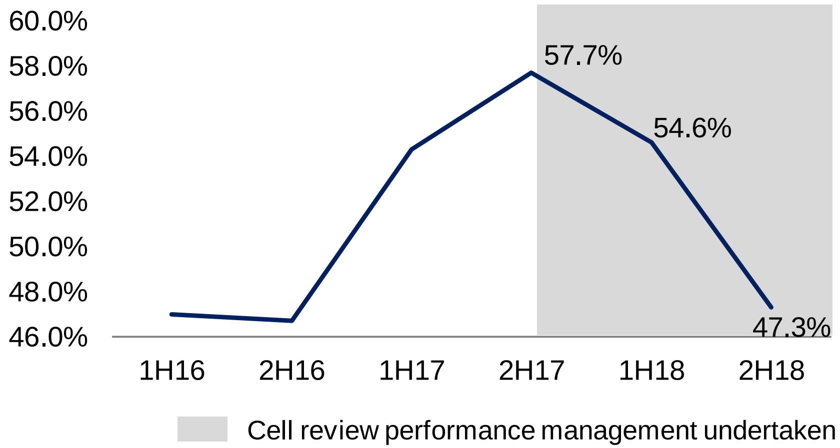
Europe



North America[3]



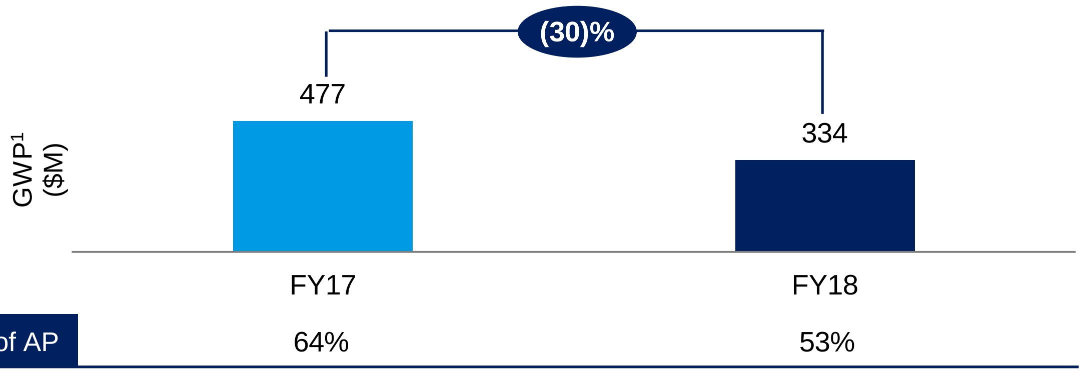
Asia Pacific



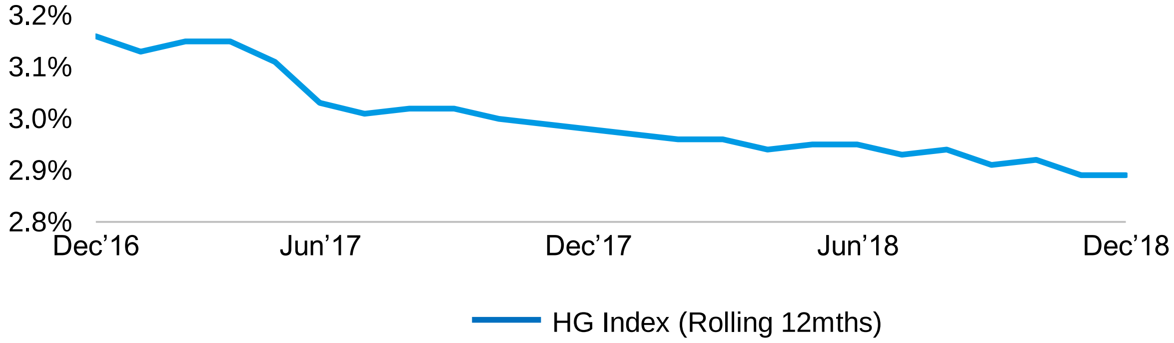
1. Adjusted basis as presented in annual and half year reports
2. Excludes LMI
3. Excludes Crop

Remediate Asia: return to underwriting profit in 2H

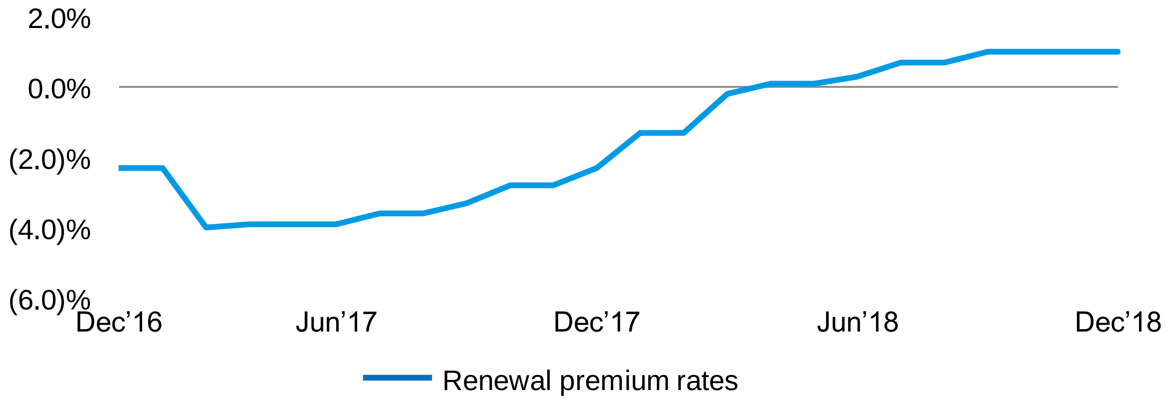
Significant reduction in poorly performing segments



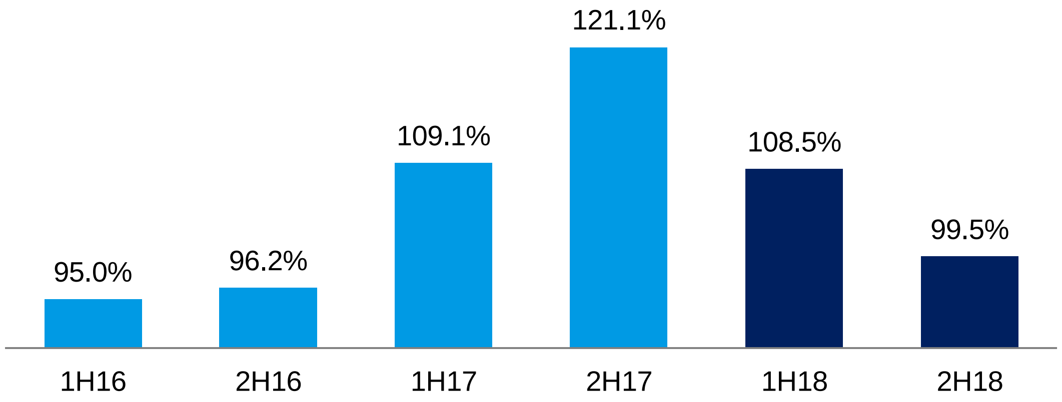
Property hazard grade improving



Improving rate momentum

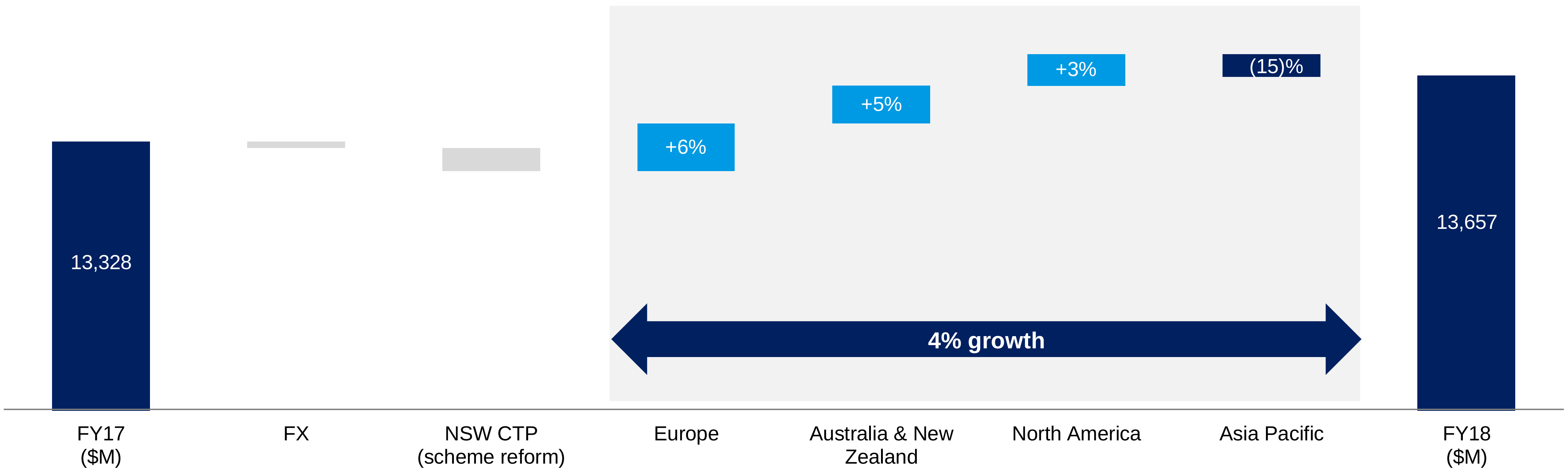


Remediation actions improving results[2]



1. Gross written premium of portfolios subject to Profit Improvement Plans
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims

GWP: underlying premium growth of 4%[1]



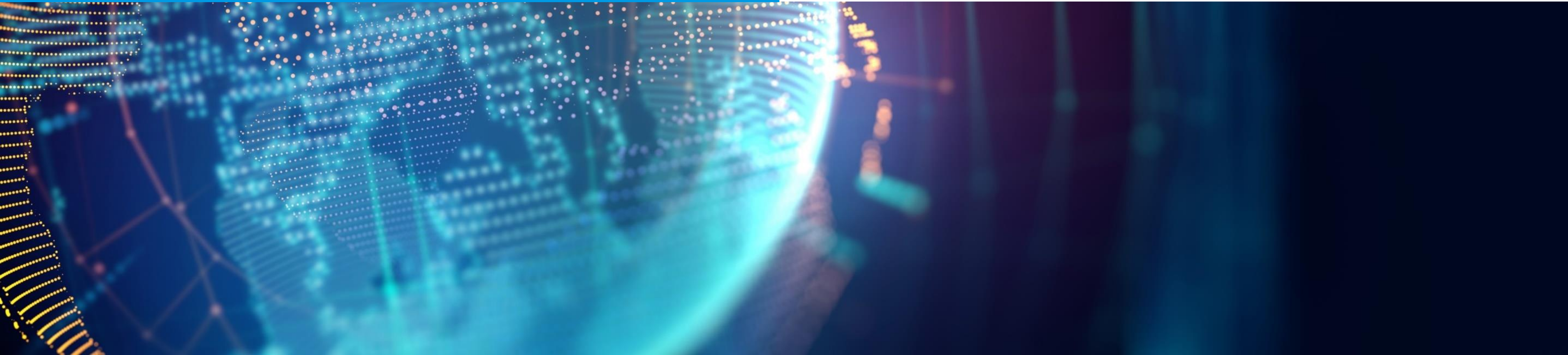
1. Continuing operations and adjusted constant currency basis

Evolution of cell reviews and Brilliant Basics

	2018 Activities	2019 Priorities
Cell reviews	Over 500 cell reviews completed Attritional ratio improvement in all divisions Rate adequacy improvement in all divisions Focus on addressing underperforming cells	• Cell reviews - increased sophistication and granularity • Continue focus on addressing underperforming cells • Portfolio and capital optimisation • Selective growth in high performing cells
Brilliant Basics	Global underwriting standards Global claims standards created Global claims upgrades	• Detailed underwriting guides for priority portfolios • Optimisation of aggregate management • Led by Group Chief Underwriting Office • More digitally enabled customer claims journeys

Inder Singh

Group Chief Financial Officer

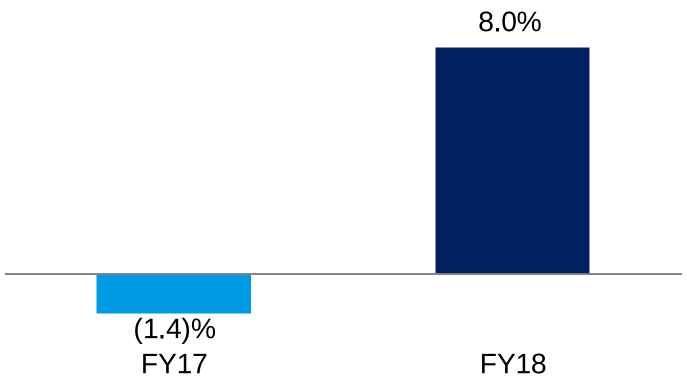


Financial results summary

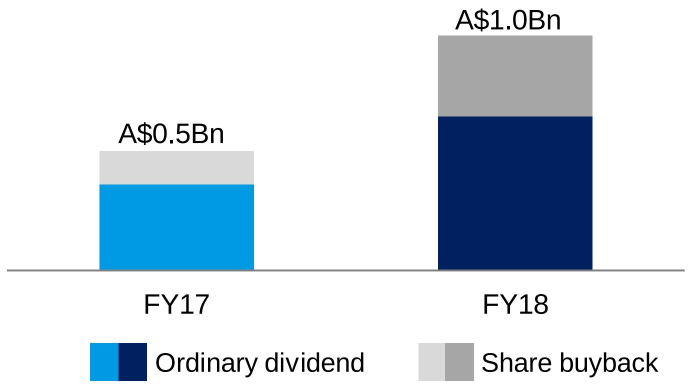
Adjusted operating results

		FY17[1,2,3]	FY18[3,4]
GWP	$M	13,328	13,657
NEP	$M	11,768	11,830
Net claims ratio	%	71.5	64.0
Net commission ratio	%	16.5	16.4
Expense ratio	%	15.3	15.2
COR	%	103.3	95.6
COR (ex discount rate)	**%**	**103.9**	**95.7**
Net investment yield	%	3.1	2.2
Financing & other costs	$M	(302)	(305)
Amortisation and impairment of intangibles	$M	(40)	(80)
Cash net (loss) profit after tax	**$M**	**(262)**	**715**

Cash ROE increasing[5]

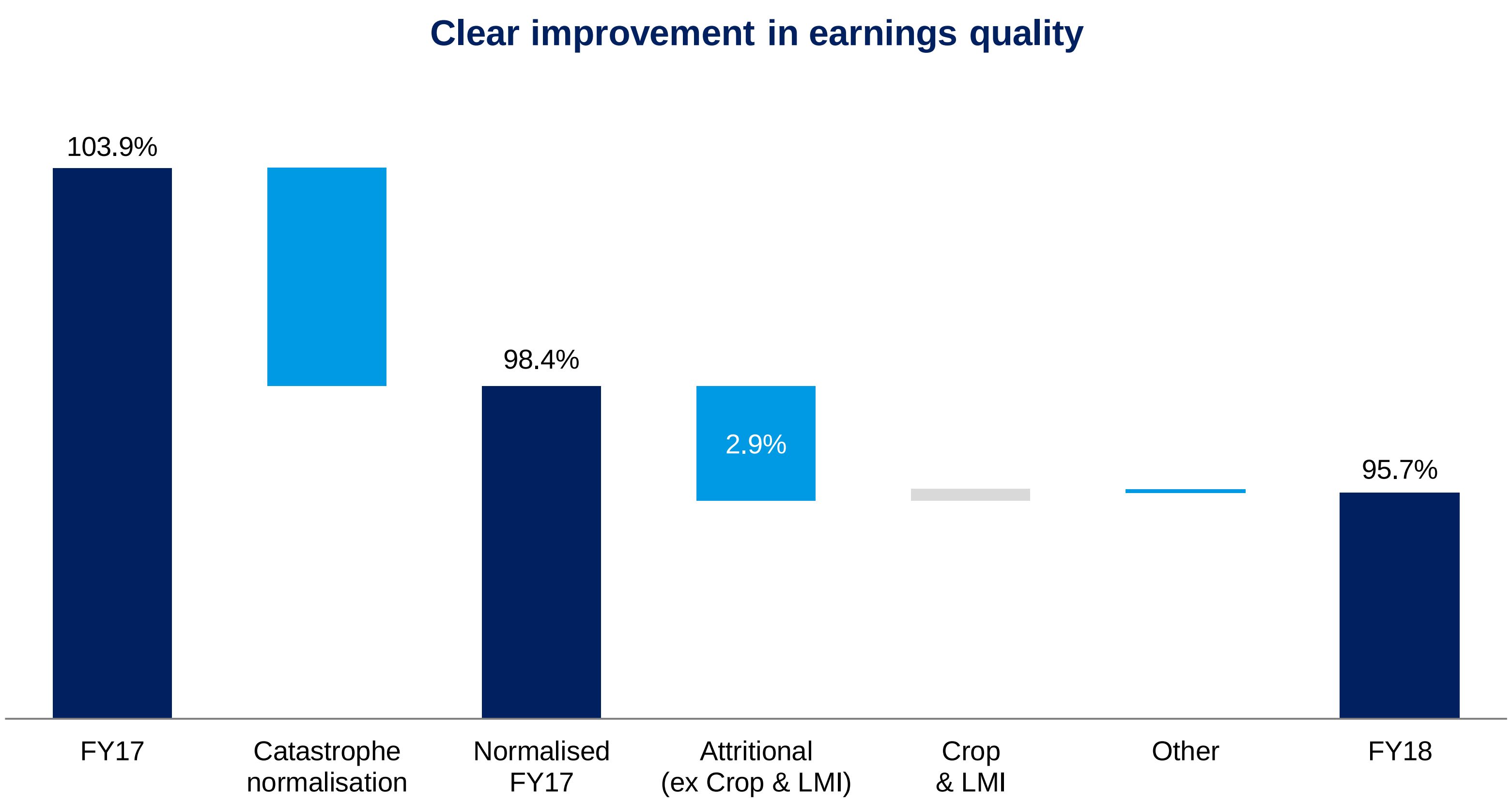


Total return to shareholders A$1Bn



1. Excludes transaction to reinsure US liabilities
2. Excludes the one-off impact on the Group's underwriting result due to the Ogden decision in the UK
3. Continuing operations basis
4. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities
5. Cash profit ROE from continuing operations excluding gains (losses) on disposals

Group combined operating ratio[1,2]



- **Attritional ratio is ~3% lower than FY17**
- **Reduced contribution from LMI and Crop**
- **Releases from prior year reserves contributed 0.8%**

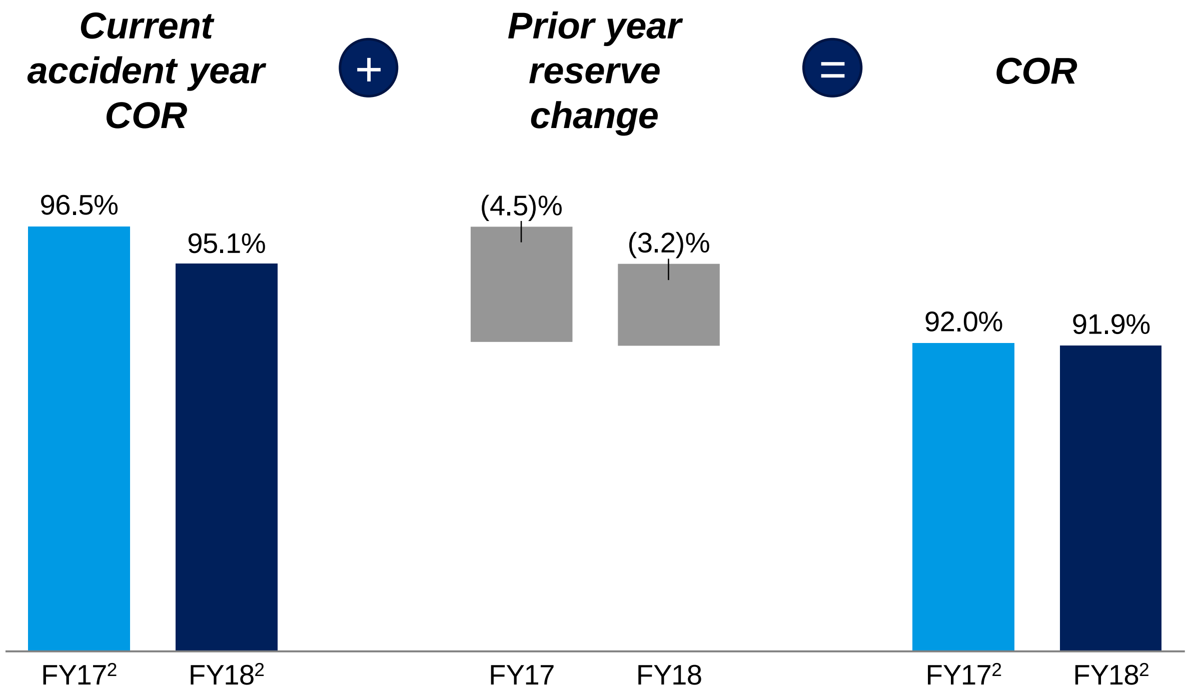
1. Continuing operations and adjusted basis
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims

Australia and New Zealand: result quality improving

GWP
$3,992M
+2%[1] from FY17

COR (%)[2]
91.9%
FY17 92.0%

Attritional (%)[3]
57.7%
FY17 60.6%



- **Improved attritional claims ratio**
- **Ex LMI COR: 94.5%**
- **LMI COR moderating: FY18 55.0% (FY17 50.7%)**

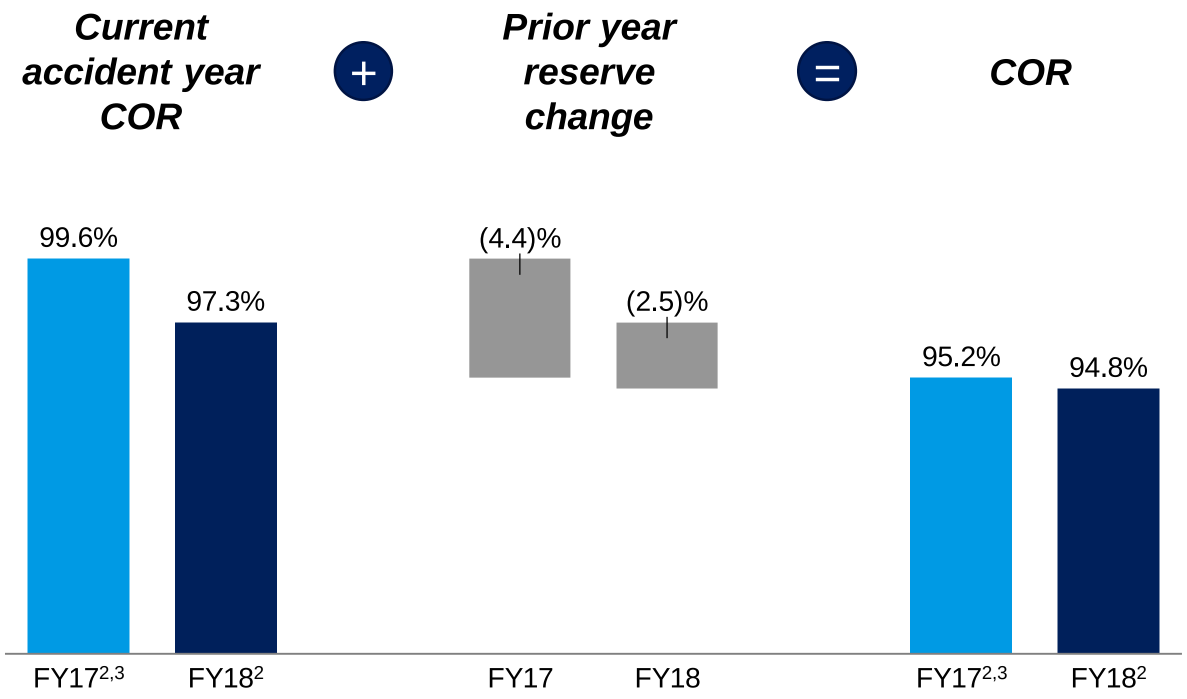
1. Constant currency basis; however up 5% excluding the impact of regulatory changes to CTP
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3. Excludes LMI

Europe: continuing targeted improvement

GWP
$4,335M
+6%[1] from FY17

COR (%)[2]
94.8%
FY17 95.2%[3]

Attritional (%)
46.8%
FY17 49.6%



- **Accident year COR and attritional ratio improved**
- **Reduced reliance on PYD**
- **Maintaining expense discipline, lower acquisition cost ratio (-1.4pts)**

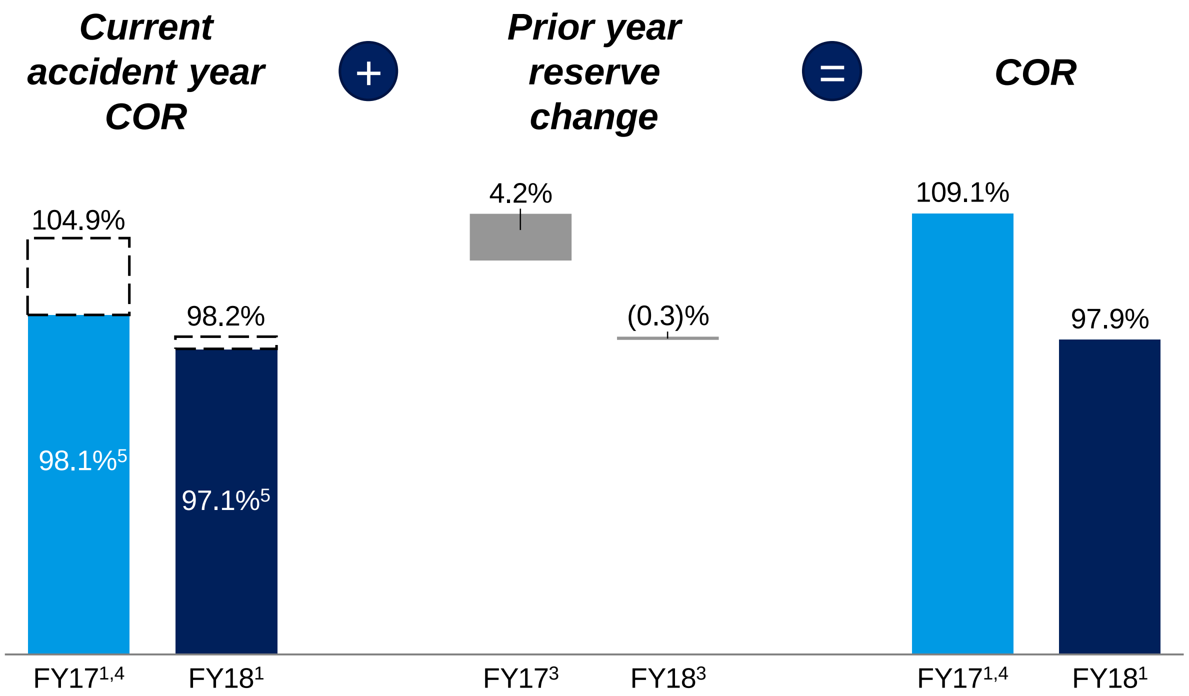
1. Constant currency basis
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3. Excludes one-off impact on the underwriting result due to the Ogden decision in the UK

North America: improving performance

GWP
$4,711M
+3% from FY17

COR (%)[1]
97.9%
FY17 109.1%[4]

Attritional (%)[2]
50.4%
FY17 53.2%[4]



- **Attritional ratio ex-crop improving**
- **Improved acquisition cost ratio (-0.2pts)**
- **2018 CATs normalising though Hurricane Michael and Wildfires drove excess**

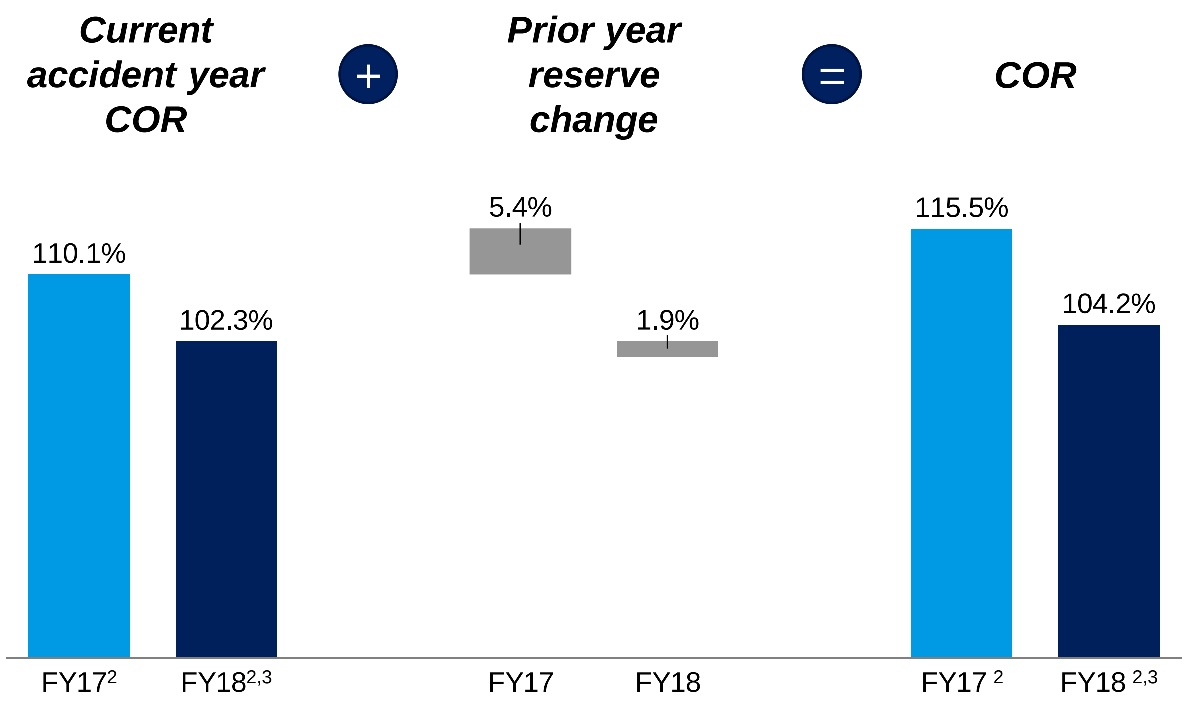
1. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2. Excludes Crop
3. Prior accident year claims development has been adjusted to reflect the impact of additional reinsurance cessions to the US Government
4. Excludes transaction to reinsure liabilities
5. Excludes catastrophe and large individual risk claims in excess of allowance

Asia Pacific: remediation efforts working

GWP
$633M
(15)%[1] from FY17

COR (%)[2]
104.2%[3]
FY17 115.5%

Attritional (%)
51.0%[3]
FY17 56.0%

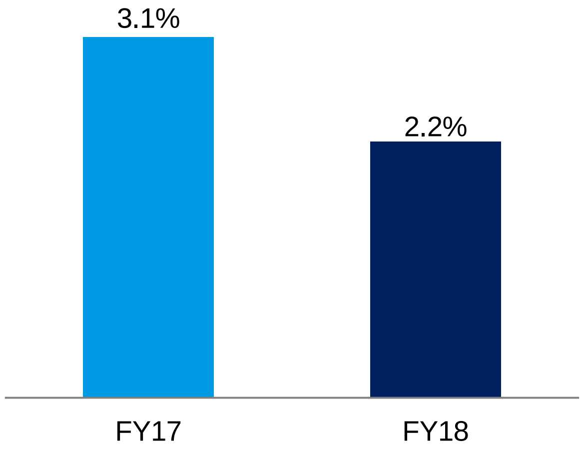


- **2H18 combined operating ratio 99.5%**
- **Premium rate increases of 1.0% (FY17 (2.3)%)**
- **Minor level of adverse prior year development (FY$10M) – 2H positive**

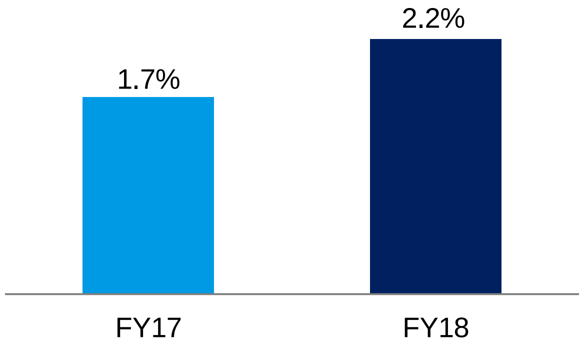
1. Constant currency basis
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities

Investment performance: 2018 key metrics[1]

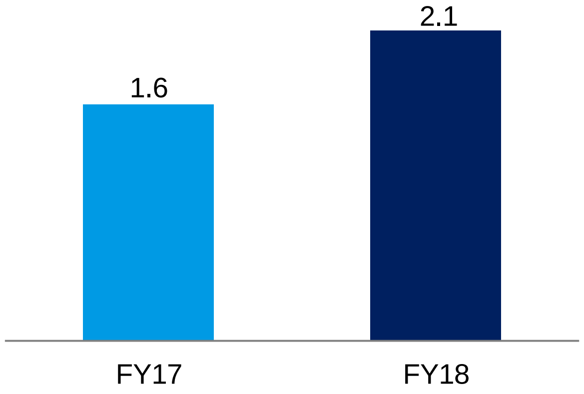
Net investment yield



Fixed income running yield



Duration



- **Growth asset returns of 6.2% (FY17 13.3%)**
- **FI returns of 1.8% (FY17 2.0%)**
- **Portfolio positioning supportive of a higher return in 2019**

1. Continuing operations basis

Balance sheet and capital management

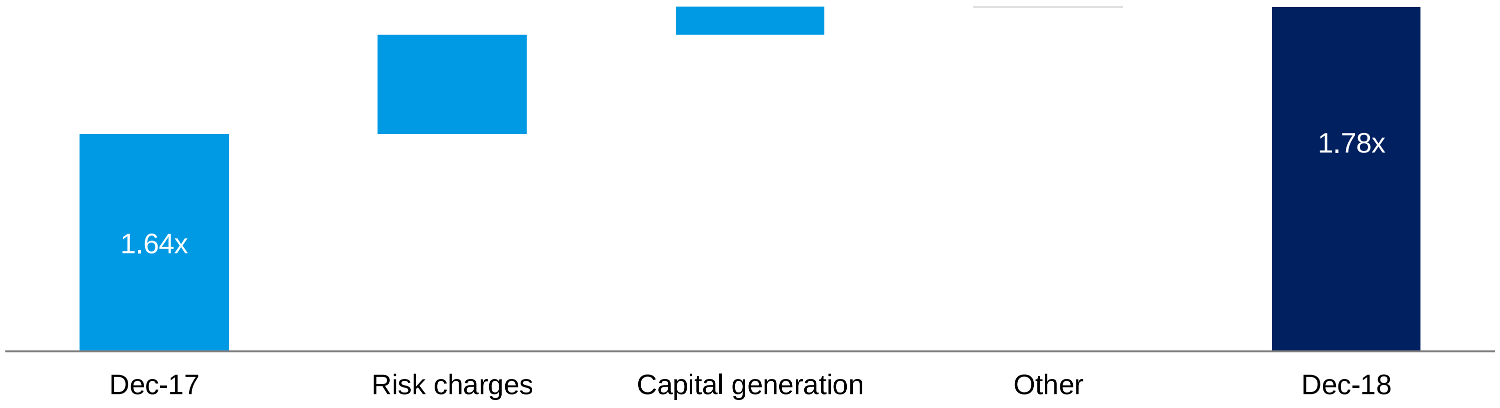
Strong capital
1.78x

Lower gearing
38.0%

Shareholder returns
A$1Bn

Stable liquidity
~$1Bn

PCA multiple strengthened



- **Significant benefit from de-risking activities**
- **Progressing share buyback**
- **Announced further debt buyback**

2019 Large individual risk and catastrophe allowances

- 2018 “exit” ~$900M
- Lower commercial property hazard profile
- Brilliant Basics includes targeted reduction in large exposures

- Reduced exposure through
  - Asset sales
  - Targeted de-risking

Outlook

Pat Regan Group Chief Executive Officer

2019 priorities

Deliver the 2019 plan

Targeted rate increases

Cell reviews

Operational efficiency program

Brilliant Basics

Underwriting, pricing and claims

Detailed underwriting guides

Improve global pricing capabilities

Talent and culture

Continue to add talent

QBE DNA

Customer focus

Global rollout of EQUITY customer commitment program

Focus on high quality customer service

Operating sustainably

Focus on sustainability and positive contributions

Continue implementing TCFD recommendations

Managing risk

Stronger and more resilient

Continued focus on risk governance

Future focus

More digitally enabled

Enhance data and analytics capabilities

Reduce complexity

FY19 priorities and targets

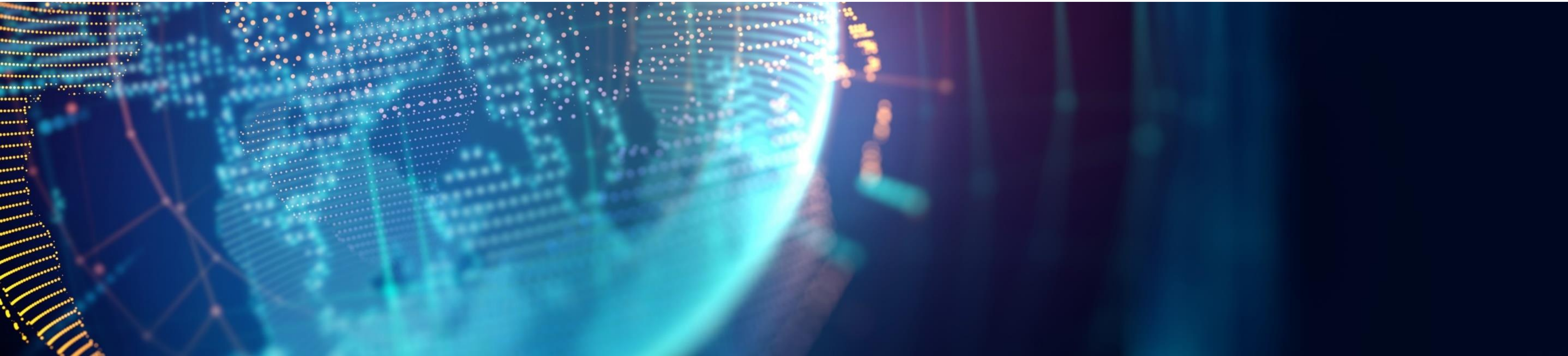
- Deliver the 2019 plan
- Brilliant basics
- Talent and culture
- Customer focus
- Operating sustainably
- Managing risk
- Future focus

2019 targets

COMBINED OPERATING RATIO	94.5% – 96.5%[1]
INVESTMENT RETURN	3.00% – 3.50%[1]

1. Assumes risk-free rates as at 31 December 2018

Questions & Answers



Disclaimer

The information in this presentation provides an overview of the results for the year ended 31 December 2018.

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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.

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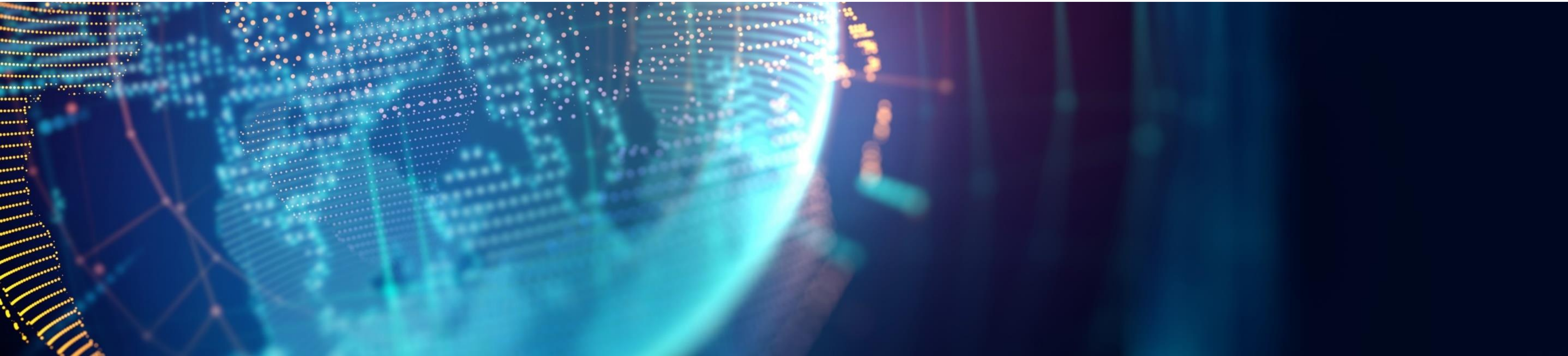
Appendices



Currency mix

Total investments and cash ($M)	FY17		FY18	
US dollar	7,439	29%	7,185	31%
Australian dollar	8,104	32%	6,678	29%
Sterling	4,628	18%	4,144	18%
Euro	2,705	11%	2,541	11%
Canadian dollar	1,092	4%	1,055	5%
New Zealand dollar	421	2%	418	2%
Hong Kong dollar	536	2%	371	2%
Singapore dollar	203	1%	165	1%
Other	449	2%	330	1%
Total[1]	**25,577**	**100%**	**22,887**	**100%**
Gross written premium[1,2]				
US dollar	5,829	44%	6,100	45%
Australian dollar	3,816	29%	3,837	28%
Sterling	1,355	10%	1,356	10%
Euro	944	7%	1,103	8%
New Zealand dollar	304	2%	297	2%
Hong Kong dollar	274	2%	248	2%
Canadian dollar	259	2%	252	2%
Singapore dollar	174	1%	155	1%
Other	373	3%	309	2%
Total	**13,328**	**100%**	**13,657**	**100%**

1. Continuing operations basis
2. Adjusted basis as presented in full year reports

North American Operations

		FY17[1]	FY18
Gross written premium	$M	4,556	4,711
Gross earned premium	$M	4,622	4,612
Net earned premium	$M	3,541	3,569
Net claims ratio	%	77.7	66.0
Net commission ratio	%	15.6	15.7
Expense ratio	%	15.5	15.2
Combined operating ratio	%	108.8	96.9
Combined operating ratio (ex discount rate)	%	109.1	97.9
Insurance (loss) profit margin	%	(6.7)	6.2

- GWP up 3% with Specialty (A&H) and Crop experiencing strong growth. P&C premium was flat due to further repositioning of the book
- Average premium rate increase of 4.1%, up from only 0.7% in 2017
- Net claims ratio decreased to 66.0% due to:
  - Positive prior accident year claims development of 0.3%, compared with adverse development of 4.2% in 2017
  - Material improvements in the ex-crop attritional ratio (2.8%) driven by underwriting and pricing initiatives
  - Reduced, albeit still above average, catastrophe activity
- Net commission ratio was broadly stable, with a change in business mix offsetting the Arrowhead outsourcing and lower exchange commissions following reinsurance changes in Specialty
- Expense ratio improved, primarily reflecting stricter cost control and tighter underwriting discipline in the division's operating model
- COR (ex discount rate) improved due to a nearly 3% reduction in the attritional claims ratio (excluding Crop), lower catastrophe incidence and modest positive prior accident year claims development compared to material adverse development in 2017

1. Excludes transaction to reinsure liabilities

European Operations

		FY17[1]	FY18
Gross written premium	$M	4,049	4,355
Gross earned premium	$M	4,010	4,302
Net earned premium	$M	3,212	3,505
Net claims ratio	%	58.7	61.7
Net commission ratio	%	19.2	18.3
Expense ratio	%	15.5	15.0
Combined operating ratio	**%**	93.4	95.0
Combined operating ratio (ex discount rate)	**%**	95.2	94.8
Insurance profit margin	**%**	10.4	8.9

- GWP up 6% on a constant currency basis, reflecting the pricing environment and targeted growth in profitable portfolios such as Continental Europe and life and accident reinsurance
- Average premium rate increases of 4.4% compared with a reduction of 0.2%[1] in 2017
- Net claims ratio of 61.7% increased from the prior period due to:
  - A 2.8% improvement in the attritional claims ratio reflecting an underlying improvement coupled with the unwind of the post Brexit vote FX impact and the non-recurrence of one-off reinsurance spend in the prior period; more than offset by
  - A reduced level of positive prior accident year claims development
  - A slight adverse impact from risk-free rates compared with a significant positive impact in 2017
- Expense ratio improved due to strict cost control as well as some efficiency benefits and restructuring
- COR (ex discount rate) improved due to a reduced attritional claims ratio partly offset by a lower level of positive prior accident year claims development

1. Excludes one-off impact on the underwriting result due to the Ogden decision in the UK

Australian & New Zealand Operations

		FY17	FY18
Gross written premium	$M	4,024	3,992
Gross earned premium	$M	4,135	3,985
Net earned premium	$M	3,480	3,519
Net claims ratio	%	62.3	62.1
Net commission ratio	%	15.1	15.6
Expense ratio	%	14.5	14.7
Combined operating ratio	%	91.9	92.4
Combined operating ratio (ex discount rate)	%	92.0	91.9
Insurance profit margin	%	12.6	11.9

- GWP up 2% on a constant currency basis with premium rate increases partly offset by NSW CTP scheme reform, the non-renewal of unprofitable travel credit card business and subdued LMI volumes due to macro-prudential activity
- Average premium rate increase of 7.3%[1], up from 6.1%[1] in FY17
- Net claims ratio improved 0.2% reflecting:
  - A further reduction in the attritional claims ratio which fell by 2.9% (excluding LMI), with improvement observed across most portfolios including significant reductions in commercial property, CTP and workers' compensation, largely offset by
  - A further modest increase in the LMI claims ratio
  - Reduced positive prior accident year claims development of 3.2% from 4.5% in 2017
- Expense ratio increased primarily due to reduced fee income
- COR (ex discount rate) improved marginally with improvement in the attritional claims ratio offset by a reduced level of positive prior accident year claims development and an increased acquisition cost ratio

1. Excludes CTP

Asia Pacific Operations

		FY17	FY18[1]
Gross written premium	$M	740	633
Gross earned premium	$M	779	708
Net earned premium	$M	653	538
Net claims ratio	%	67.2	58.0
Net commission ratio	%	22.2	22.5
Expense ratio	%	25.9	23.2
Combined operating ratio	%	115.3	103.7
Combined operating ratio (ex discount rate)	%	115.5	104.2
Insurance (loss) margin	%	(14.2)	(2.2)

- GWP down 15% on a constant currency basis, reflecting decisive action to sell and/or exit underperforming businesses including Thailand, Hong Kong construction workers' compensation and Indonesian marine hull
- Average premium rate increase of 1.0% compared with a reduction of 2.3% in FY17
- Net claims ratio reduced appreciably reflecting a 5% improvement in the attritional claims ratio and a reduced level of adverse prior accident year claims development
- The net commission ratio increased slightly reflecting targeted growth in agency and affinity channels that have maintained underwriting profitability
- The expense ratio improved as a result of a significant reduction in costs driven by the operational efficiency program and the sale of operations in Thailand
- COR (ex discount rate) improved to 104.2%[1] (99.5%[1] in 2H18) from 115.5% in the prior period reflecting remediation activities across the business

1. Excludes transaction to reinsure Hong Kong construction workers' compensation

Equator Re

		FY17	FY18
Gross written premium	$M	1,580	1,486
Gross earned premium	$M	1,614	1,443
Net earned premium	$M	847	664
Net claims ratio	%	130.7	77.9
Net commission ratio	%	8.7	11.1
Expense ratio	%	1.9	2.3
Combined operating ratio	%	141.3	91.3
Combined operating ratio (ex discount rate)	%	140.9	91.4
Insurance (loss) profit margin	%	(38.1)	12.8

- GWP reduced 6% due to changes in divisional reinsurance including the non-renewal of a number of proportional contracts
- Net claims ratio improved very significantly due to:
  - Significantly reduced (albeit above average) catastrophe activity relative to a particularly extreme 2017
  - Lower frequency and severity of large individual risk claims
  - A slightly increased level of adverse prior accident year claims development compared to 2017
- Net commission ratio increased due to a change in the mix of proportional business and the external quota share cessions
- COR (ex discount rate) reduced largely due to more normal catastrophe experience compared to the particularly extreme FY17, partly offset by an increase in the acquisition cost ratio

Financial strength and flexibility

Summary balance sheet ($M)	31 Dec 2017	31 Dec 2018
Investments and cash	26,141	22,887
Trade and other receivables	4,906	5,185
Intangibles	3,079	2,800
Other assets	1,168	1,497
Assets	**35,294**	**32,369**
Insurance liabilities, net	19,898	18,578
Borrowings	3,616	3,188
Other liabilities	2,879	2,203
Liabilities	**26,393**	**23,969**
Net assets	**8,901**	**8,400**
Shareholders' funds	8,859	8,381
Non-controlling interests	42	19
Total equity	**8,901**	**8,400**

Reserving

- Positive prior accident year claims development of $92M[1] (FY17 $17M)
- $13M positive discount rate impact (FY17 $68M positive)
- PoA broadly stable at 90.1% (FY17 90.0%)

Borrowings

- Debt to equity ratio 38.0% (FY17 40.8%)
- Buyback of $399M senior unsecured debt

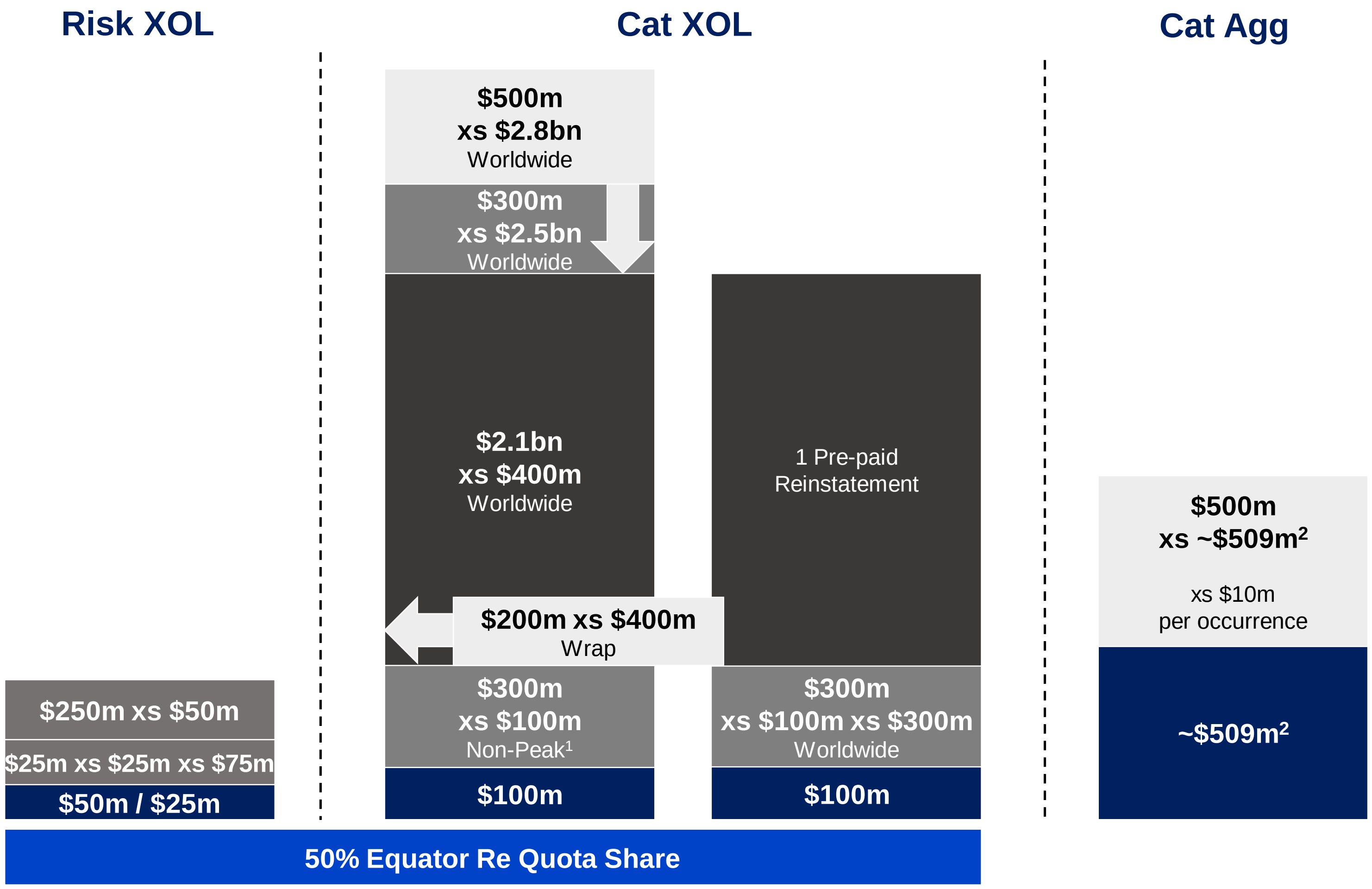
1. Excluding $64M of positive prior accident year claims development pertaining to North American Crop that is matched by additional premium cessions under the MPCI scheme (resulting in a nil profit impact) but includes a $43M benefit in European Operations due to a lengthening of the expected future claims payment pattern

APRA Prescribed Capital Amount

APRA PCA calculation ($M)	31 Dec 2017[1]	31 Dec 2018[2]
Ordinary share capital and reserves	8,901	8,400
Net surplus relating to insurance liabilities	776	818
Regulatory adjustments to Common Equity Tier 1 Capital	(3,642)	(3,312)
Common Equity Tier 1 Capital	**6,035**	**5,906**
Additional Tier 1 Capital – Capital securities	399	399
Total Tier 1 Capital	**6,434**	**6,305**
Tier 2 Capital – Subordinated debt and hybrid securities	2,540	2,456
Total capital base	**8,974**	**8,761**
Insurance risk charge	2,995	2,809
Insurance concentration risk charge	1,064	779
Asset risk charge	2,143	1,997
Operational risk charge	521	480
Less: Aggregation benefit	(1,235)	(1,135)
APRA's Prescribed Capital Amount (PCA)	**5,488**	**4,930**
PCA multiple	**1.64x**	**1.78x**
CET1 ratio (APRA requirement >60%)	**110%**	**120%**

1. Prior year APRA PCA calculation has been restated to be consistent with APRA returns finalised subsequent to year end
2. Indicative APRA PCA calculation at 31 December 2018

2019 global reinsurance program



Main Cat XOL limit
- $2.1bn xs $400m

Cat Top *or* Drop *or* Non-Peak[1] limit
- Top $300m xs $2.5bn for Peak *or*
- Drop $300m xs $100m xs $300m for Peak *or*
- Drop $300m xs $100m for Non-Peak[1]

Cat Top *or* Agg *or* Wrap limit
- Top $500m xs $2.8bn (or $2.5bn) *or*
- Aggregate $500m xs ~$509m[2] *or*
- Wrap $200m xs $400m including QBE Re & Syndicate 1036 retained claims and EQ Re Share

1. Peak perils defined as cyclone, hurricane & typhoon, and earthquake (and fire following) as respects Australia, New Zealand (quake only) and US (excluding Puerto Rico). All other perils and regions are non-peak
2. 58% of this layer attaches at $515m and 42% of this layer attaches at $500m