

2018 IN REVIEW



QBE INSURANCE GROUP LIMITED

QBE.COM

Our customers are at the heart of everything we do

We give people the confidence to achieve their ambitions



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All amounts in this report are US dollars unless otherwise stated.

The Commons

QBE aims to support the development of sustainable cities and communities around the world. Through an insurance intermediary, QBE provides insurance coverage to The Commons, a sustainable urban development. The Commons is a mixed-use apartment building which creates a sense of community. Located in Melbourne, Australia, the building represents better quality housing which pays equal attention to sustainability, liveability and financial return.

Delivering meaningful improvements

CHAIRMAN AND GROUP CEO REVIEW



The actions we took last year, to simplify the Group, upgrade core capabilities in pricing, underwriting and claims and implement a rigorous performance management framework delivered meaningful improvements in the underlying quality of our business and improved financial performance in 2018.

Our combined operating ratio (COR) of 95.7% for 2018 was ahead of the midpoint of our guidance and we saw slight increases in both gross written and net earned premium in 2018. The Group statutory net profit after tax was \$390 million reflecting more normal catastrophe incidence coupled with meaningful improvement in the attritional claims ratio, assisted by strong rate growth momentum.

Our improved results reflect the hard work of our people throughout the year and the efforts made across the business to do the basics, brilliantly. Through our Brilliant Basics

program, we are upgrading QBE's capabilities in underwriting, pricing and claims to deliver a consistent level of excellence across our entire portfolio.

We are also maintaining a rigorous approach to performance management across the business, through our "cell review" process. Cell reviews help drive accountability throughout the organisation and enable us to quickly respond to changes in the market as they occur.

During 2018, we exited a number of countries and portfolios where we lacked scale or were not able to deliver an acceptable return to shareholders. This included the sale of our operations covering our entire Latin America division, Thailand, Indonesia and the Philippines. We also exited loss-making portfolios including North American personal lines, Hong Kong construction worker's compensation and Australian & New Zealand travel insurance.

Despite these businesses accounting for around \$200 million of underwriting losses in 2017, we successfully sold them for -\$550 million and a -\$100 million premium to book value.

This allowed us to streamline our operating structure, reducing the number of divisions to three: Australia Pacific, International and North America. From 1 January 2019, Asia now sits within **International**, alongside our European Operations, while the Pacific and India have joined Australian & New Zealand Operations to form **Australia Pacific**. The restructure will allow our businesses in Asia, the Pacific and India to generate efficiencies by leveraging the scale and resources of our major divisions.

Reflecting the Group's performance in 2018, the Group Board declared a final dividend of 50 Australian cents per share in 2018. This included a second half dividend of 28 Australian cents per share.

Importantly, we also focussed on our people and our customers in 2018. We launched our new QBE DNA, which interlinks seven cultural elements that are fundamental to who we are and how we need to operate in the future to succeed. This new set of cultural elements places a greater emphasis on being customer-centred, technically excellent, diverse, fast-paced, courageous and accountable and working together as a team.

Our aim is to consistently deliver high-quality experience and outcomes for our customers which will differentiate QBE and support our growth agenda. One way we do this is by finding cutting edge solutions for our customers current and emerging needs. In 2018, we continued to invest in technology solutions such as machine learning and artificial intelligence, through our venture capital arm, QBE Ventures. You can read more about this work on page 5.

We also made significant progress on our long-term sustainability journey as we continued to further integrate sustainability across our business. QBE became carbon neutral in 2018 and we will continue to take steps to both drive down our operational emissions wherever possible, and offset those that can't be eliminated, to maintain carbon neutrality into the future.

Last year, we publicly declared our support for the recommendation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We recognise that a failure to act on climate change will lead to increasingly volatile and severe weather-related events and these are likely to have significant economic consequences. In August, we published our plan to implement the TCFD's recommendations and we have already made good progress against that plan, with more to come in 2019.

Looking ahead, our priorities for 2019 are described on page 3 and include a greater focus on sustainability and customer outcomes, delivering against our customer commitment program. We will also continue to invest in our risk management capabilities, recognising our obligations to meet the expectations of our shareholders, regulators and the communities in which we operate.

The Financial Services Royal Commission in Australia recently made a number of recommendations for policy makers, regulators and the industry to consider, to ensure the Australian financial services sector meets community standards and expectations. QBE takes these recommendations seriously and we will work closely with governments, regulators and the industry in their implementation while maintaining our focus on ensuring the best interests of our customers and partners continue to be met.

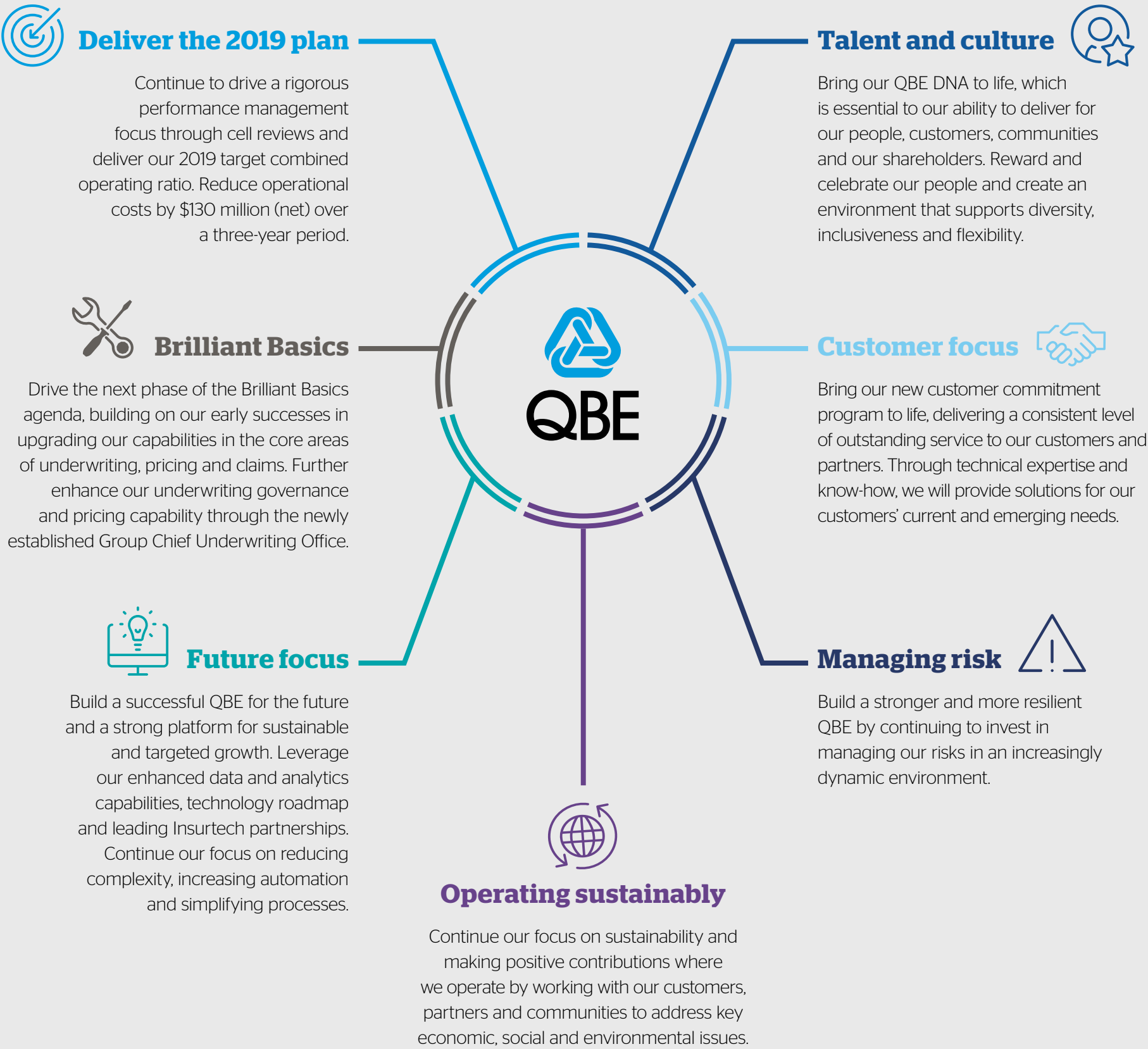
With our simplified structure, the implementation of Brilliant Basics and our relentless focus on performance across the business, we are confident that we can build upon this result to deliver value for our shareholders into 2019 and beyond.

Pat Regan
GROUP CHIEF EXECUTIVE OFFICER

Marty Becker
CHAIRMAN

2019 priorities

DRIVING PERFORMANCE



Our people

DYNAMIC AND DIVERSE



Ending the dementia stigma

The QBE Foundation supports charities that help people overcome disadvantage, strengthen their abilities and live more independently, successfully and productively.

We support charities in a variety of ways, from matching employee fundraising efforts and payroll giving donations, to providing grants to charities and encouraging employee volunteering. Employees in our European operations select a charity partner each year to be the focus of fundraising activities. In 2018, our employees voted to support the Alzheimer’s Society as our charity partner for 2018 and 2019. With our fundraising and volunteering efforts, we hope to increase public awareness and understanding of dementia, ending the stigma associated with the condition today. QBE is also one of the first corporate partners taking a lead to drive awareness through the Alzheimer’s Society’s Insurance United Against Dementia campaign. All funds we raise with them will also support the valuable work of the Alzheimer’s Society.

Celebrating diversity

At QBE, we offer a dynamic, diverse and inclusive workplace where people can achieve their personal and professional ambitions.

We believe that providing a great workplace and investing in our people instils pride in the company and inspires our people to deliver the best possible customer service. We encourage and empower our people to work together on issues they care about and have several employee action groups to support them. This includes MIX (our multicultural network), Pride (LGBT+), Women’s Initiative Network (women), Valour (Veterans), Workability and a women’s network called “The Circle”. Many of our Foundation programs and investments are also selected by our people.

R U OK?

R U OK? is a suicide prevention and awareness charity based in Australia.

Their mission is to inspire and empower everyone to meaningfully connect with people around them and support anyone struggling with life.

2018 marked the first year the QBE Foundation joined R U OK? to support its efforts in fostering a mentally healthy workplace. With our funding, the organisation developed a new resource made available to all Australians as an online downloadable resource or hard copy booklet. Throughout the two-month campaign period it received 37,899 pageviews, 9,320 downloads and 3,835 hard copies were purchased.

QBE DNA

In 2018 we launched our QBE DNA - seven interwoven cultural elements helping us deliver our vision and strategic plan.

These seven cultural elements help us respond to the current and emerging needs of our people, customers, communities and other stakeholders across our business and are key to aligning our risk and broader organisational cultures. To mark the launch of our QBE DNA, we celebrated DNA Day in every one of our offices around the globe on 13 September 2018. From flash mobs to online collaborations, trivia and best dressed competitions, DNA Day saw an outpouring of enthusiasm and energy as it moved around the world.



Championing change

Our people bring a broad range of talents, skills and experience to their work. We embrace the diversity of all employees and believe this is essential both to our ability to deliver excellent customer service and to attract, retain and develop the best people.

In 2018, we launched QBE Champions of Change – an initiative led by our Group CEO to encourage leaders across the business to become powerful role models and champions of inclusion and diversity and to directly influence change.

Our Group Executive Committee now have a higher level of visible sponsorship and accountability for promoting inclusion as well as gender equality. This includes supporting the progression of women in leadership and a responsibility to ensure fair treatment of all.

In 2018, QBE was recognised as a top 200 company in Equileap’s Gender Equality Global Report & Ranking. This is the first year QBE has been included in the global ranking. QBE was also included in the 2019 Bloomberg Gender-Equality Index (GEI) for a second year recognising our dedication to disclosure and commitment to gender equality.

Our customers and partners

BUILDING RELATIONSHIPS



Lauren Parker - ambitions for Tokyo

In 2018, we were proud to announce the appointment of Lauren Parker as an official ambassador to our Australian & New Zealand business.

Lauren became a paraplegic after a freak accident during a training ride. At the time, Lauren was training for Iron Man Australia in Port Macquarie and riding high after a second placing at the legendary Ironman World Championships in Kona, Hawaii.

Lauren was a beneficiary of a QBE Accident and Health insurance policy, through her membership of Triathlon Australia, and QBE continues to support Lauren with her sporting career, recovery and ongoing rehabilitation.

"QBE paid my claim in full within two weeks of my accident. I then started working with my QBE Injury Management Advisor, who worked tirelessly to help me, and my support team to come to terms with my life change, giving me security and direction at the time I needed it most."

Following her accident, Lauren quickly transitioned to adapted sport and Lauren has partially attributed this transition to the support she received from QBE. In her role as QBE's Australian & New Zealand ambassador, Lauren will attend and speak at several events for QBE employees, partners and customers, as well as support QBE in competition with logo placement on her kit. Lauren now has her eyes set firmly on the 2020 Tokyo Olympics, where she hopes to become the first Australian to win a Paralympic gold medal in the Wheelchair category (PTWC) of the sport of Parathlon.

Premiums4Good

QBE customers make a difference with their premiums through our Premiums4Good program, which directs a portion of insurance premiums to investment in securities with an additional social or environmental objective. This includes initiatives such as Future Shapers, a dynamic programme for 14 to 17-year-olds in South Yorkshire, United Kingdom. Future Shapers works with young people, to develop their job prospects by building their skills, attitudes and understanding as they move from education to the world of work. In 2018, our Premiums4Good investments grew from 26 to 32 and we have an ambition to grow our impact investments to \$1 billion by 2021.

Innovation and disaster response

As an insurer, we are one of the first ports of call for our customers when they are affected by a disaster.

We are constantly reviewing our processes and procedures to ensure that we can meet and exceed customer expectations if disaster strikes and in 2018 our Group Innovation and Digital team worked with our Claims teams to deliver solutions to enhance our responses to natural disasters.

The team put themselves in the shoes of our customers in the wake of a natural disaster such as Hurricanes Michael and Florence in the United States. They used geospatial information to identify many of our customers who could be in the path of the storm to send them proactive messages expressing our concern for their safety and providing them with their policy number and a link to lodge an online claim to make lodging a claim easy if they were impacted by the storm.

Leveraging our innovative capabilities, we have been able to make a difference for customers in their time of need.



Digital, data and analytics

Digital technologies and data and analytics give QBE a competitive edge and help us deliver better customer experiences.

Our teams are constantly exploring new technology solutions. For example, in 2018, we have used machine learning tools to predict injury complexity to maximise return to work potential and have continued to scale our telematics solutions for small commercial fleet customers. Meanwhile, through our venture capital arm QBE Ventures, we are building and investing in commercial relationships with start-ups that have the potential to revolutionise our work.

In 2018, QBE Ventures invested in three such companies:

HYPERSCIENCE: translates human-readable content into machine-readable data, freeing organisations from their reliance on manual data entry.

JUPITER: delivers data and analytics services to better predict and manage risks caused by medium to long-term climate change.

ZEGURO: enables users to automate their cybersecurity processes, detect for and manage any cyber risks to their company, and improve mitigation.

These are on top of our 2017 investments in Cytora and RiskGenius.

We're deploying these technologies across our business. For example, in the United Kingdom, our Property business uses Cytora machine learning to help make decisions on the risk and price of specific covers. While in Australia, Hyperscience helps Case Managers in our compulsory third-party business spend less time on data entry and more time getting our clients back on their feet.

In the community

THE QBE FOUNDATION



Helping preserve Indigenous culture, values and traditions

As one of Australia's largest insurers of Indigenous communities, we've long been committed to those communities and the preservation of Indigenous culture, values and traditions. Our vision for the future is to make it possible for Australia's First Peoples to be valued, accepted and have equality in society.

Building on the successful implementation of our first Reconciliation Action Plan, in 2018, we released our second Innovate Reconciliation Action Plan (RAP) 2018-2020. This details several actions and commitments we will take to advance our commitment to creating meaningful relationships and promoting sustainable opportunities for Aboriginal and Torres Strait Islander communities, organisations and businesses.

One of the ways we do this is through our partnership with Jawun, an innovative not-for-profit organisation aiming to bring lasting, material and measurable improvements to the lives of Indigenous people. Jawun's mission is to transfer

corporate skills to build the capacity of Indigenous organisations and in turn, foster understanding and meaningful connections between Indigenous and non-Indigenous Australians.

QBE has proudly partnered with Jawun since 2011 and over that time more than 70 QBE employees have enjoyed an opportunity to participate in a six-week secondment, working with Indigenous organisations around Australia. These secondments provide an opportunity for QBE employees to learn about Indigenous Australia as well as to share their own skills and expertise with Indigenous organisations.

Jawun also facilitates "Executive Visits" as an opportunity for Indigenous leaders and organisations to develop their networks or business opportunities. During these visits, over two or three days, senior-level representatives of corporate, government and philanthropic organisations visit a region supported by Jawun and meet Indigenous leaders driving reform or social progress.

Opening doors for those who broke barriers

In the United Kingdom, the QBE Foundation has worked with Opening Doors London (ODL), a charity dedicated to supporting older LGBT+ people.

With the Foundation's support, ODL is creating LGBT+ appropriate materials, including audio materials, to assist people suffering from dementia.

Many existing resources for people living with dementia encourage memory recall from life experiences that many older LGBT+ people were denied, including marriage or having children and grandchildren. The materials ODL creates with our support go some way towards addressing those limitations.



Supporting drought relief

As the major sponsor of the Sydney Swans Australian Rules football club, this year, the QBE Foundation in Australia partnered with the club to support drought-stricken communities.

At their round 23 clash with the Hawthorn Football Club, the Swans Foundation and the QBE Foundation each pledged A\$10,000 to the Rural Aid "Buy A Bale" campaign, which is providing support for farmers by delivering hay and other essential items to farmers who have no feed left for their cattle.

The QBE Foundation matched the Sydney Cricket Ground Trust's commitment to donate A\$1 for every supporter who attended the Saturday night game. The campaign raised more than A\$130,000, with QBE committing over A\$62,000.

"We see the devastating impact the drought has had on our customers and partners - both through QBE and our Elders Insurance network - and just how hard these communities are doing it. As insurers, it's our job to support the communities in which we operate, but we're also part of those communities, and that's why we want to be part of the effort to help."
- Vivek Bhatia, CEO Australia Pacific.

Access to quality education

A strategic aim of our Group Shared Services Centre (GSSC) QBE Foundation in the Philippines is to provide children with access to quality education.

Despite improvements in the literacy rate of children in the Philippines, millions continue to have no access to quality education.

To help improve access to quality education, we have partnered with the Dynamic Teen Company (DTC), a not-for-profit organisation promoting literacy to the disadvantaged. DTC volunteers walk around streets with pushcarts containing books and other learning materials to teach street children and bridge them back to formal education.

Joining the fight against cancer and heart disease

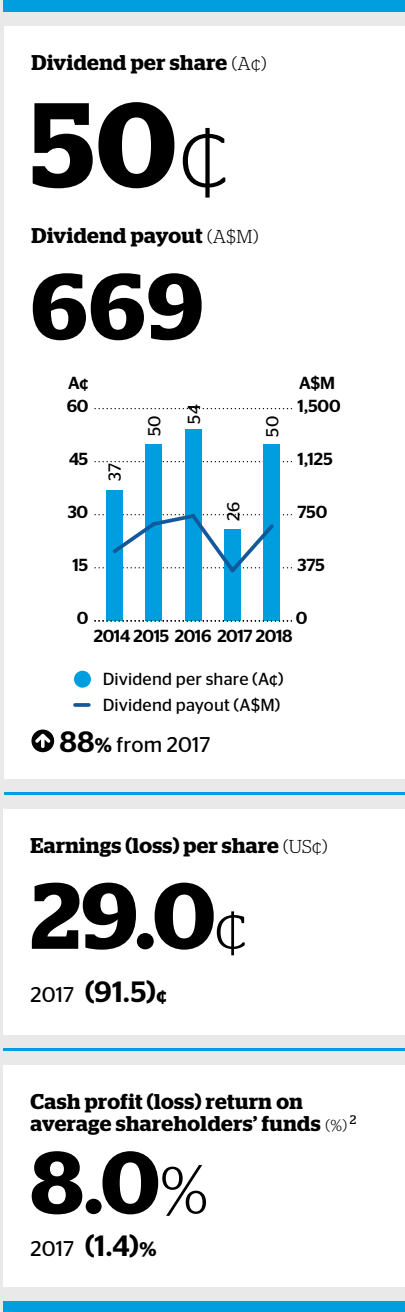
Since 2011, QBE has partnered with the American Cancer Society to help advance the Society's work in research, raising awareness of cancer prevention, sharing expert information and providing patient support.

In 2018, QBE sponsored and participated in Cycle Nation, a spin-a-thon to raise money and awareness of heart health for the American Heart Association. QBE employees also took part in the Wall Street Run and Walk and we held an employee fundraiser, which raised \$4,100 in donations that were matched by the QBE Foundation.

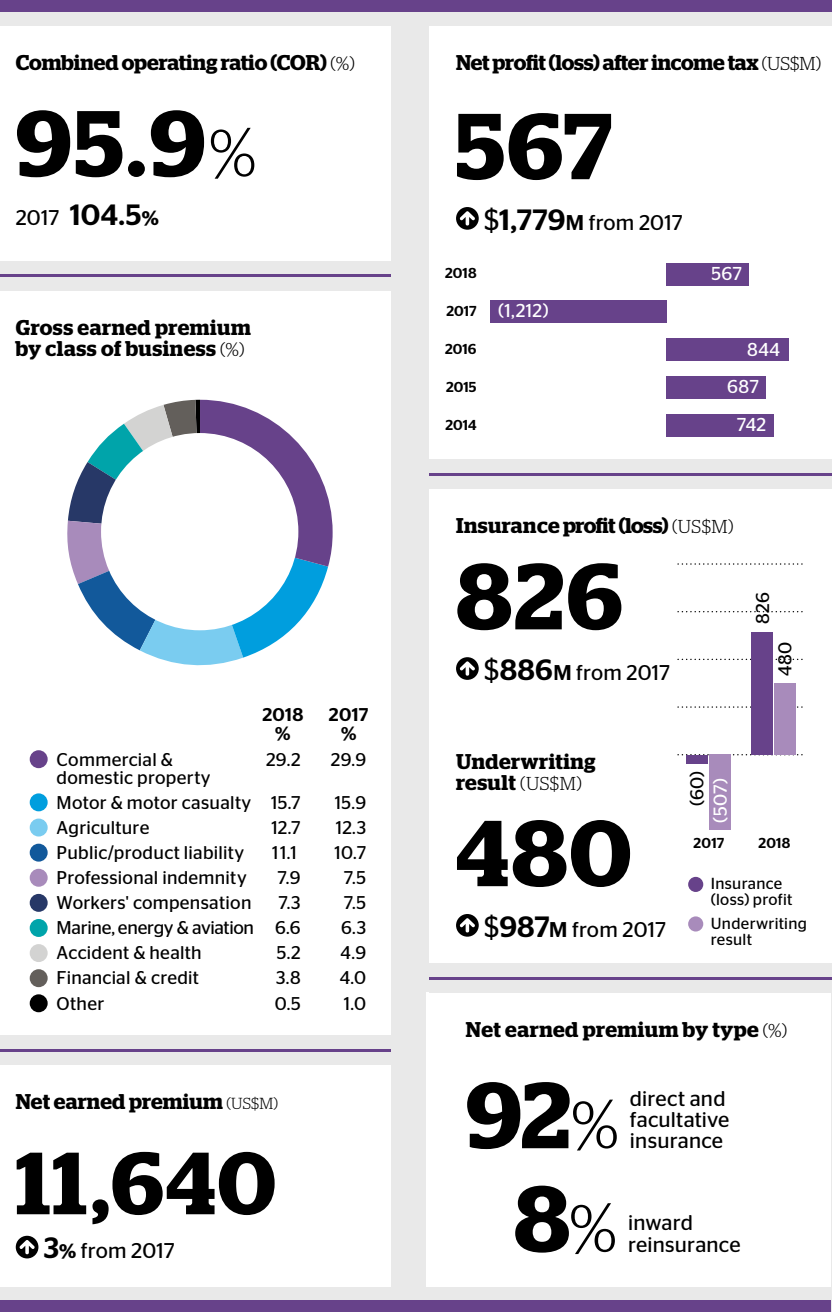


2018 snapshot¹

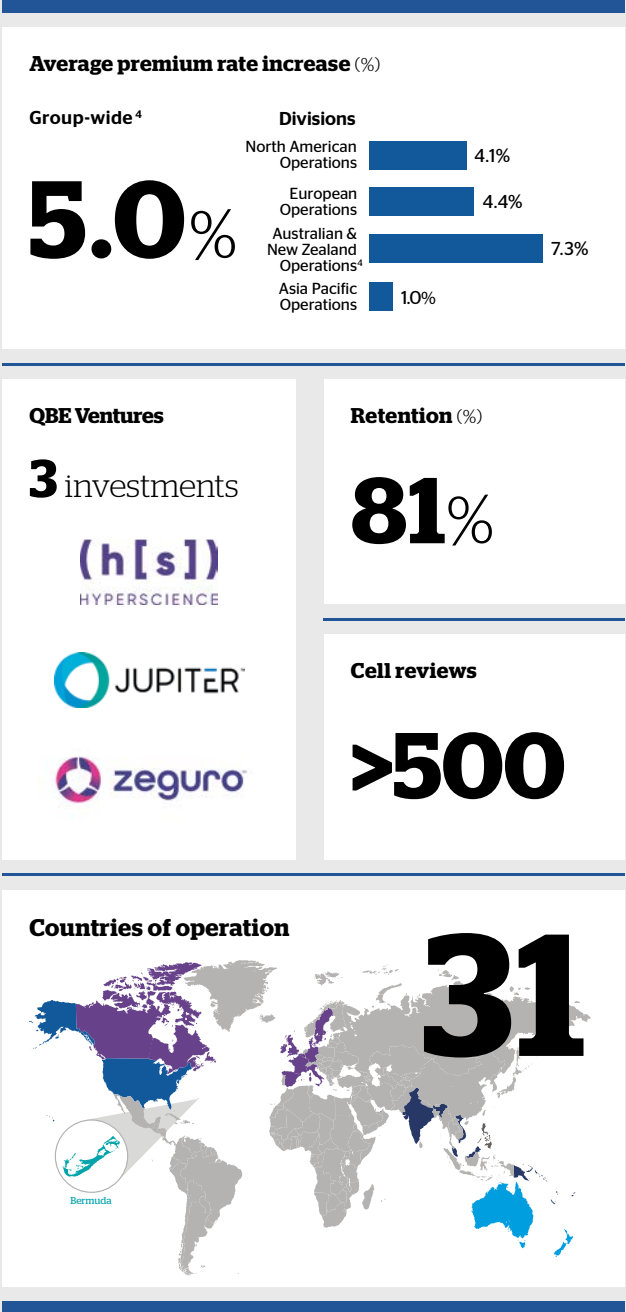
Shareholder highlights



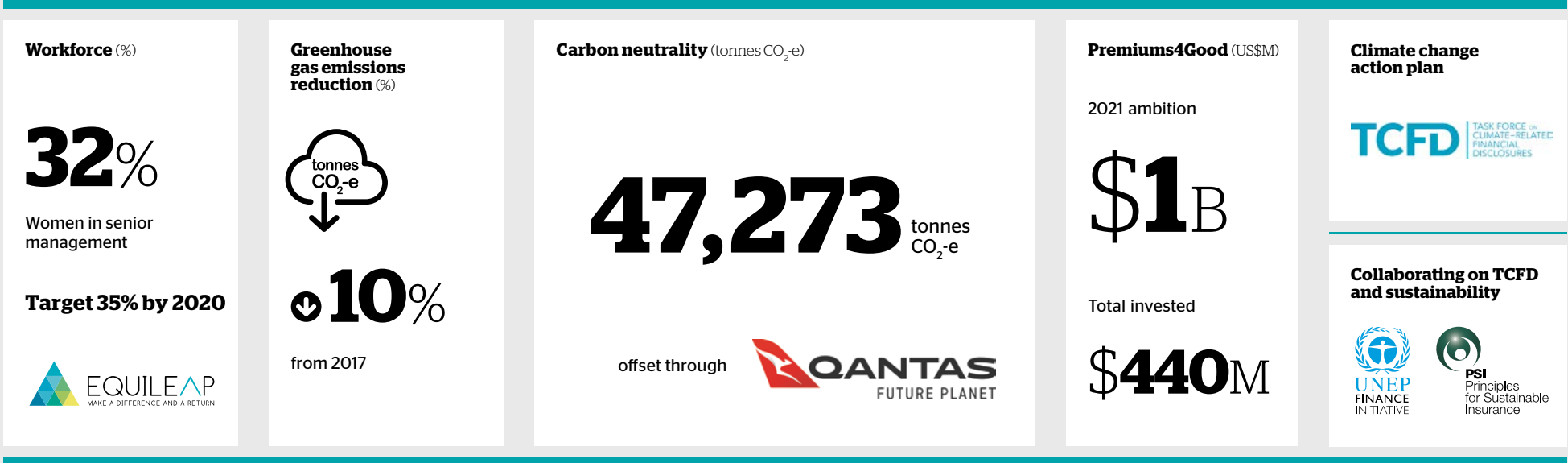
Financial highlights³



Operational highlights



Sustainability highlights



¹ The information in the tables above is extracted or derived from the Group's 2018 Annual Report.
² Cash profit ROE from continuing operations excluding gains (losses) on disposals.

³ 2017 and 2018 figures reflect results for continuing operations only.
⁴ Excludes premium rate changes relating to compulsory third party motor (CTP).

Key financial performance measures

		2018 ¹	2017 ¹	2017 ²	2016 ²	2015 ²	2014 ²
Profit or loss information:							
Gross written premium	US\$M	13,657	13,328	14,191	14,395	15,092	16,332
Gross earned premium	US\$M	13,601	13,611	14,446	14,276	14,922	16,521
Net earned premium	US\$M	11,640	11,351	12,041	11,066	12,314	14,084
Claims ratio	%	63.6	71.5	70.9	58.2	60.4	63.2
Commission ratio	%	16.9	17.1	17.6	18.4	17.2	16.8
Expense ratio	%	15.4	15.9	16.3	17.4	17.3	16.1
Combined operating ratio	%	95.9	104.5	104.8	94.0	94.9	96.1
Investment income							
before investment gains/losses	US\$M	690	576	589	641	541	676
after investment gains/losses	US\$M	547	758	812	746	665	814
Insurance profit (loss)	US\$M	826	(60)	(98)	1,075	1,031	1,074
Insurance profit (loss) to net earned premium	%	7.1	(0.5)	(0.8)	9.7	8.4	7.6
Financing and other costs	US\$M	305	302	305	294	244	297
Operating profit (loss)							
before income tax	US\$M	627	(793)	(825)	1,072	953	931
after income tax and non-controlling interests	US\$M	567	(1,212)	(1,249)	844	687	742
Balance sheet and share information:							
Number of shares on issue ³	millions	1,327		1,358	1,370	1,370	1,363
Shareholders' funds	US\$M	8,381		8,859	10,284	10,505	11,030
Total assets	US\$M	39,582		43,862	41,583	42,176	45,000
Net tangible assets per share ³	US\$	4.22		4.29	4.90	5.07	5.32
Borrowings to shareholders' funds	%	38.0		40.8	33.8	33.6	32.5
Basic earnings (loss) per share ³	US cents	29.0		(91.5)	61.6	50.3	57.4
Basic earnings (loss) per share - cash basis ⁴	US cents	53.1		(18.9)	65.5	65.3	63.5
Diluted earnings (loss) per share	US cents	28.6		(91.5)	60.8	49.8	55.8
Return on average shareholders' funds	%	4.5		(13.0)	8.1	6.4	6.9
Dividend per share	Australian cents	50		26	54	50	37
Dividend payout	A\$M	669		356	741	685	492
Total investments and cash ⁵	US\$M	22,887		26,141	25,235	26,708	28,583

1 Profit or loss information for the current period has been prepared on a continuing basis and excludes discontinued operations. For comparability, restated profit or loss information for the year ended 31 December 2017 has also been included above. Balance sheet and share information for both periods continues to reflect the consolidated Group unless otherwise specified.
2 As originally reported for each period.
3 Reflects shares on an accounting basis.
4 Earnings per share on a cash basis is calculated with reference to cash profit, being profit after tax adjusted for amortisation and impairment of intangibles and other non-cash items net of tax.
5 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties.

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2019	February	25	Results and dividend announcement for the full year ended 31 December 2018
	March	7	Shares begin trading ex dividend
		8	Record date for determining shareholders' entitlement to the 2018 final dividend
		11	DRP/BSP election close date - last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	April	18	Payment date for the 2018 final dividend
	May	9	2019 Annual General Meeting
	June	30	Half year end
	August	15 ¹	Results and dividend announcement for the half year ended 30 June 2019
		22 ¹	Shares begin trading ex dividend
		23 ¹	Record date for determining shareholders' entitlement to the 2019 interim dividend
		26 ¹	DRP/BSP election close date - last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	October	4 ¹	Payment date for the 2019 interim dividend
	December	31	Full year end

1 Dates shown may be subject to change.

Shareholder information

QBE is incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code "QBE".

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QBE website

QBE's website provides investors with information about QBE including annual reports, corporate governance statements, sustainability reports, half yearly reports and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE's dividend and online access to your shareholding details via the share registry.

Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE's share registry:

Computershare Investor Services Pty Limited (Computershare)

GPO Box 2975
Melbourne VIC 3001 Australia

452 Johnston Street
Abbotsford VIC 3067 Australia

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Web: www.computershare.com.au
Email: qbe.queries@computershare.com.au

For security purposes, you will need to quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHESS) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Please contact your stockbroker. Computershare cannot assist you with these changes.