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17 February 2020

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

Dear Sir/Madam

Market Release – QBE announces 2019 results

Please find attached an announcement for release to the market.

This release has been authorised by the QBE Board of Directors.

Yours faithfully,

Carolyn Scobie
Company Secretary

Encl.

MARKET RELEASE

17 February 2020

QBE ANNOUNCES 2019 FULL YEAR RESULTS[1]

QBE today announced a FY19 statutory net profit after tax of $550M, up 41% from $390M in the prior year.

Adjusted net cash profit after tax was $733M[2], up 6% from $692M[2] in the prior year, while adjusted cash profit return on equity was 8.9%[2], up from 8.0%[2] in the prior year.

Group-wide renewal rate increases averaged 6.3%[3,4] compared with 5.0%[3,4] in the prior year. Premium rate momentum accelerated across all divisions over the course of FY19, especially in International (particularly Europe) and North America. Group-wide renewal rate increases averaged 8.3%[3,4] during 2H19.

QBE Group CEO, Pat Regan, said: "Cell reviews and the Brilliant Basics program have transformed QBE, embedding a strong and transparent performance culture while upgrading the core capabilities of the business – pricing, risk selection and claims management – and driving a consistent approach to doing business across the Group."

As flagged in our ASX Release of 18 December 2019, the Group reported a FY19 combined operating ratio of 97.5%[3,5,6], above the FY19 target range of 94.5%-96.5%[3,5,6], largely due to adverse weather conditions which severely impacted our US Crop insurance business. The result was also impacted by significant Australian bushfire claims that occurred subsequent to that announcement and immediately prior to balance date.

The Group's attritional claims ratio improved by a further 2.7% to 47.5%[3,7] from 50.2%[3,7] in FY18. Australia Pacific and International both reported further significant improvement, while underlying improvement in North America's attritional claims ratio was largely offset by a heightened level of small weather events during 2H19.

Our historically profitable Crop business experienced significant prevented planting claims and depressed harvest yields. This contributed to a Crop combined operating ratio of 107.5% and impacted the Group's FY19 combined operating ratio by around 1.8% relative to the long-term average combined operating ratio of the Crop business.

The result included a reduced contribution from prior accident year claims development. Claims reserves in specific US and European casualty portfolios were strengthened to reflect more challenging industry-wide inflationary trends. Many of these portfolios have been the subject of de-risking initiatives since 2017 and it is encouraging that much of the reserve strengthening related to underwriting years pre-dating those initiatives. Importantly, reserve strengthening in these areas was largely offset by a combination of reinsurance recoveries and continued favourable reserve development elsewhere across the Group.

1 All figures in US$ unless otherwise stated
2 2019 adjusted cash profit and cash profit ROE excludes non-cash and material non-recurring items such as restructuring costs, gains (losses) on disposals, the impact of the Ogden decision in the UK and discontinued operations. 2018 adjusted cash profit and cash profit ROE excludes the transaction to reinsure Hong Kong construction workers' compensation liabilities
3 Continuing operations basis
4 Excludes premium rate changes relating to Australian compulsory third party motor (CTP)
5 Excludes the impact of changes in risk-free rates used to discount net outstanding claims
6 Excludes one-off impact of the Ogden decision in the UK
7 Excludes Crop and LMI

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The Group's expense ratio improved to 14.6%[1] from 15.2%[1,2] in the prior year, primarily reflecting early benefits from the three-year operational efficiency program.

QBE's capital position remains strong when measured against both regulatory and rating agency capital requirements. The Group's indicative APRA PCA multiple was 1.71x at 31 December 2019 and remains above the mid-point of the Group's 1.6x – 1.8x target range, while the Group also retains an excess above S&P 'AA' minimum capital.

Despite a 2H19 result heavily impacted by weather, the 2019 final dividend of AUD27¢ps (2018 AUD28¢ps) reflects the Board's confidence in the balance sheet and outlook.

The total 2019 dividend of AUD52¢ps is up 4% from AUD50¢ps in 2018. When combined with the A$295M of shares repurchased through the on-market buyback, the payout for the 2019 year was A$976M, broadly in line with the prior year.

QBE Group CEO, Pat Regan, said: "Despite the impact of adverse weather conditions on our North American Crop business, the underlying fundamentals of our business remain strong and we continue to see improvement in both the quality and resilience of our earnings.

In 2019, we made substantial progress across all our strategic priorities and recorded especially pleasing results in Australia Pacific and International.

With strong pricing momentum, non-core asset sales completed and having significantly strengthened reserves in portfolios facing more challenging industry-wide inflationary trends, we enter 2020 with strong prospects for further sustainable margin improvement."

Key FY19 result highlights include:

- Statutory net profit after tax up 41% to $550M (FY18 $390M)
- Adjusted cash profit up 6% to $733M[3] (FY18 $692M[3])
- Adjusted cash profit RoE of 8.9%[3] (FY18 8.0%[3])
- Average Group-wide renewal premium rate increase of 6.3%[1,4] (1H19 4.7% FY18 5.0%)[1,4]
- Gross written premium up 2%[5] to $13,442M[1] (FY18 $13,657M[1])
- Net earned premium up 1%[5] to $11,609M[1] (FY18 $11,830M[1,2])
- Adjusted combined operating ratio increased to 97.5%[1,6,7] (FY18 95.7%[1,2,6])
- Attritional claims ratio (excluding Crop and LMI) reduced to 47.5%[1] (FY18 50.2%[1,2])
- Expense ratio improved to 14.6%[1] (FY18 15.2%[1,2])
- Net investment return increased appreciably to 4.6%[1] (FY18 2.2%[1]), reflecting strong returns across most asset classes
- Financing and other costs of $257M[1] (FY18 $305M[1])
- Amortisation and impairment of intangibles of $51M[1] before tax (FY18 $80M[1])
- Debt to equity ratio unchanged at 38.0% (FY18 38.0%)
- Indicative APRA PCA multiple remains strong at 1.71x (FY18 1.78x)
- Probability of adequacy of outstanding claims stable at 90.0% (FY18 90.1%)
- Final dividend of AUD27¢ps, franked at 30% (FY18 AUD28¢ps, franked at 60%)

1 Continuing operations basis
2 Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities
3 2019 adjusted cash profit and cash profit ROE excludes non-cash and material non-recurring items such as restructuring costs, gains (losses) on disposals, the impact of the Ogden decision in the UK and discontinued operations. 2018 adjusted cash profit and cash profit ROE excludes the transaction to reinsure Hong Kong construction workers' compensation liabilities
4 Excludes premium rate changes relating to CTP
5 Constant currency basis
6 Excludes the impact of changes in risk-free rates used to discount net outstanding claims
7 Excludes one-off impact of the Ogden decision in the UK

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OUTLOOK FOR 2020

The Group's 2020 full year targets are as follows:

Combined operating ratio	93.5% - 95.5%[1,2]
Net investment return	2.5% - 3.0%[1]

Further details are included in a presentation lodged with the ASX.

1 Assumes risk-free rates as at 31 December 2019

2 Excludes $30M one-off regulatory and other costs and the remaining $52M of restructuring charges

RESULTS PRESENTATION

QBE Group CEO, Pat Regan and Group CFO, Inder Singh, will present details of these results today from 9.30am to 10.30am AEDT.

ATTENDING IN PERSON
QBE Group offices
Level 27, 8 Chifley Square Sydney

WEBCAST
The results briefing will be available for viewing as a live webcast. To access the webcast, please follow the link on our home page www.qbe.com. Testing of the webcast facility is available via this link.

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PARTICIPANT PIN CODE: **10003849**

Q&A SESSION (VIA TELECONFERENCE)
- To participate in the teleconference, you will need a touchtone phone
- 10 minutes prior to the briefing, please dial your call-in number and follow the prompts
- To ask a question during the question and answer session:
Press * then 1 on your phone to enter the Q&A queue
Press * then 2 on your phone to withdraw your question
- If you are disconnected for any reason during the teleconference, redial your call-in number

- ENDS -

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