QBE Insurance Group Limited ABN 28 008 485 014
Level 27, 8 Chifley Square, SYDNEY NSW 2000 Australia
GPO Box 82, Sydney NSW 2001
telephone + 612 9375 4444 • facsimile + 612 9231 6104

www.qbe.com

17 August 2017

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

Dear Sir/Madam

Market Release for the half year ended 30 June 2017

Further to the announcement today of our results for the half year ended 30 June 2017, please find attached a market release in relation to those results.

Yours faithfully

Carolyn Scobie
Company Secretary

Attachment

MARKET RELEASE

17 August 2017

QBE ANNOUNCES 2017 INTERIM RESULTS [1]

QBE reported a statutory 2017 interim net profit of $345 million, up 30% from $265 million in the prior period, reflecting an improvement in the combined operating ratio to 97.5% from 99.0% in the prior period.

The Group's adjusted combined operating ratio of 95.3%[2,3] compares with 94.5%[3,4] in the prior period and is in line with our revised combined operating ratio target range of 94.5% - 96.0%[2,3] communicated to the market on 21 June 2017. The higher adjusted combined operating ratio largely reflects a weaker underwriting result in Emerging Markets coupled with a reduced level of positive prior accident year claims development, which more than offset a 1% improvement in the combined commission and expense ratio.

The result included a sixth consecutive half of positive prior accident year claims development of $107 million[2,5], albeit slightly lower than $196 million[4,5] in the prior period.

It is pleasing to report constant currency gross written and net earned premium growth of 3%[6] and 6%[4] respectively. The return to premium growth coupled with ongoing cost reduction initiatives contributed to a 0.9% improvement in our expense ratio.

In Australian & New Zealand Operations, premium rate increases and tightened policy terms and conditions coupled with strengthened underwriting discipline and claims management practices contributed to an improved combined operating ratio of 92.2%[3], down from 93.9%[3] in the prior period, including a 4.2% reduction in the attritional claims ratio (excluding LMI).

Our North American Operations delivered a further improvement in underwriting profitability, recording a combined operating ratio of 98.2%[3], compared with 100.5%[3] in the prior period. Importantly, North America returned to top-line growth after an extended period of remediation and non-core asset sales, with gross written premium up 4%[7] on an underlying basis.

Despite challenging market conditions, our European Operations reported a solid underwriting result. The division's first half combined operating ratio of 91.3%[2,3] is a reflection of the team's commitment to underwriting discipline and performance oversight.

(1) All figures in US$ unless otherwise stated.

(2) Excludes a $156M one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK.

(3) Excludes the impact of changes in risk-free rates used to discount net outstanding claims.

(4) Excludes transactions to reinsure UK long-tail liabilities.

(5) Excludes $38M (1H16 $22M) of favourable Crop prior accident year claims development that is offset by an additional reinsurance cession to the US Government under the Federal crop reinsurance arrangements.

(6) Excludes M&LS fronting (terminated on 31 March 2017).

(7) Excludes $120M of Latin American business fronted on behalf of Equator Re in 2016 (terminated on 1 January 2017).

QBE

MARKET RELEASE

17 August 2017

Consistent with our ASX release of 21 June 2017, Emerging Markets reported a disappointing combined operating ratio of 110.8%[1], up from 99.5%[1] in the prior period. The poor underwriting result reflects a material increase in the current accident year claims ratio across numerous portfolios and regions, in both Asia Pacific and Latin America, coupled with adverse prior accident year claims development, primarily in Hong Kong workers' compensation.

To improve regional focus, our Emerging Markets division is reverting to two separately managed divisions in Asia Pacific and Latin America. A detailed review has been undertaken to determine the remediation activities required to improve underwriting performance in the second half of 2017 and beyond. In addition to the tightening of underwriting controls and discipline, improved pricing models are being introduced, enhanced reinsurance protections considered and cost reduction plans implemented.

David Fried will step down from his current role as CEO of Emerging Markets but will continue to support QBE in a strategic advisory capacity to facilitate the transition to two separate divisions. Jason Brown (currently Group Chief Risk Officer) and Carola Fratini (currently CEO of Argentina) have been appointed as the new CEOs of Asia Pacific and Latin America respectively.

Cash generation and our balance sheet remain strong. Accordingly, the Board has approved a 5% increase in the interim dividend to 22 Australian cents per share and we expect to activate our A$1 billion three-year cumulative on-market share buyback during the second half of 2017.

John Neal, QBE Group Chief Executive Officer

2017 INTERIM RESULT HIGHLIGHTS

- Statutory net profit after tax up 30% to $345M
- Cash profit after tax up 30% to $374M
- Adjusted net profit after tax up 76% to $464M[2]
- ROE of 8.8%[2] (1H16 5.1%)
- Combined operating ratio of 95.3%[1,2] (1H16 94.5%[1,3])
- Positive prior accident year claims development of $107M[2,4] (1H16 $196M[3,4])
- Gross written premium up 3%[5] on a constant currency basis
- Net earned premium up 6%[3] on a constant currency basis
- Improved expense ratio of 15.2% (1H16 16.1%[3])
- Annualised net investment return for the half of 3.6% (1H16 3.3%)
- Probability of adequacy of outstanding claims unchanged at 89.5% (FY16 89.5%)
- Debt to equity ratio of 32.8% within our 25% - 35% benchmark range (FY16 33.8%)
- Indicative APRA PCA multiple of 1.69x (1H16 1.67x) with a further increase in surplus above S&P 'AA' equivalent capital
- Cash remittances from operating divisions of $653M (1H16 $648M)
- Interim dividend of 22 Australian cents per share, 30% franked (1H16 21 Australian cents, 100% franked), equating to a cash profit payout ratio of 61% (1H16 74%)

(1) Excludes the impact of changes in risk-free rates used to discount net outstanding claims.

(2) Excludes a $156M one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK.

(3) Excludes transactions to reinsure UK long-tail liabilities.

(4) Excludes $38M (1H16 $22M) of favourable Crop prior accident year claims development that is offset by an additional reinsurance cession to the US Government under the Federal crop reinsurance arrangements.

(5) Excludes M&LS fronting (terminated on 31 March 2017).

QBE

MARKET RELEASE
17 August 2017

2017 INTERIM DIVIDEND

The Board has declared an interim 2017 dividend of 22 Australian cents per share, franked at 30%, representing a 5% increase on the 2016 interim dividend per share of 21 Australian cents per share.

The 2017 interim dividend payout is A$302 million or 61% of cash profit, consistent with the Board's payout policy of "up to 65% of cash profits".

Shares will begin trading ex-dividend on 24 August 2017, the record date is 25 August 2017 and the dividend will be paid on 29 September 2017.

OUTLOOK

The Group's targets for full year 2017 are as follows:

Gross written premium	Modest growth[1,2]
Combined operating ratio	Towards the upper end of 94.5% - 96.0%[3,4]
Investment return	Around 3.0%

FY17 premium rate movements are expected to remain broadly in line with 1H17 experience.

Following slightly better than expected top-line growth during 1H17, particularly in North America and Australia & New Zealand, we have revised our FY17 gross written premium target from "relatively stable" to "modest growth".

While our FY17 combined operating ratio target remains 94.5%-96.0%[3,4], we are expecting it to be towards the upper end of this range having regard to year-to-date performance.

(1) Premium growth target is on a constant currency basis.
(2) Excludes M&LS fronting (terminated on 31 March 2017).
(3) Excludes the impact of changes in risk-free rates used to discount net outstanding claims.
(4) Excludes a $156M one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK.

QBE

MARKET RELEASE
17 August 2017

TELECONFERENCE

QBE Group CEO, John Neal and Group CFO, Pat Regan, will hold a teleconference today from 10.30am to 11.30am AEDST.

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
- If you are disconnected for any reason during the teleconference, redial your call-in number
- Calls from mobile phones will be charged at the applicable mobile rate

To ask a question during the live Q&A session: Press 01 on your keypad to enter the queue

PARTICIPATION CODE: 858541#

DIAL IN NUMBERS:

Australia: 1800 268 560
New Zealand: 0800 466 125
Hong Kong Toll Free: 800 900 431
Singapore Toll Free: 800 616 2330
United Kingdom Toll Free: 0808 234 7273
US Toll Free: 1 855 717 2650
International: +61 2 8047 9300

ATTENDING IN PERSON:

QBE Group offices Level 27, 8 Chifley Square, Sydney

WEBCAST

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

- ENDS –

For further information, please contact:

Investor Relations
Group Head of Investor Relations
Tony Jackson
Tel: +61 (2) 9375 4364
investor.relations@qbe.com

Media Enquiries
David Symons
Cell: +61 (0) 410 559 184
Email: david.symons@qbe.com

QBE Insurance Group Limited
ABN 28 008 485 014
8 Chifley Square
SYDNEY NSW 2000
Australia

www.qbe.com

QBE Insurance Group Limited is listed on the Australian Securities Exchange, is one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 36 countries.