QBE Insurance Group Limited ABN 28 008 485 014
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www.qbe.com

17 February 2020

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

Dear Sir/Madam,

QBE Presentation on the 2019 results

Further to the Company's announcement to the market today on its results for the year ended 31 December 2019, please find attached the presentation to be delivered to investors and analysts this morning.

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

Yours faithfully

Carolyn Scobie
Company Secretary

Encl.

QBE INSURANCE GROUP LIMITED

2019
full year results

Monday 17 February 2020

All figures in US$ unless otherwise stated

Pat Regan

Group Chief Executive Officer

Performance update

Underwriting culture

Cell reviews and Brilliant Basics

Cell review optimisation

Chief Underwriting Officer deep dives

Brilliant Basics +

Greater pricing momentum[1,2]

FY19 average rate increase of 6.3%

Average rate increase of 8.3% in 2H19

Rate increases in all regions

Momentum accelerating – 9.2% in 4Q19

Results

Combined operating ratio 97.5%[2,3,4]

Underlying GWP growth 4%[5]

Attritional claims ratio down 2.7%[6]

Reduced PYD contribution

Expense ratio down 0.6%[7]

Crop result @ 107.5%

Investments

Net return of 4.6% (~3.6% ex rfr)

Successfully closed duration mismatch

Outperformed benchmark returns

51% increase in impact assets supporting P4G

Balance sheet

Strong regulatory and rating agency capital

Surplus above S&P 'AA'

FY19 dividend up 4%

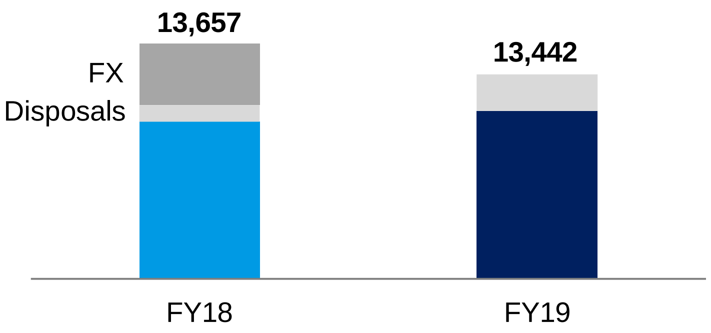
5% reduction in issued capital since 1H17

Ratings affirmed

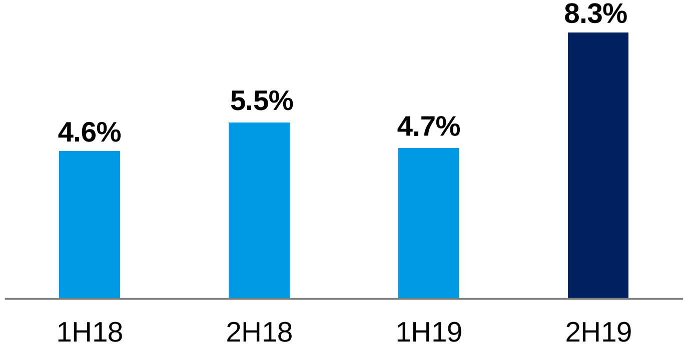
1. Excludes premium rate changes relating to Australian compulsory third party motor (CTP)
2. Continuing operations basis
3. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
4. Excludes one-off impact of the Ogden decision in the UK
5. Constant currency basis excluding disposals
6. Excludes Crop and LMI
7. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities

Results snapshot[1]

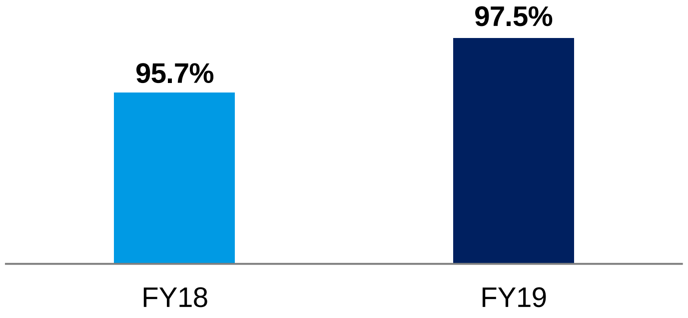
Gross written premium ($M)



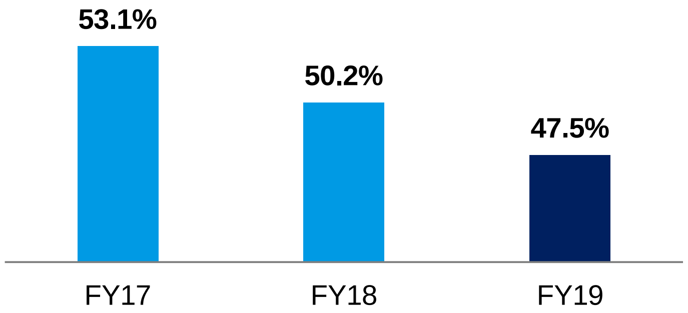
Premium rate increases[2]



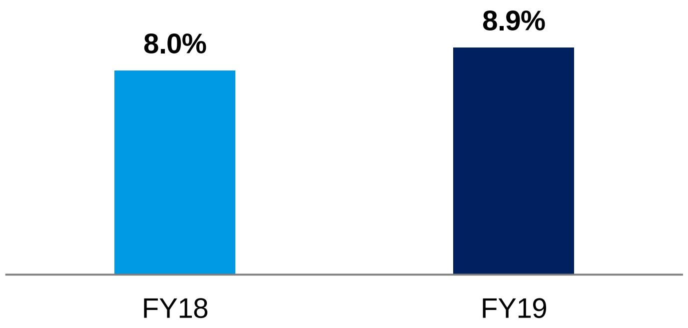
Combined operating ratio[3]



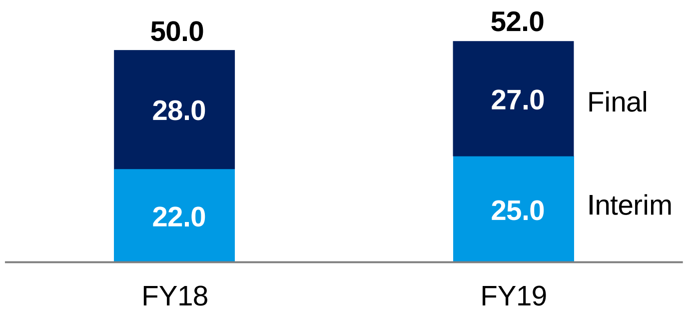
Attritional claims ratio[4]



Adjusted cash profit RoE[5]



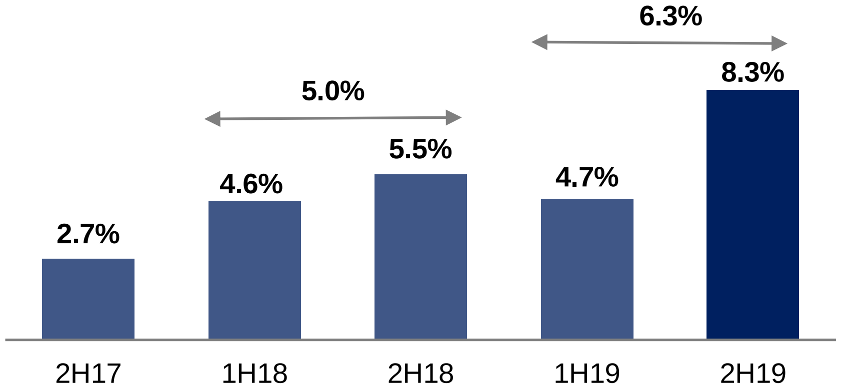
Dividends per share (A¢)



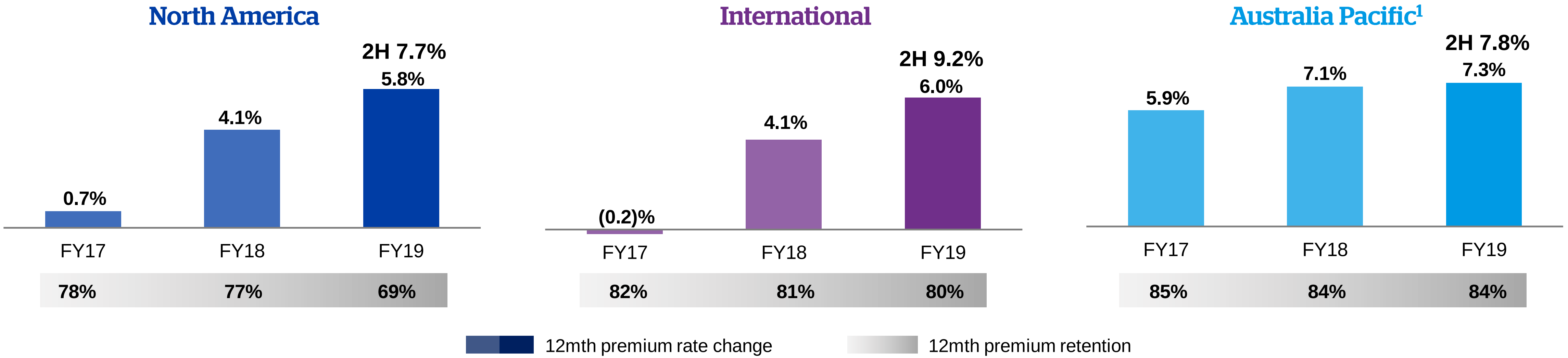
1. Continuing operations and adjusted basis as presented in annual and half year reports
2. Excludes premium rate changes relating to CTP
3. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
4. Excludes Crop and LMI
5. 2019 adjusted cash profit ROE excludes non-cash 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 ROE excludes the transaction to reinsure Hong Kong construction workers' compensation liabilities and discontinued operations

Pricing momentum

Continued Group-wide premium rate increases[1]

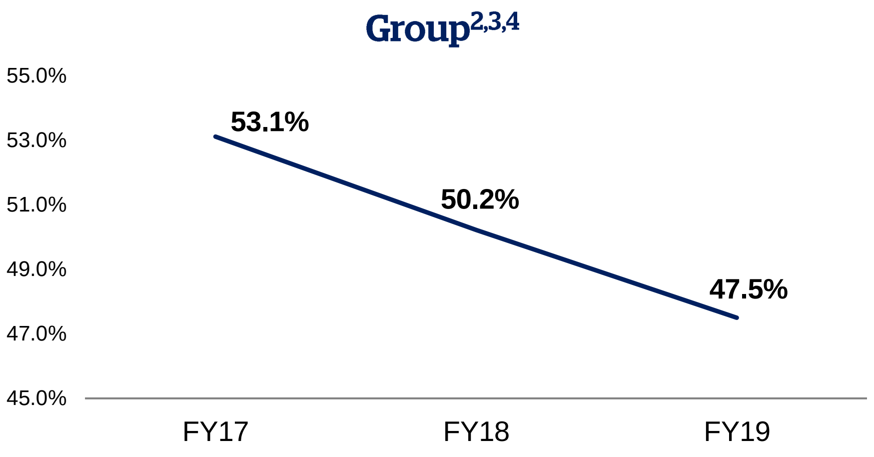


- Strong premium rate increases across the Group – FY19 6.3%[1]
- Pricing momentum increased in all divisions
- +9.2% in 4Q19

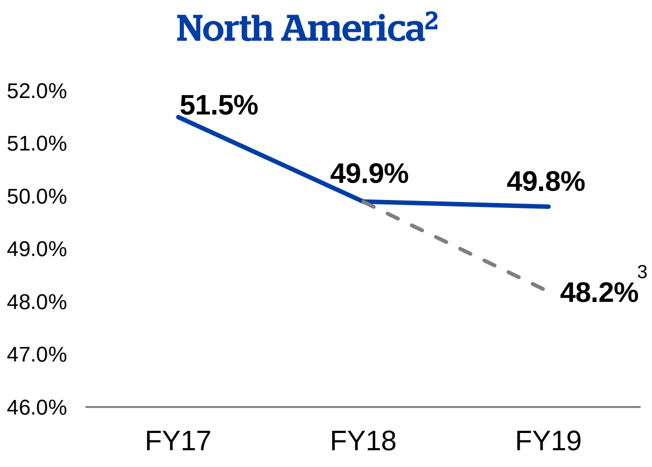


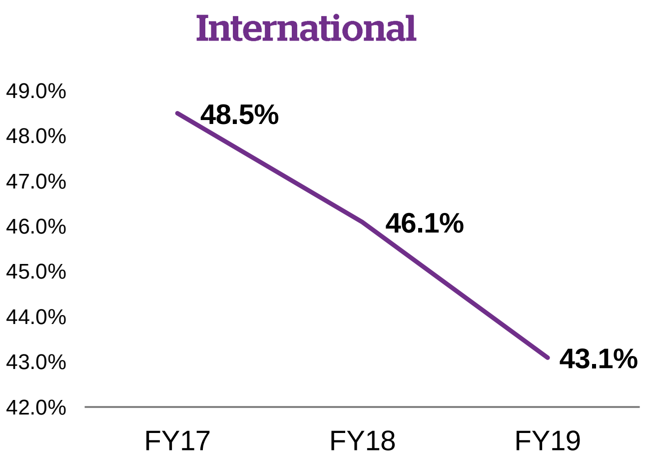
1. Excludes premium rate changes relating to CTP

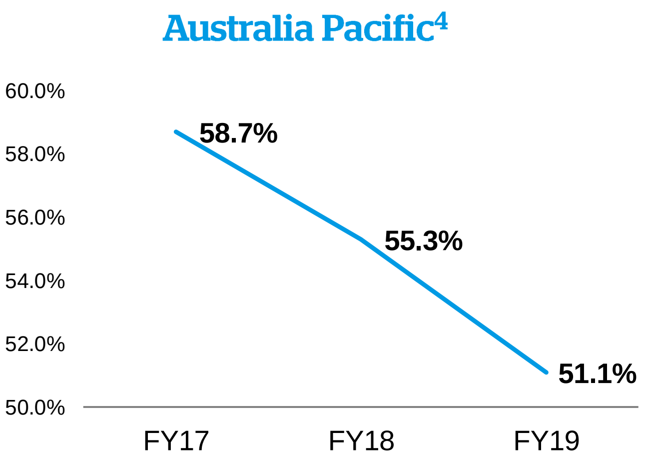
Attritional claims ratio[1]



- 6.8% improvement from 2H17 (peak 54.3% 2H17)
- Continued improvement across all divisions
  - North America 2H19 impacted by heightened small weather events
  - International and Australia Pacific realising benefits from Brilliant Basics
  - Australia Pacific 10.9% improvement since 1H16



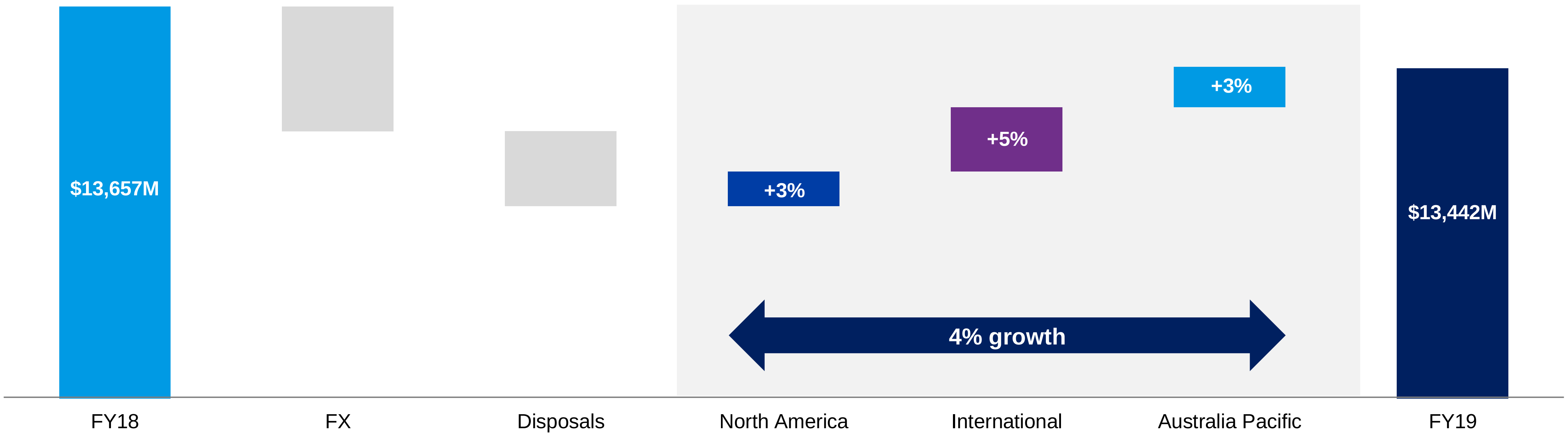




1. Continuing operations and adjusted basis as presented in annual and half year reports
2. Excludes Crop
3. Excludes heightened level of 2H19 weather events
4. Excludes LMI

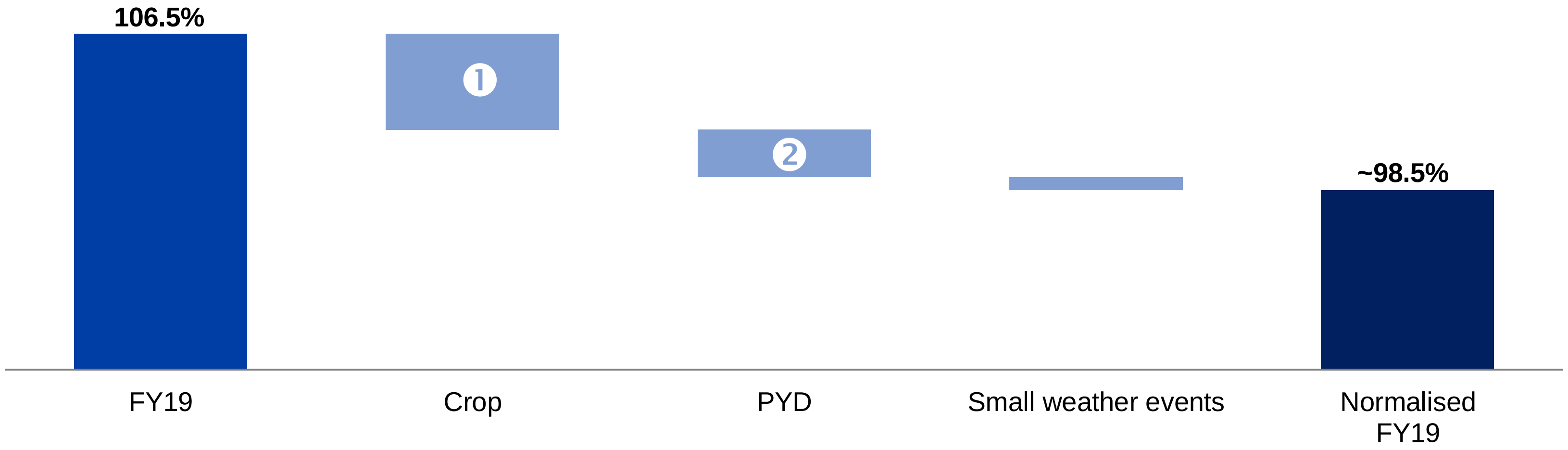
Gross written premium[1]

Underlying growth of 4%

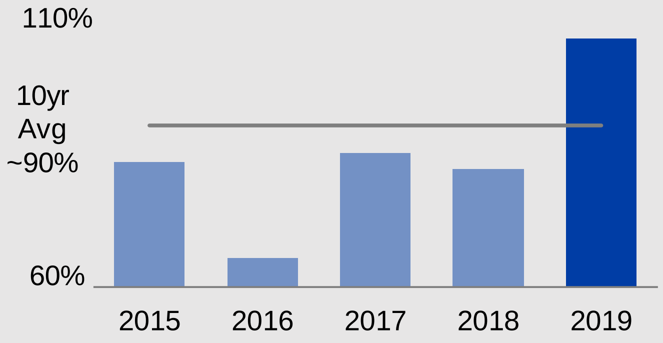


1. Continuing operations basis

North America



❶ Crop



❷ Industry-wide challenges

- Since 2017, portfolios repositioned to help avoid emerging industry inflationary trends
- Appropriately strengthened reserves in casualty lines
- PYD mostly pre-dates portfolio initiatives

Outlook for 2020

- New leadership team
- Premium rate accelerating: 4Q19 +9.2%
- Targeted growth in Corporate
- More focused E&S business
- On-going efficiency program
- Crop planned in line with 10yr average

Brilliant Basics: Improving risk selection

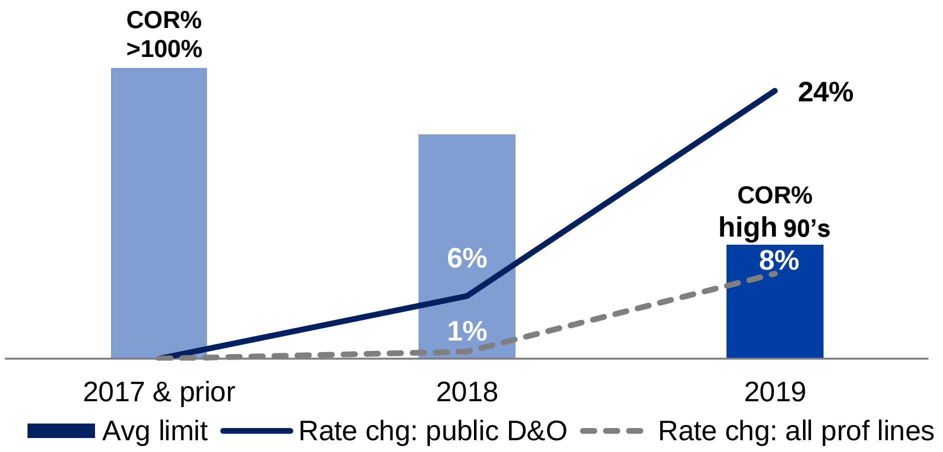
Underwriting and pricing of management liability & professional lines...

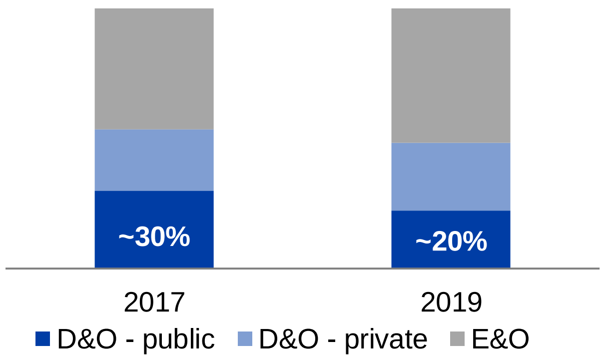
- Average NA D&O limit down 30% since 2017; International down 12%
- NA Public company D&O cumulative rate increases >30% since FY17

... as well as targeted segmentation across the Group

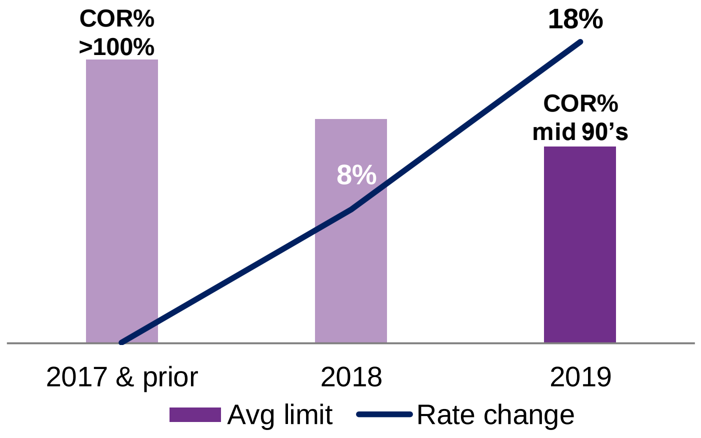
- Targeted reductions in – public company, pharma and Australian side C

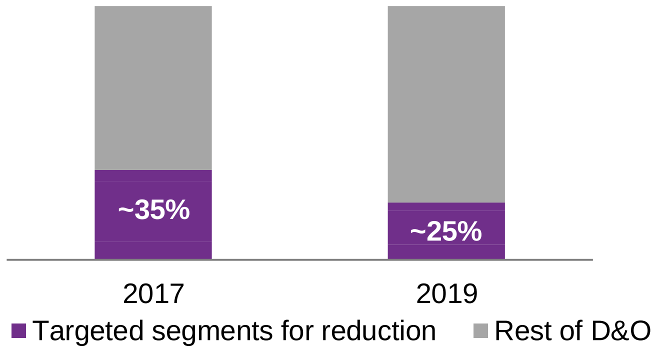
North America professional lines
($175M GWP)





London market D&O[1]
($90M GWP)





1. Underwriting year basis

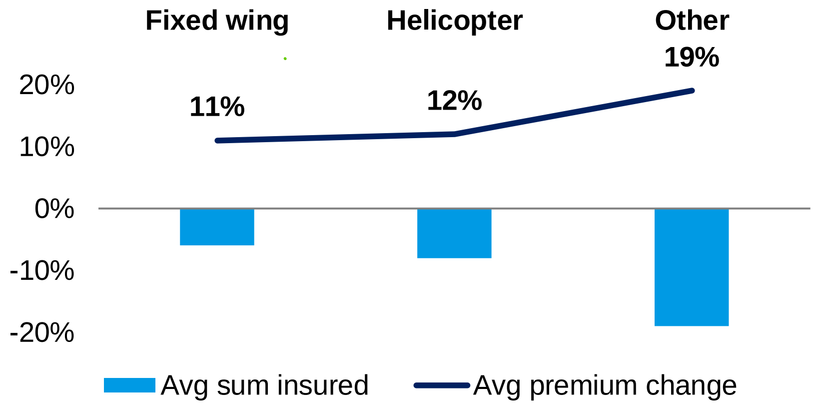
Brilliant Basics: Improving risk selection

QBE

Australia Pacific aviation

($60M GWP)

Underwriting actions led to exposure reductions in targeted segments



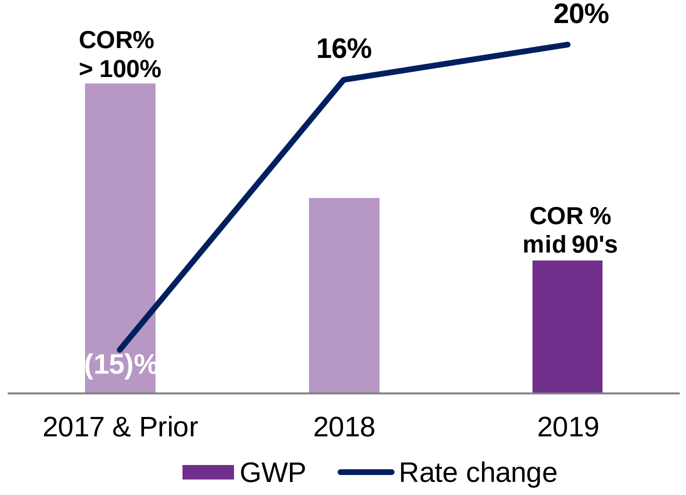
COR reduced to low 90's

Premium rate adequacy	GWP
↑ 15%	↑ 10%
Large claims ratio	**Attritional claims ratio**
↓ 18%	↓ 5%

International property D&F[1]

($90M GWP)

Rate increases, risk selection and cat management drive performance improvement



Attritional claims ratio	North Atlantic wind AAL[2]	North America earthquake AAL[2]
↓ 22%	↓ ~50%	↓ ~60%

1. Underwriting year basis
2. AAL is average annual loss

Cell reviews: Focus on rate[1]

92% of GWP achieving rate increases

Average rate increase of 8% on cells that are <95% adequate

1. Excludes Crop and LMI

Inder Singh

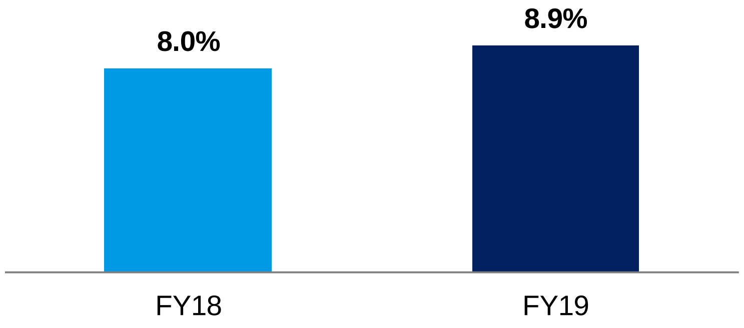
Group Chief Financial Officer

Financial results summary[1]

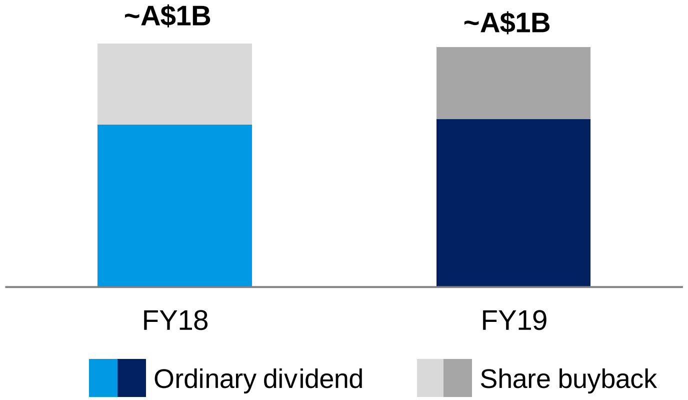
Operating results

		FY18	FY19
Gross written premium	$M	13,657	13,442
Net earned premium	$M	11,830	11,609
Net claims ratio (ex discount rate)	%	64.1	67.3
Net commission ratio	%	16.4	15.6
Expense ratio	%	15.2	14.6
COR (ex discount rate)	**%**	**95.7**	**97.5**
Net investment yield (ex discount rate)	%	2.3	3.6
Net profit after income tax	$M	597	622
Adjusted cash profit	**$M**	**692**	**733**

Adjusted cash profit RoE[2]



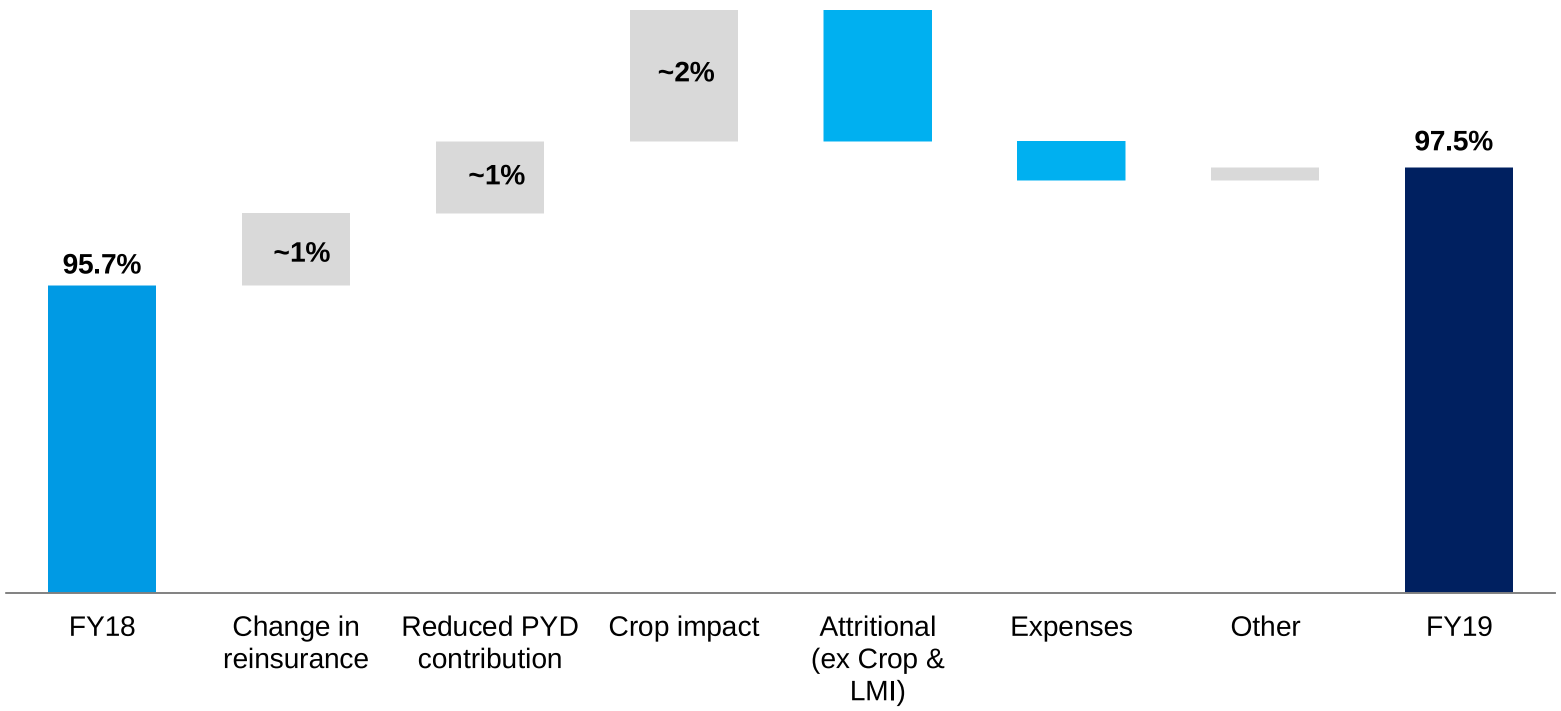
Shareholder payout – dividends up 4%



1. Continuing operations and adjusted basis as presented in annual reports
2. 2019 adjusted 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 ROE excludes the transaction to reinsure Hong Kong construction workers' compensation liabilities and discontinued operations

Combined operating ratio[1,2]

Underlying margin improvement despite headwinds



- Continued attritional claims ratio improvement
- Large risk and cat in line with allowance
- PYD adverse $22M/(0.2)% (FY18 positive $92M/0.8%)
- Crop COR of 107.5% (FY18 84.4%)
- Expense ratio improving

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

Australia Pacific[1]

GWP

$3,920M

3% from FY18[2]

COR

90.0%

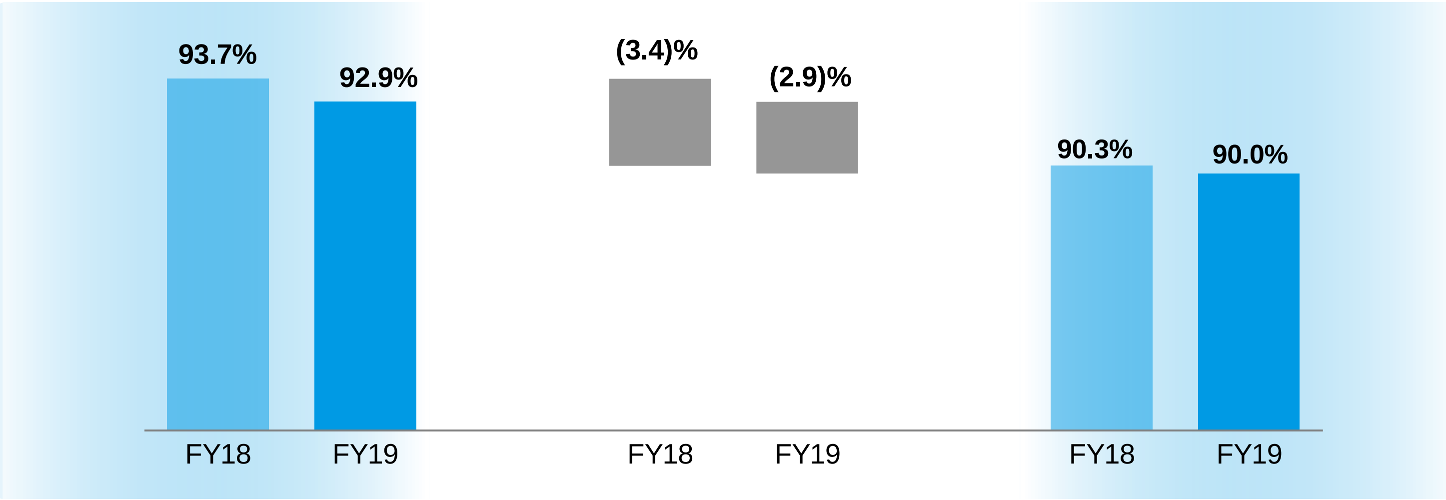
FY18 90.3%

Attritional[3]

51.1%

FY18 55.3%

Current accident year COR + Prior year reserve change = COR



- Attritional claims ratio improved 4.2%[3] (10.9% since 1H16)
- Catastrophe costs up 2.6% driven by Townsville floods and December bushfires
- LMI COR of ~58%; outlook stabilising

1. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2. Constant currency basis excluding travel insurance disposal
3. Excludes LMI

International[1]

GWP

$4,924M

5% from FY18[2]

COR

95.4%[3]

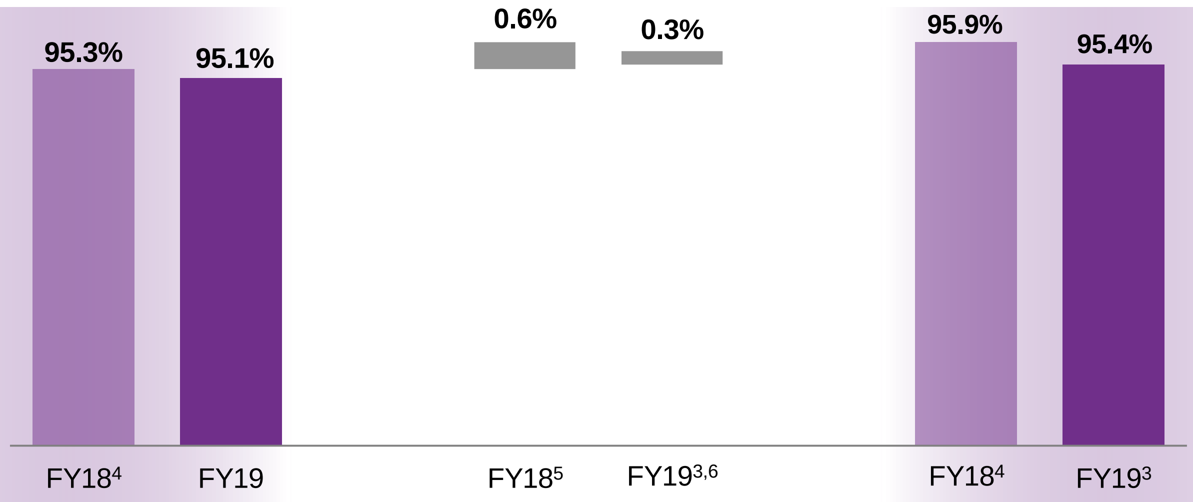
FY18 95.9%[4]

Attritional

43.1%

FY18 46.1%[4]

Current accident year COR	+	Prior year reserve change	=	COR



- Attritional claims ratio improved 3.0%[4]
- Large individual risk claims higher than allowance
- Combined acquisition costs ratio improved by 1.3%

1. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2. Constant currency basis excluding disposals in Asia
3. Excludes one-off impact of the Ogden decision in the UK
4. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities
5. Includes benefit due to a lengthening of expected future claims payment patterns
6. Excludes impact of adjusting the periodic payment order rate that is matched by a reduced discount benefit (resulting in a nil profit impact)

North America[1]

GWP

$4,637M

3% from FY18[2]

COR

106.5%

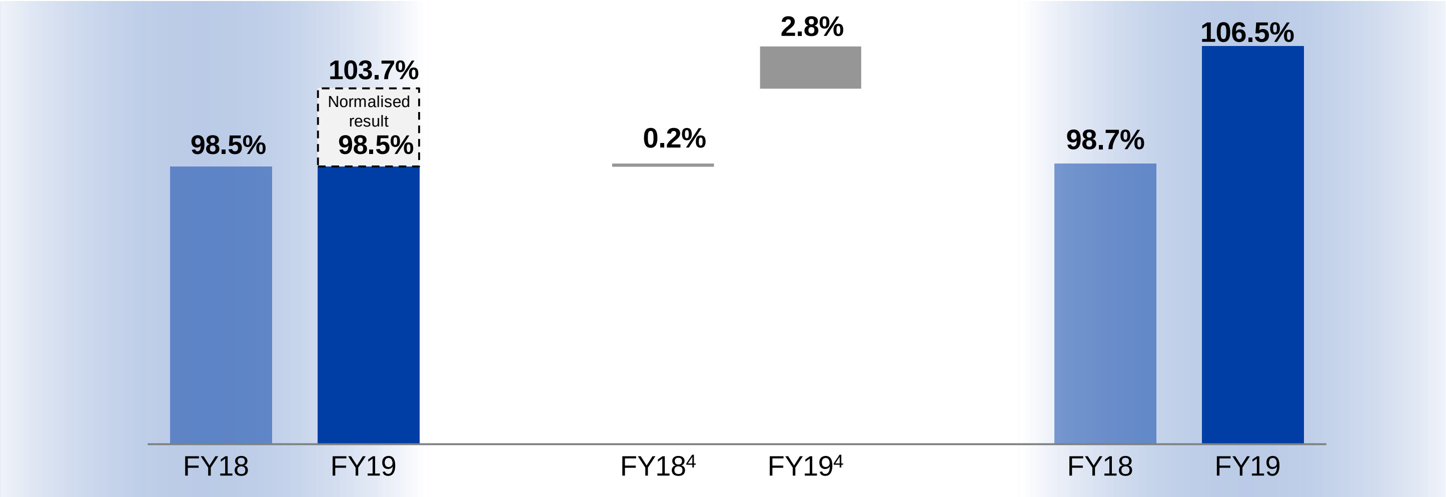
FY18 98.7%

Attritional[3]

49.8%

FY18 49.9%

Current accident year COR	+	Prior year reserve change	=	COR

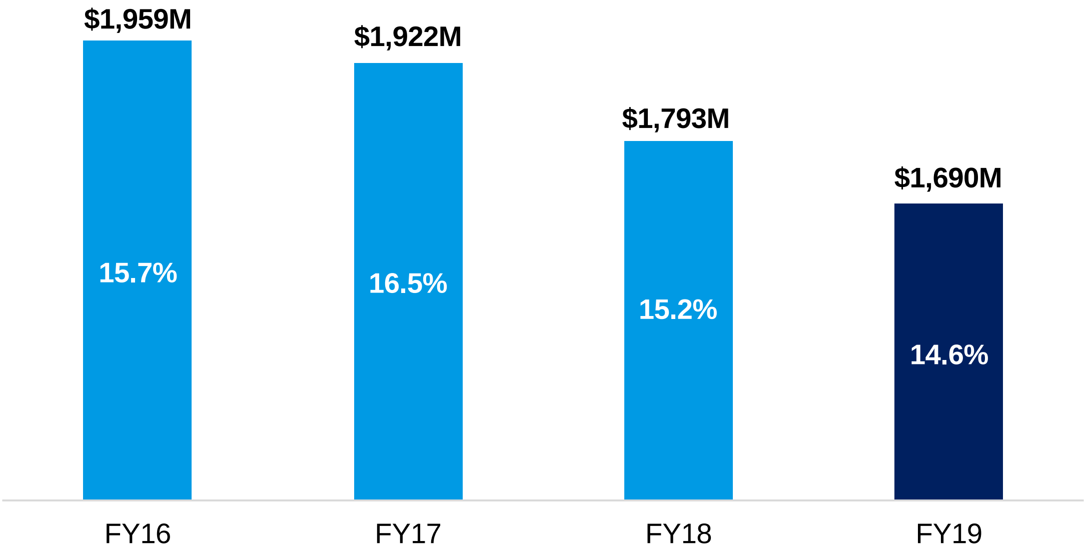


- Strong premium rate momentum (2H19 7.7%)
- Small weather events impacted attritional claims ratio by 1.6%[3]
- 1.6% improvement in expense ratio

1. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2. Excludes disposals
3. Excludes Crop
4. Prior accident year claims development excludes positive Crop development that is matched by additional premium cessions under the MPCI scheme (resulting in net nil profit impact)

Operational efficiency: targets on track[1]

Total expenses and expense ratio trending favourably



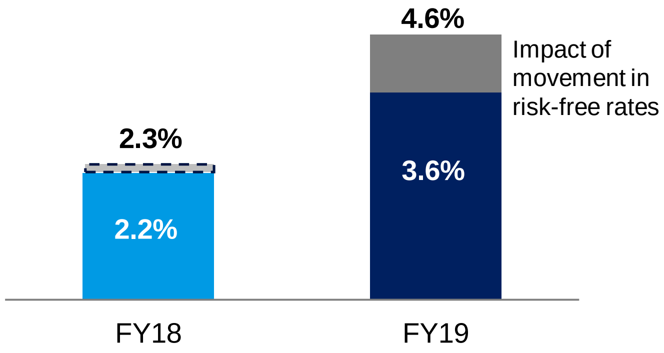
- ~$70M underlying savings
- Expense ratio 14.6% (FY18 15.2%)
- $43M restructuring costs

- >$200M gross savings by 2021
- ~$130M net reduction in expenses by 2021
- Target expense ratio <14% by 2021

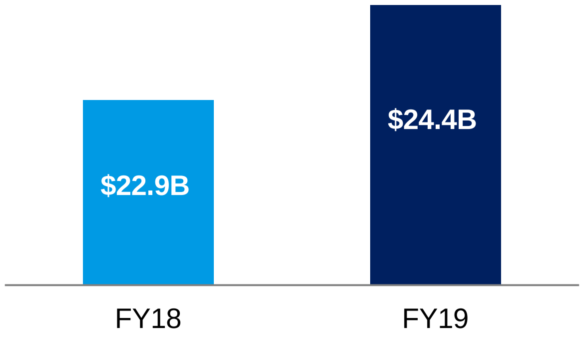
1. Continuing operations and adjusted basis as presented in annual reports

Investment performance[1]

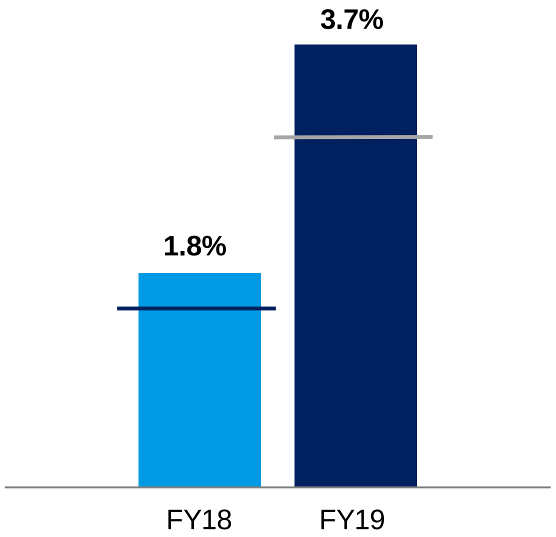
Net investment yield[2]



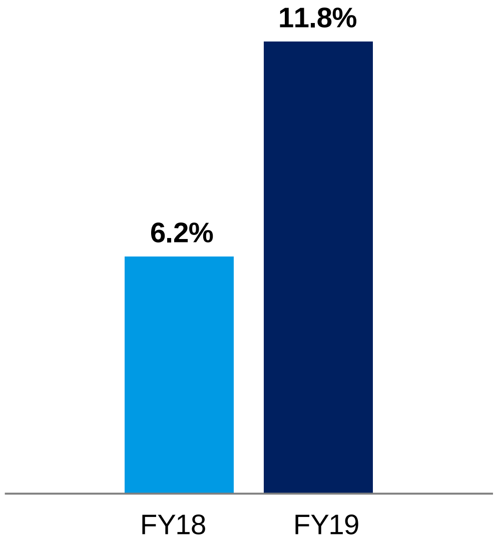
Funds under management



Fixed income performance vs benchmark



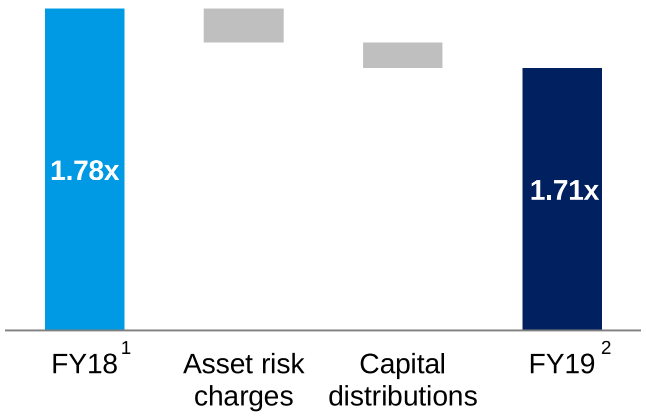
Growth asset performance



- Strong FI returns of 3.7% (FY18 1.8%)
- FI duration 2.6yrs (FY18: 2.1yrs, FY17: 1.6yrs)
- Pro-forma running yield around 1.75%[3]
- Growth asset returns of 11.8% (FY18 6.2%)
- Funds under management $24.4Bn (FY18 $22.9Bn)

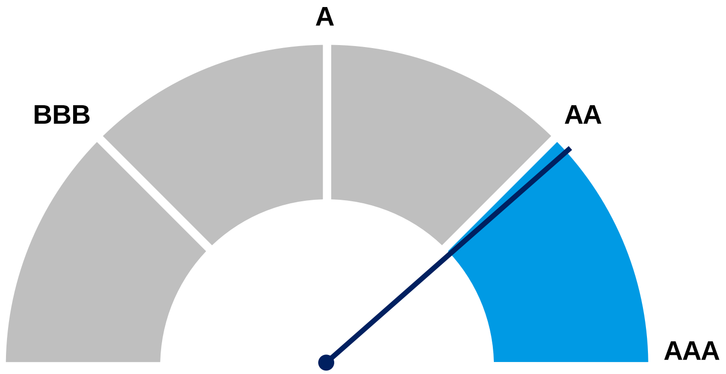
1. Continuing operations basis
2. FY18 net investment yield of 2.2% includes 0.1% adverse impact of movement in risk-free rates FY19 net investment yield of 4.6% includes 1.0% positive impact of movement in risk-free rates
3. Pro-forma running yield represents running yield of 1.5% at 31 December 2019 adjusted for emerging market debt, high yield debt and private credit

APRA regulatory capital



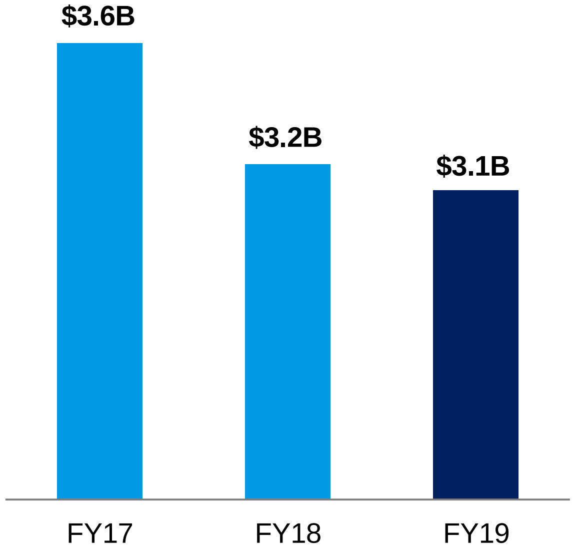
Regulatory capital remains above the mid point of our 1.6x-1.8x target range

S&P capital



S&P Capital remains above 'AA' level

Debt/gearing

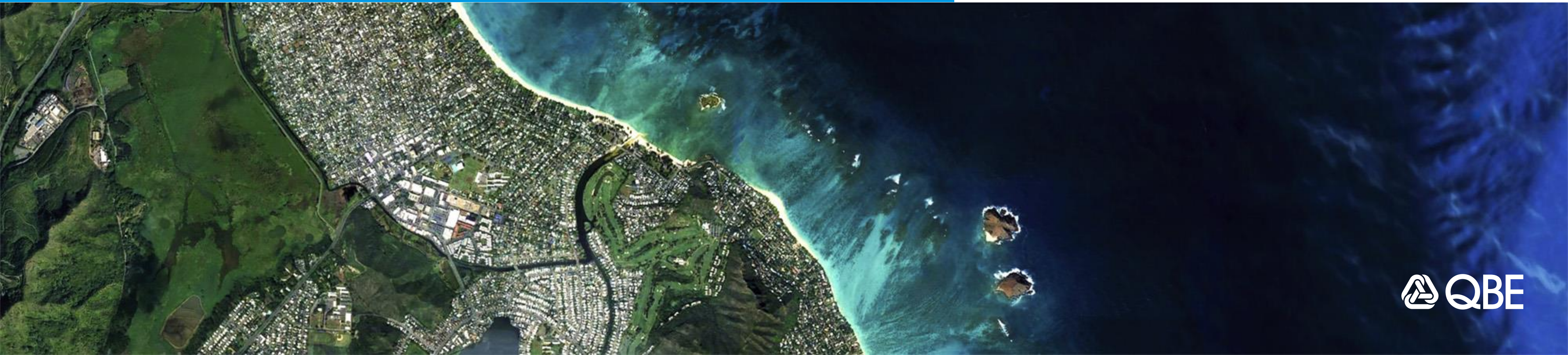


	FY17	FY18	FY19
Debt to Equity:	40.8	38.0	38.0
Debt to Total Capital:	29.0	27.6	27.5

1. 31 December 2018 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 2019

Outlook

Pat Regan - Group Chief Executive Officer



2020 priorities and targets

Performance

Brilliant Basics +

Talent & culture

Customer focus

Innovation & Technology

COMBINED OPERATING RATIO	93.5% – 95.5%[1,2]
INVESTMENT RETURN	2.5% – 3.0%[1]

1. Assumes risk-free rates as at 31 December 2019
2. Excludes $30M one-off regulatory costs and other costs and the remaining $52 million of restructuring charges

Questions & Answers

Disclaimer

The information in this presentation provides an overview of the results for the year ended 31 December 2019.

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.

Appendices

Currency mix of investments and cash, and GWP[1]

Total investments and cash	FY18 $M	FY18 %	FY19 $M	FY19 %
US dollar	7,185	31%	8,292	34%
Australian dollar	6,678	29%	6,502	27%
Sterling	4,144	18%	4,029	17%
Euro	2,541	11%	3,054	12%
Canadian dollar	1,055	5%	1,180	5%
New Zealand dollar	418	2%	409	1%
Hong Kong dollar	371	2%	366	1%
Singapore dollar	165	1%	195	1%
Other	330	1%	347	2%
Total	**22,887**	**100%**	**24,374**	**100%**

Gross written premium	FY18 $M	FY18 %	FY19 $M	FY19 %
US dollar	6,100	45%	6,289	47%
Australian dollar	3,837	28%	3,653	27%
Sterling	1,356	10%	1,284	10%
Euro	1,103	8%	991	7%
New Zealand dollar	297	2%	294	2%
Canadian dollar	248	2%	271	2%
Hong Kong dollar	252	2%	240	2%
Singapore dollar	155	1%	160	1%
Other	309	2%	260	2%
Total	**13,657**	**100%**	**13,442**	**100%**

1. Continuing operations basis

North America

		FY18	FY19
Gross written premium	$M	4,711	4,637
Gross earned premium	$M	4,612	4,646
Net earned premium	$M	3,796	3,942
Net incurred claims	$M	2,575	3,168
Net commission	$M	592	599
Expenses	$M	547	506
Underwriting result	$M	82	(331)
Net claims ratio	%	67.8	80.4
Net commission ratio	%	15.6	15.2
Expense ratio	%	14.4	12.8
Combined operating ratio	%	97.8	108.4
Adjusted combined operating ratio[1]	**%**	**98.7**	**106.5**
Insurance profit/(loss) margin	%	3.8	(4.7)

- Excluding disposals, GWP growth was around 3%
- NEP grew by ~4% primarily due to growth in Crop coupled with lower reinsurance costs following the restructure of the Group's reinsurance program
- Average renewal rate increases accelerated to 5.8% (FY18 4.1%)
- Net claims ratio[1] increased to 78.5% (FY18 68.7%) due to:
  - Significantly reduced Crop profitability following prevented planting claims as well as frost and hail during the growing season
  - Adverse prior accident year claims development of 2.8%[2] compared with 0.2%[2] in FY18; partially offset by
  - Improvements in the attritional claims ratio (excluding Crop) largely offset by a heightened level of small weather events
- Expense ratio improved reflecting the sale of the retail personal lines business, operational efficiency initiatives and positive operating leverage from net earned premium growth
- COR[1] deteriorated by 7.8% mainly due to the reduced Crop profitability coupled with adverse prior accident year claims development which more than offset improvement in the combined commission and expense ratio

1. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2. Excludes positive Crop development that is matched by additional premium cessions under the MPCI scheme (resulting in a nil profit impact)

International

		FY18[1]	FY19[2]
Gross written premium	$M	4,876	4,924
Gross earned premium	$M	4,889	4,739
Net earned premium	$M	4,224	4,089
Net incurred claims	$M	2,633	2,679
Net commission	$M	783	689
Expenses	$M	638	634
Underwriting result	$M	170	87
Net claims ratio	%	62.3	65.5
Net commission ratio	%	18.6	16.9
Expense ratio	%	15.1	15.5
Combined operating ratio	%	96.0	97.9
Adjusted combined operating ratio[3]	**%**	**95.9**	**95.4**
Insurance profit margin	%	6.7	9.6

1. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities
2. Excludes the one-off impact of the Ogden decision in the UK
3. Excludes the impact of changes in risk-free rates used to discount net outstanding claims

- GWP increased 4% on a constant currency basis, reflecting the positive pricing environment and targeted growth, as well remediation activities in Asia
- Average renewal rate increases of 6.0% (FY18 4.1%); European Operations' renewal rates increased 6.3% (FY18 4.4%) while Asia achieved 3.5% renewal rate increases (FY18 0.7%)
- Net claims ratio[3] increased to 63.0% (FY18 62.2%) due to:
  - An increase in the net cost of large individual risk claims to 14.6% (FY18 9.3%) following the restructure of the Group's reinsurance program; partly offset by
  - A 3.0% improvement in the attritional claims ratio due to targeted underwriting actions in both European Operations and Asia coupled with the beneficial rating environment
- Expense ratio increased to 15.5% (FY18 15.1%) due to increased staff incentives and VAT associated with Brexit
- COR[3] improved due to a reduced attritional claims ratio and a reduced total acquisition cost ratio partially offset by an increase in the net cost of large individual risk and catastrophe claims

Australia Pacific

		FY18	FY19
Gross written premium	$M	4,104	3,920
Gross earned premium	$M	4,103	3,885
Net earned premium	$M	3,758	3,568
Net incurred claims	$M	2,310	2,223
Net commission	$M	561	526
Expenses	$M	542	519
Underwriting result	$M	345	300
Net claims ratio	%	61.5	62.3
Net commission ratio	%	14.9	14.8
Expense ratio	%	14.4	14.5
Combined operating ratio	%	90.8	91.6
Adjusted combined operating ratio[1]	**%**	**90.3**	**90.0**
Insurance profit margin	%	13.3	13.6

- GWP increased 3% on a constant currency basis (excluding travel disposal) reflecting premium rate increases across majority of the portfolio and targeted growth in selected portfolios
- Average renewal rate increase of 7.3%[2], up from 7.1%[2] in FY18
- Net claims ratio[1] reduced to 60.7% (FY18 61.0%) reflecting:
  - Further 4.2%[3] improvement in the attritional claims ratio, reflecting targeted pricing increases, enhanced risk selection and claims management initiatives; largely offset by
  - Heightened catastrophe experience in Australia, particularly due to the Townsville floods and widespread bushfires; and
  - Changes following the restructure of the Group's reinsurance program
- Expense ratio increased 0.1% primarily due to a reduction in builders' warranty fee income, increased investment to respond to changes in the regulatory environment and a TEPL[4] accrual largely offset by operational efficiency benefits
- COR[1] reduced to 90.0% from 90.3% in FY18 reflecting further material improvement in the attritional claims ratio offset by the increased cost of catastrophe claims

1. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2. Excludes premium rate changes relating to CTP
3. Excludes LMI
4. Transitional excess profits and losses with respect to NSW CTP

Financial strength and flexibility

QBE

Summary balance sheet	31 DEC 2018 $M	31 DEC 2019 $M
Investments and cash	22,887	24,374
Trade and other receivables	5,185	4,621
Intangibles	2,800	2,791
Other assets	1,497	1,238
Assets	**32,369**	**33,024**
Insurance liabilities, net	18,578	19,364
Borrowings	3,188	3,095
Other liabilities	2,203	2,412
Liabilities	**23,969**	**24,871**
Net assets	**8,400**	**8,153**
Shareholders' funds	8,381	8,153
Non-controlling interests	19	-
Total equity	**8,400**	**8,153**

Reserving

- Adverse prior accident year claims development of $22M[1] (FY18 $92M[2] favourable)
- $231M adverse risk-free rate impact (FY18 $13M positive)
- $23M risk margin release (FY18 $12M strengthening)
- PoA broadly unchanged at 90.0% (FY18 90.1%)

Borrowings

- Debt to equity ratio 38.0% (FY18 38.0%)
- Buyback of $195M senior unsecured debt

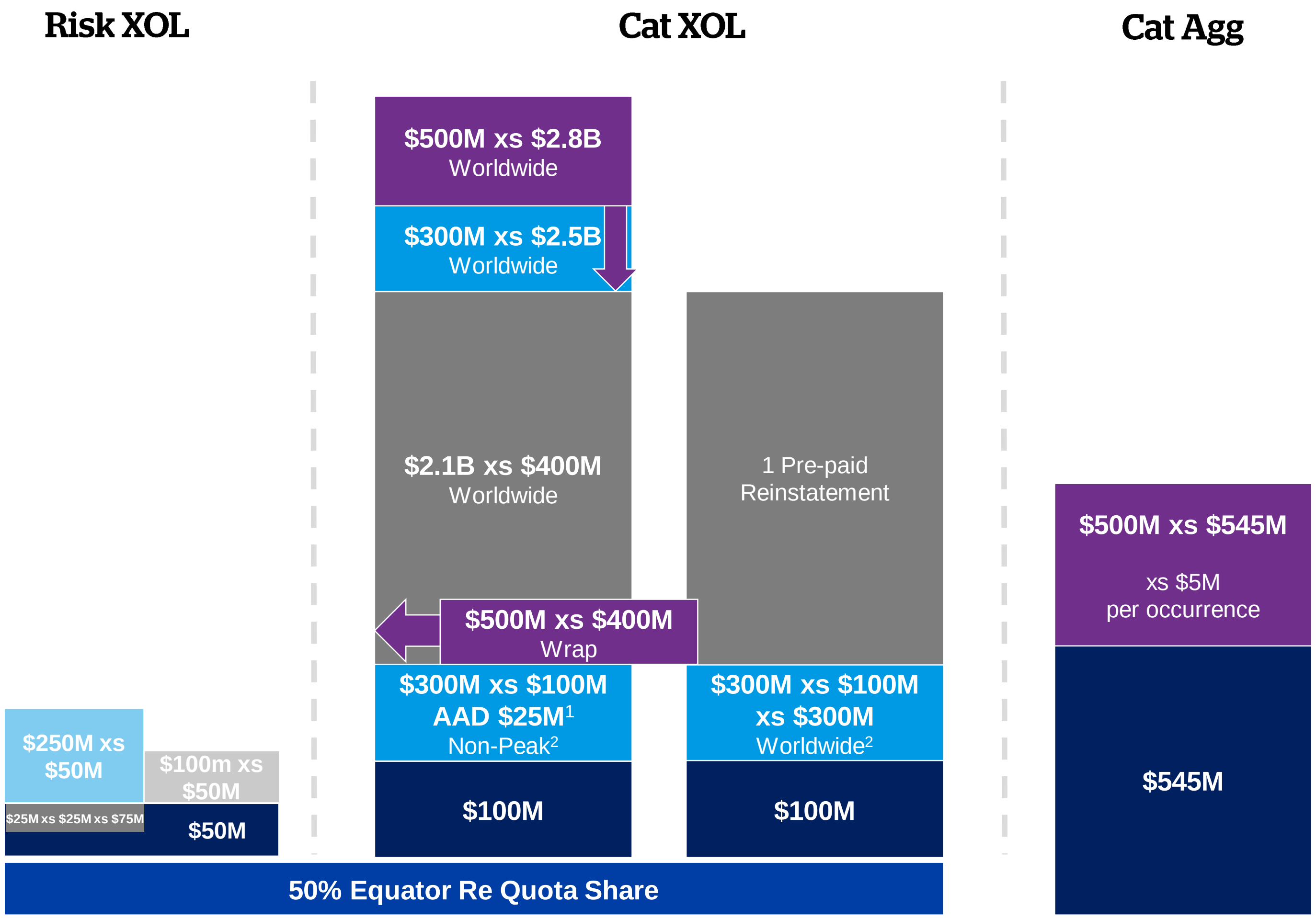
1. Excluding $32M of positive prior accident year claims development pertaining to North America Crop that is matched by additional premium cessions under the MPCI scheme (resulting in a nil profit impact), and $86M benefit in International due to the impact of adjusting the periodic payment order rate that is matched by a reduced discount benefit (also resulting in a nil profit impact)
2. Excluding $64M of positive prior accident year claims development pertaining to North America Crop that is matched by additional premium cessions under the MPCI scheme (resulting in a nil profit impact), and including $43M benefit in International due to the impact of lengthening of expected future claims payment patterns

APRA Prescribed Capital Amount

APRA PCA calculation	31 DEC 2018[1] $M	31 DEC 2019[2] $M
Ordinary share capital and reserves	8,400	8,153
Net surplus relating to insurance liabilities	818	718
Regulatory adjustments to Common Equity Tier 1 Capital	(3,311)	(3,326)
Common Equity Tier 1 Capital	**5,907**	**5,545**
Additional Tier 1 Capital – Capital securities	399	399
Total Tier 1 Capital	**6,306**	**5,944**
Tier 2 Capital – Subordinated debt and hybrid securities	2,456	2,558
Total capital base	**8,762**	**8,502**
Insurance risk charge	2,819	2,903
Insurance concentration risk charge	779	608
Asset risk charge	1,984	2,139
Operational risk charge	480	497
Less: Aggregation benefit	(1,131)	(1,182)
APRA Prescribed Capital Amount (PCA)	**4,931**	**4,965**
PCA multiple	**1.78x**	**1.71x**
CET1 ratio (APRA requirement >60%)	**120%**	**112%**

1. 31 December 2018 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 2019

2020 global reinsurance program



Key features of program

- Equator Re quota share protection significantly reduces claims volatility
- Low catastrophe retention
- Protection against catastrophe severity and frequency of medium-sized catastrophes
- Protection against large individual risk claim severity
- Increased aggregate protection
- Small additional annual aggregate deductible[1]
- Enhanced risk clash & cyber protection

Main Cat XOL
- $2.1B xs $400M

Cat Top *or* Drop *or* Non-Peak[2]
- Top $300M xs $2.5B for Peak *or*
- Drop $300M xs $100M xs $300M for Peak *or*
- Drop $300M xs $100M with AAD $25M

Cat Top *or* Agg *or* Wrap
- Top $500M xs $2.8B (or $2.5B) *or*
- Aggregate $500M xs $545M *or*
- Wrap $500M xs $400M including QBE Re & Syndicate 1036 retained claims and Equator Re Share

Risk
- Main cover $250M xs $50M
- Clash Section $100M xs $50M
- Sub layer $25M xs $25M xs $75M

1. AAD (Annual Aggregate Deductible) IRO Australian Hail, Bushfires and Flood, and US Wildfires
2. 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 are non-peak

Fixed income update

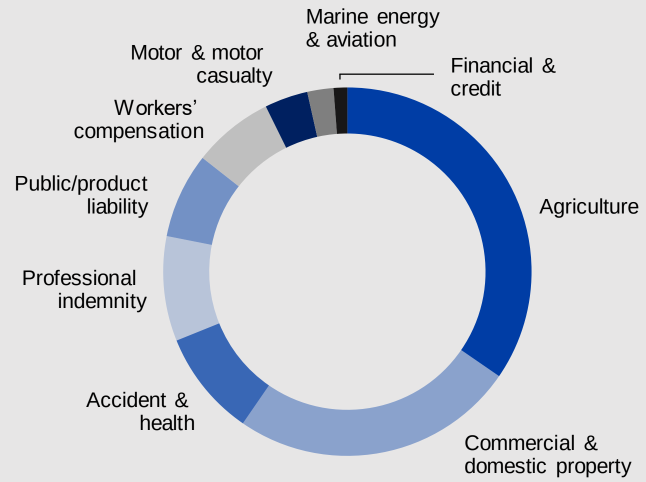
Global coverage

QBE operates in 3 segments with insurance operations in 27 countries globally

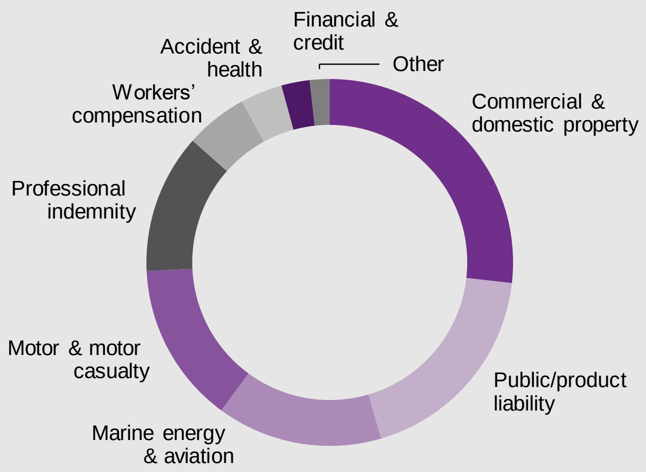
QBE is an international general insurance and reinsurance company, with meaningful operations in the major insurance hubs. QBE is listed on the Australian Securities Exchange and headquartered in Sydney, Australia.

QBE is a specialty property and casualty insurer and reinsurer, with primary focus on commercial lines.

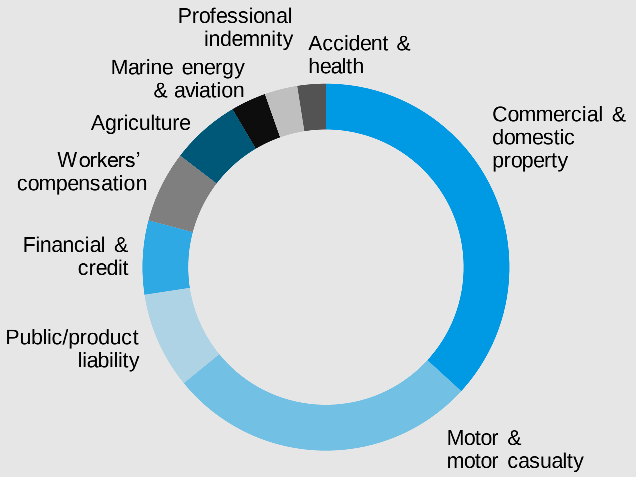
North America GWP



International GWP



Australia Pacific GWP



Balance sheet management

Strong capital

Ratings strength

Globally regulated

Lower gearing

Maintaining strong capital position

- PCA multiple at 1.71x (1.6x-1.8x target range)
- Remains above S&P 'AA' minimum levels
- Shareholder returns of A$976M (including share buyback)

Ratings

- S&P, Moody's, Fitch and AM Best affirmed QBE Group's credit ratings
- Ratings are supported by the Group's globally diversified multiline business, strong market positions and robust balance sheet

Regulatory

- QBE is regulated by key global regulators in Australia, UK, Europe, USA and Bermuda

Reducing debt

- Borrowings reduced by $521M since December 2017 via repurchase of $594M (face value) of senior debt
- Debt to equity ratio down from 40.8% at December 2017 to 38.0%
- Net reduction of $1,837M in value of borrowings since December 2012

Rating agencies

QBE Insurance Group is rated by 4 major rating agencies

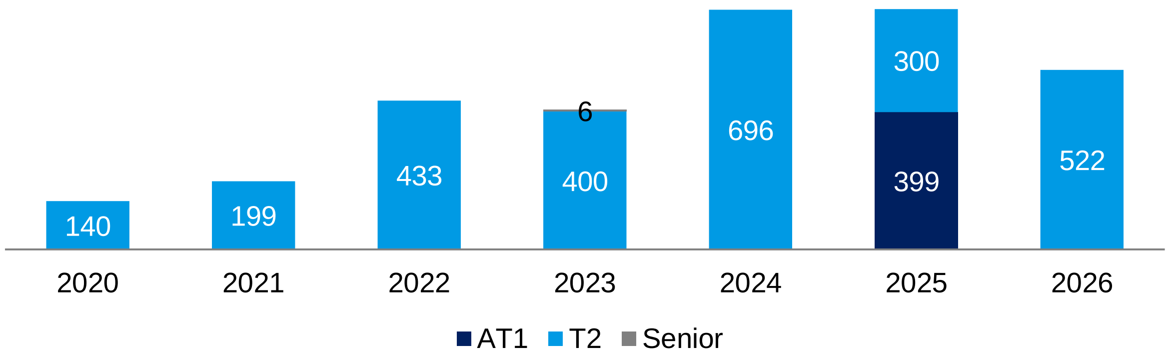
	Long term FSR[1]	Debt issue ICR[2]	Outlook	Rating affirmation
S&P Global Ratings	A+	A-	Stable	May 2019
AM BEST	A (excellent)	bbb+	Stable	July 2019
FitchRatings	A+	A-	Stable	July 2019
Moody's	A1	A3	Stable	April 2019

1. Insurance Financial Strength ratings (FSR) : reflects ability of an insurer to meet its obligations and claims. FSR is applicable to operating insurance entities. QBE Insurance Group Limited as the holding company is rated two notches lower
2. Debt ratings: reflects ability of the company to pay the security holder's interest in addition to principal repayment

Debt profile

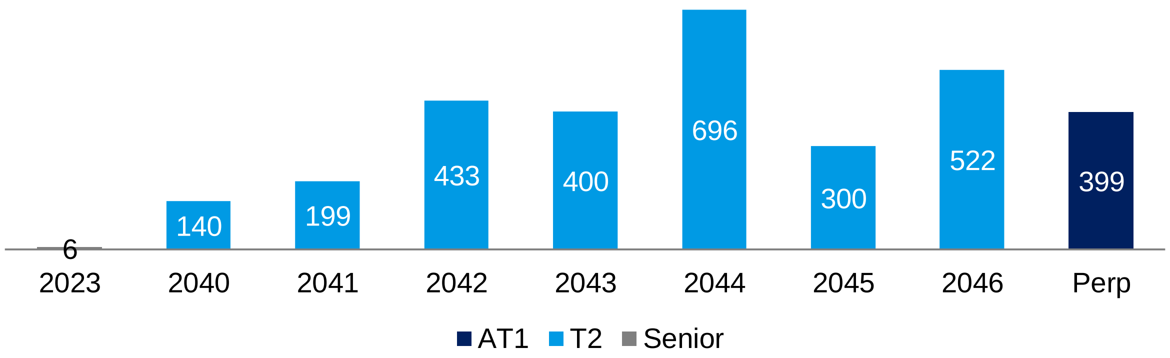
Date to first call ($M)

weighted average maturity: 4.5 years



Legal maturity profile ($M)

Weighted average maturity: 21.2 years (ex AT1)



	Issued debt	Issue date	First call date	Coupon	Outstanding value (US$M)	Maturity date
Junior subordinated (AT1)	USD AT1	Nov-17	May-25	5.250%	399	Perp
	AUD 25NC5	Sep-15	Sep-20	3M BBSW + 4.0%	140	Sep-40
	USD 30NC10	May-11	May-21	7.250%	167	May-41
	GBP 30NC10	May-11	May-21	7.500%	32	May-41
	GBP 30NC10	May-16	May-22	6.115%	433	May-42
Subordinated (Tier 2)	USD 30NC10	Oct-16	Nov-23	7.500%	400	Nov-43
	USD 30NC10	Nov-14	Dec-24	6.750%	696	Dec-44
	USD 30NC10	Nov-15	Nov-25	6.100%	300	Nov-45
	USD 30NC10	Jun-16	Jun-26	5.875%	522	Jun-46
Senior	USD 2023 Senior	Sep-17	-	3.000%	6	May-23
Total issued debt					**3,095**	

Australian insurance regulatory requirements

QBE

Capital base / Tiers of capital

Common Equity Tier 1	Additional Tier 1	Tier 2

CET1 > 60% of PCA

Total Tier 1 > 80% of PCA

Total Capital Base > PCR

Source: Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", January 2013

$M	FY19
Capital base	8,502
PCA	4,965
PCA multiple	1.71x

Point of non-viability loss absorption

- All Additional Tier 1 and Tier 2 must include loss absorption provisions (via conversion or write-down) upon a non-viability trigger event
- Both sequential (loss absorption hierarchy) and partial loss absorption amongst parity securities are permitted by APRA:

"A regulated institution may provide for Additional Tier 1 Capital instruments to be converted or written off prior to any conversion or write-off of Tier 2 Capital instruments. In these circumstances, conversion or write-off of Tier 2 Capital instruments will only be necessary to the extent that conversion of Additional Tier 1 Capital instruments has not resulted in APRA withdrawing the notice issued to the regulated institution" - Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", January 2013

- APRA has stated that it is of the view that it is less likely for insurers (compared to banks) to trigger non-viability in Australia:

"A decision by APRA that it is necessary to trigger write off or conversion in circumstances where an insurer would otherwise become non-viable is expected to be less likely for insurers than may be expected to be the case for ADIs. This reflects the different nature of the circumstances that may lead to an insurer becoming non-viable and the options available to APRA and the insurer to address such situations." - APRA Response to Submissions – Review of capital standards for general insurers and life insurers, December 2011

Point of non-viability loss absorption

Australia is the only jurisdiction which requires point of non-viability ("PONV") loss absorption for insurers issuing Additional Tier 1 or Tier 2 capital

	AUSTRALIA LAGIC		EU SOLVENCY II	
Instrument class	Additional Tier 1	Tier 2	Restricted Tier 1	Tier 2
Step-ups permitted	No	No	No	Permitted, no earlier than Year 10
Principal loss absorption required	Required, PONV	Required, PONV	Required, upon breach of 100% SCR or 100% MCR	No
Minimum maturity (years)	Perpetual	5 (regulatory amortisation in last 4 years)	Perpetual	10
Lock-in at final maturity and mandatory deferral	No stated maturity, distributions are fully discretionary and non-cumulative	No	No stated maturity, distributions are fully discretionary and non-cumulative	Required
Mandatory deferral trigger event	Distributions cannot be paid if issuer would breach regulatory requirements, be insolvent or regulator objects	No solvency ratio test required, payments are subject to satisfaction of Solvency Condition	Mandatory cancellation upon breach of 100% SCR or 100% MCR	Regulatory deficiency event
Redemption prior to year 5 for change in regulatory/tax	Permitted (subject to supervisory approval)	Permitted (subject to supervisory approval)	No, unless replaced with equal or better quality capital and minimum capital requirements are met	No, unless replaced with equal or better quality capital and minimum capital requirements are met

"An Additional Tier 1 Capital or Tier 2 Capital instrument must include a provision under which, on the occurrence of a non-viability trigger event (as defined in paragraphs 3 and 4 of this Attachment), it will be immediately and irrevocably:

a) be converted into the ordinary shares of the regulated institution or its parent entity, which must be listed at the time the instrument is issued; or

b) written off"

- Attachment G para 1 of GPS 112 Capital Adequacy: Measurement of Capital

- In accordance with the above, QBE's Additional Tier 1 and 2 instruments provide for conversion into ordinary shares of the entity if APRA determines QBE would become non-viable[1]
- If that conversion is not effected within 5 scheduled trading days of the relevant trigger event, the notes will be immediately written-off

1. Per QBE debt issuance documents: (a) the issuance of a notice in writing by APRA to QBE that conversion or write-off of capital instruments is necessary because, without it, APRA considers that QBE would become non-viable; or (b) a determination by APRA, notified to QBE in writing, that without a public sector injection of capital, or equivalent support, QBE would become non-viable

Our approach to sustainability

We have a focus on sustainability and the identification of current and emerging environmental, social and governance (ESG) trends is an integral part of achieving our purpose, understanding the needs of our customers and ensuring the sustainability of our own business.

Our Sustainability Framework helps us drive performance, manage risks and identify opportunities across the areas of sustainability that are most important to our business, customers and stakeholders

See the Sustainability section of our website for more information.

Our approach to sustainability

QBE

2019: Key achievements

Group Energy Policy
Developed a Group Energy Policy to support an orderly transition to a lower carbon global economy

RE100
Joined RE100 and committed to sourcing 100% renewable electricity across our global operations by 2025. We have made significant progress towards this target, with 63% of our global electricity use being sourced from renewable electricity

2020 Bloomberg Gender-Equality Index
Included in the 2020 Bloomberg Gender-Equality Index

Red Cross and Save the Children partnership
Partnered with global leading humanitarian agencies for disaster relief, Red Cross and Save the Children

Recognition
Shortlisted for a range of prestigious awards for our Premiums4Good initiative including Ethical Corporation's global *Responsible Business Awards*, the Shared Value Project's *Shared Value Awards*, and the Banksia Foundation's *Banksia Sustainability Award*

2020: Forward focus

Premiums4Good
Deliver on our ambition to grow our impact investments to $2 billion by 2025. Refer to the Premiums4Good section of our website for more information

Climate Change Action Plan
Continue to implement our Climate Change Action Plan (in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures). Refer to our 2019 Annual Report for more information

Sustainability Scorecard
Deliver commitments outlined in our Sustainability Scorecard which are aligned to our priority Sustainable Development Goals (SDGs):

Further information about QBE's role in the SDGs can be found in our 2019 Sustainability Report

See the Sustainability section of our website for more information