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www.qbe.com

16 August 2018

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

Dear Sir/Madam,

QBE results presentation for the half year ended 30 June 2018

Further to the Company's release to the market of its results for the half year ended 30 June 2018, please find attached a copy of the presentation to be delivered to the market today.

Yours faithfully

Carolyn Scobie
Company Secretary

Attachment

QBE Insurance Group

2018 half year results presentation

Pat Regan Group Chief Executive Officer
Inder Singh Group Chief Financial Officer

Thursday 16 August 2018

All figures in US$ unless otherwise stated

Pat Regan

Group Chief Executive Officer

1H18 results update

Simplified and more focused organisation

Exited loss-making and volatile businesses

Implemented cell performance reviews

Over 300 reviews in the first half

Mobilised an extensive Brilliant Basics program

Designed and implementing Group underwriting and claims standards

Delivered 1H18 result in line with our FY18 target

Improved attritional claims ratio

Strong pricing momentum in all regions

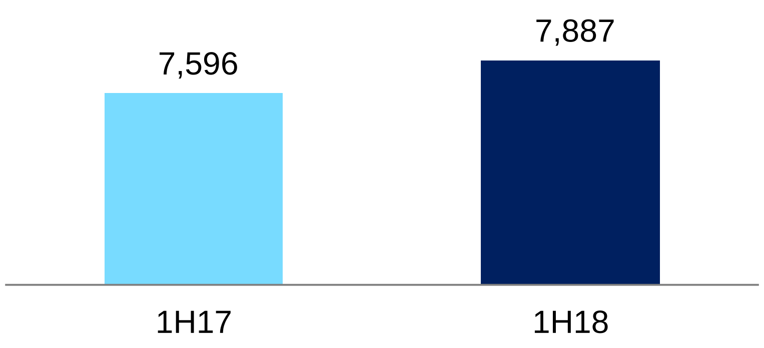
Achieved ~5% average rate increases

Strong balance sheet

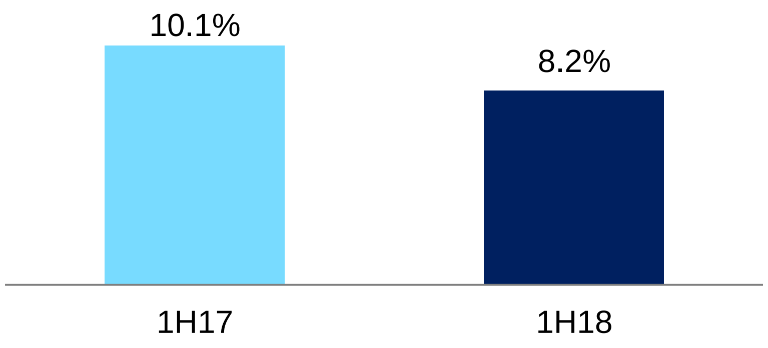
Improved capital and gearing ratios

Results snapshot[1]

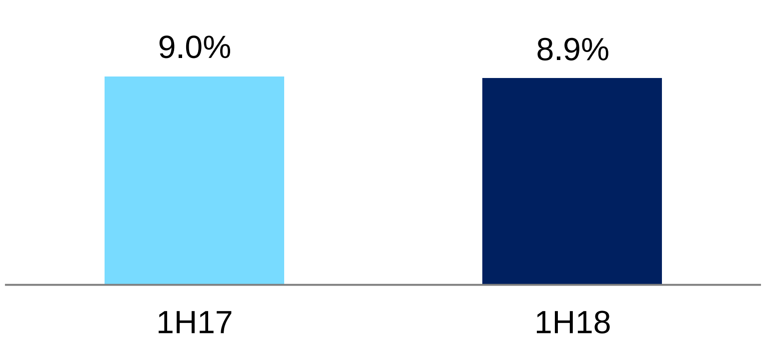
GWP ($M)



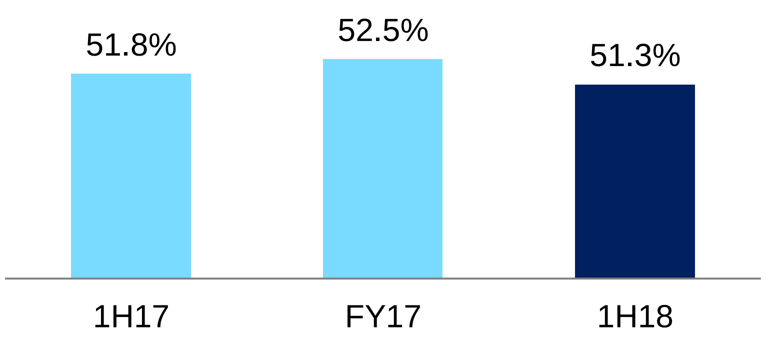
Insurance margin



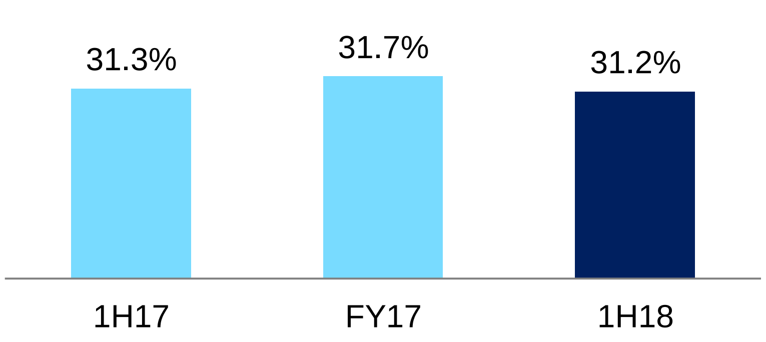
RoE



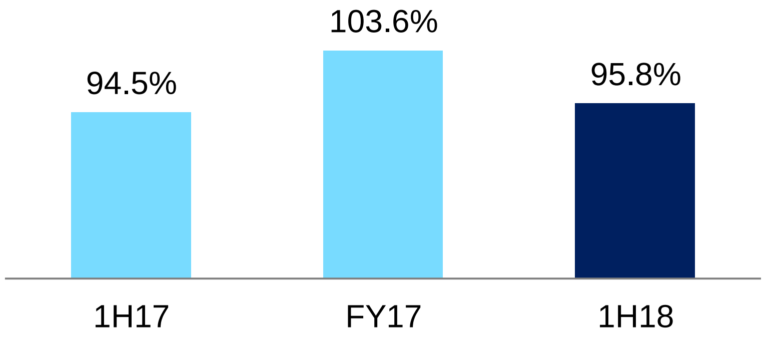
Attritional claims ratio[2]



Acquisition cost ratio

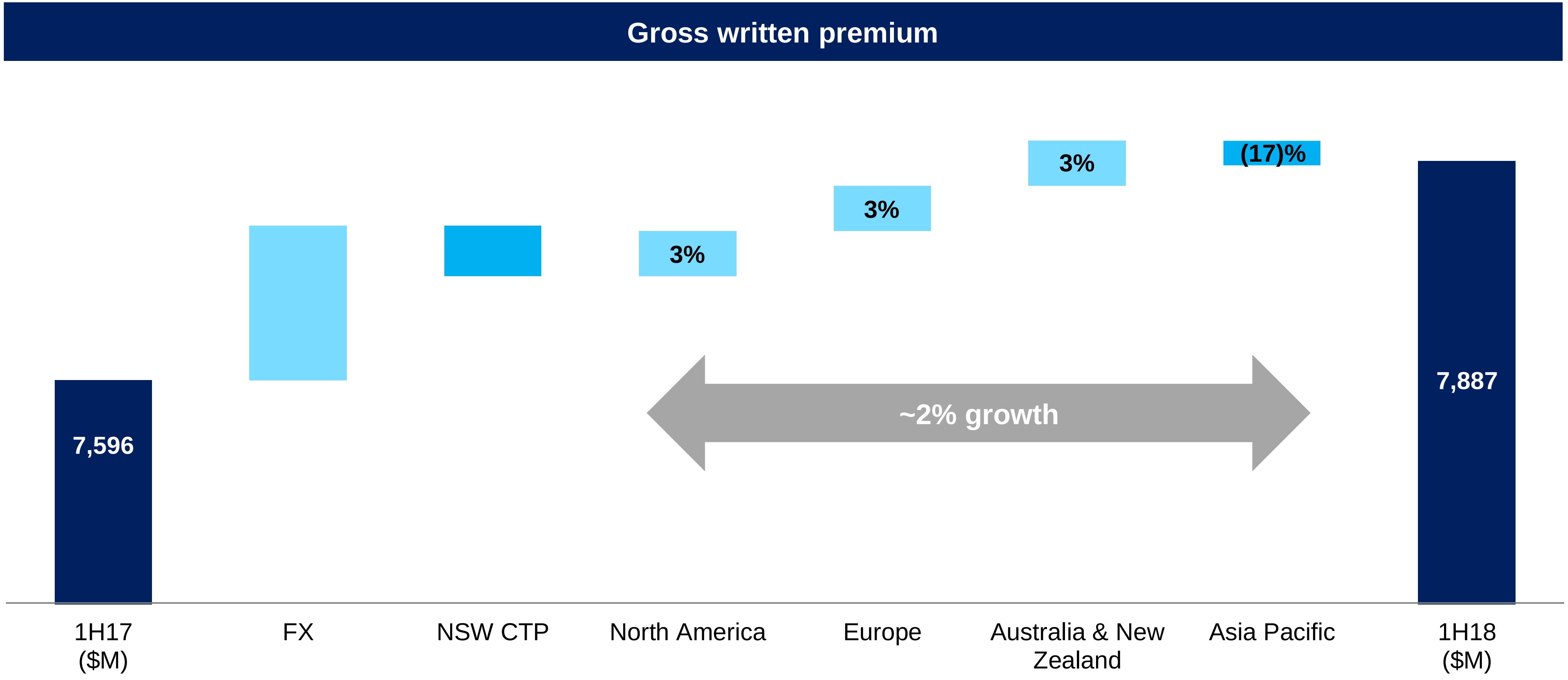


COR[3]



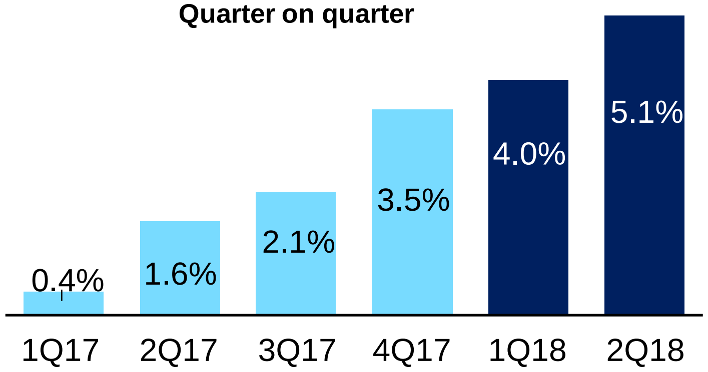
1. Continuing operations and adjusted basis
2. Excludes Crop and LMI
3. Excludes the impact of changes in risk-free rates used to discount net outstanding claims

Underlying premium growth of ~2%



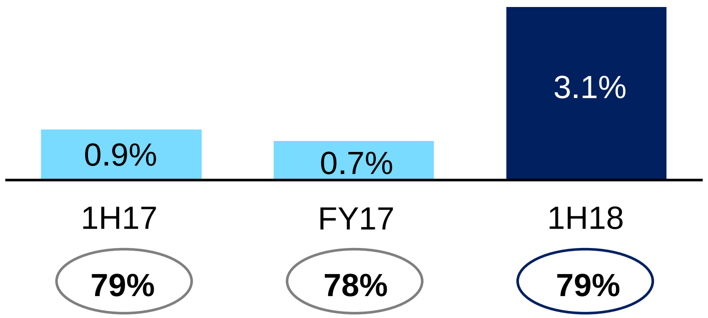
Pricing momentum

Positive Group-wide trend…

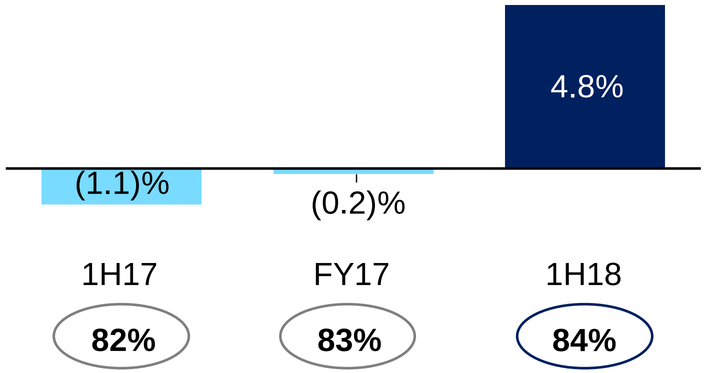


- Premium rate increases in all divisions
- 1H18 +4.6% (1H17 +1.0%)
- FY17 +1.8%

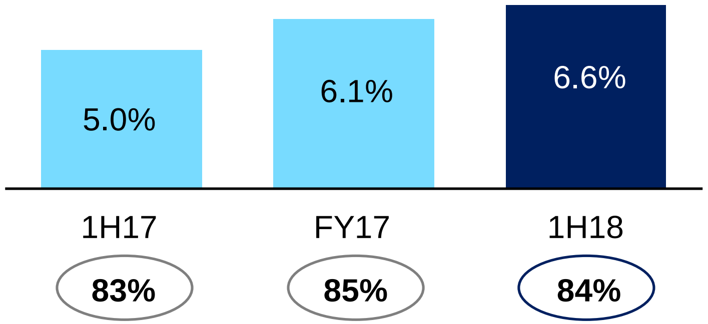
North America



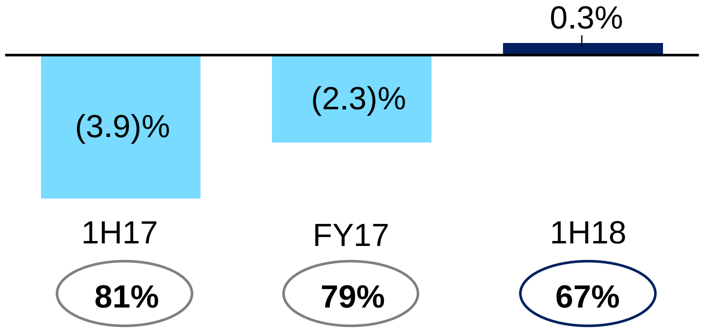
Europe



Australia & New Zealand[1]



Asia Pacific



Premium rate change **Premium retention**

1. Australia & New Zealand premium rate changes exclude CTP

Simplified and more focused

Exit underperforming businesses

- ✓ Latin America
- ✓ Thailand
- ✓ Hong Kong construction WC
- ✓ Australian travel business
- ... North American personal lines

Targeted “de-risking”

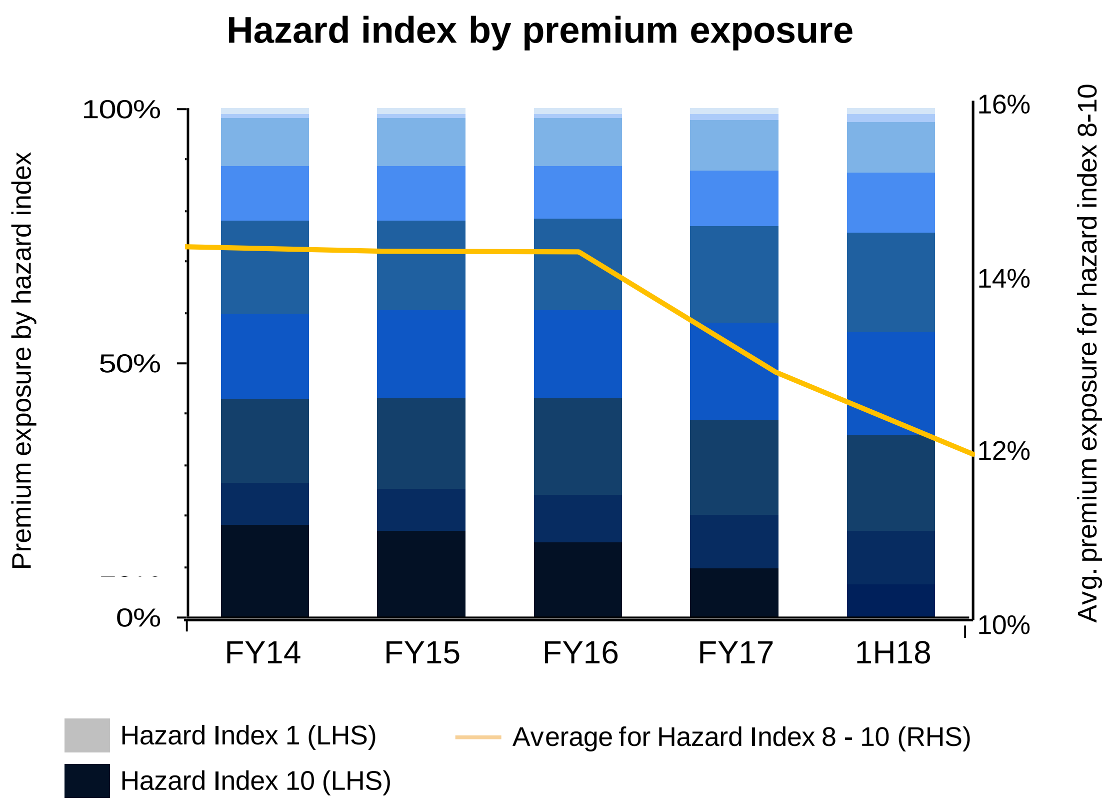
- Improving property hazard profile
- Reduced catastrophe exposure
- Indonesian marine hull
- Program business in NAO
- Soybean hedge

Focused growth

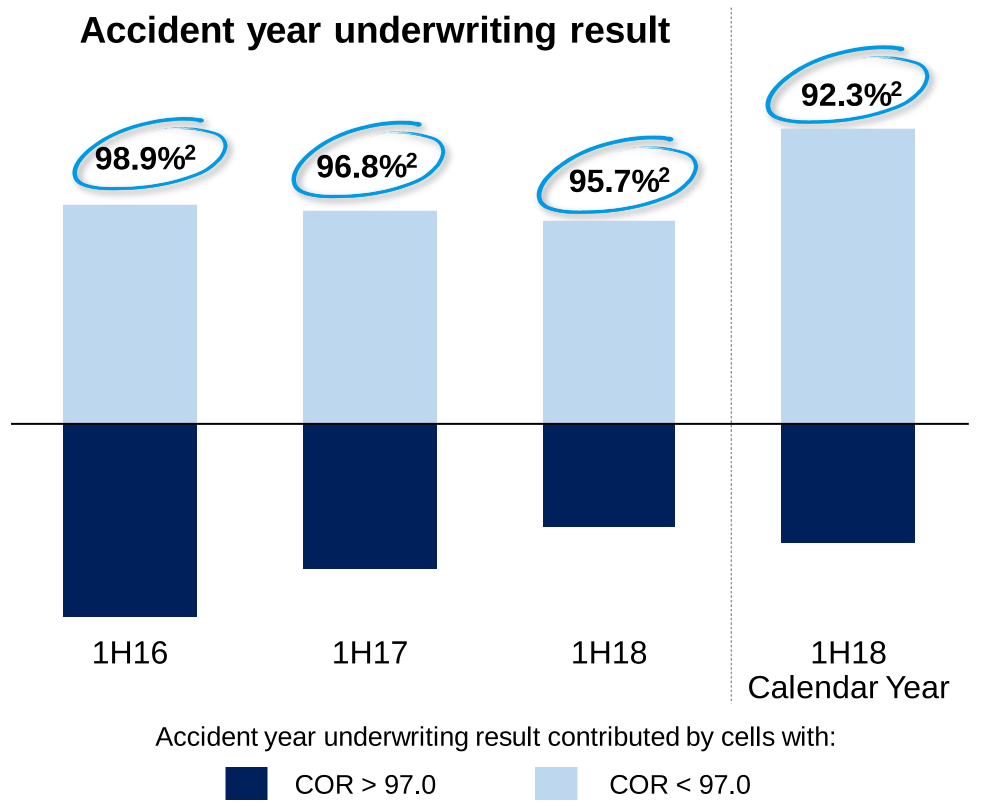
- accident & health
- homebuilders
- natural resources
- QBE Re
- commercial packages
- CTP

Success of Australia & New Zealand cell reviews

Risk profile of property portfolio improving[1]



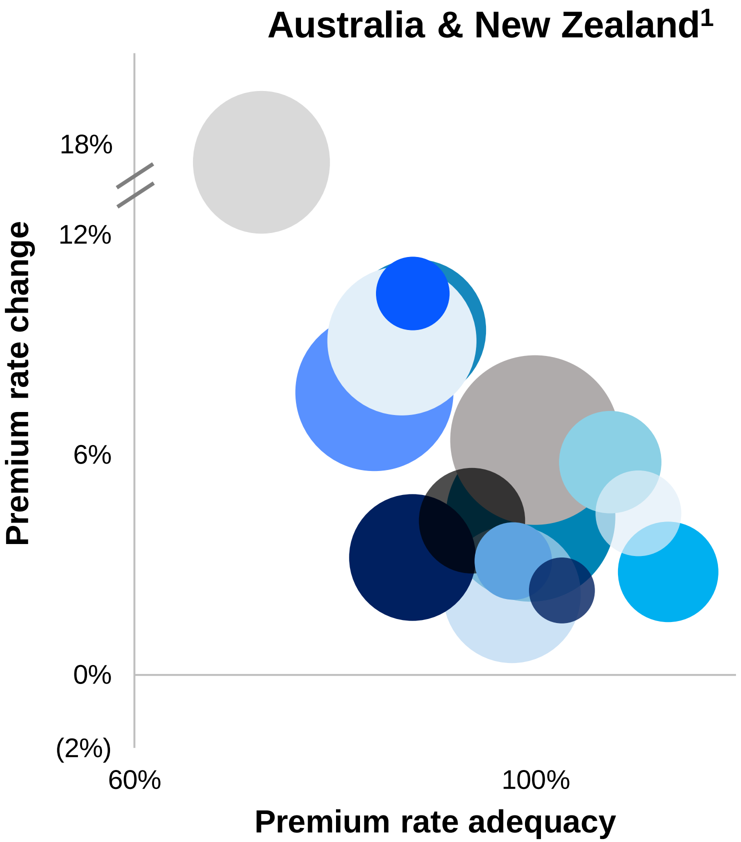
Earnings quality is improving



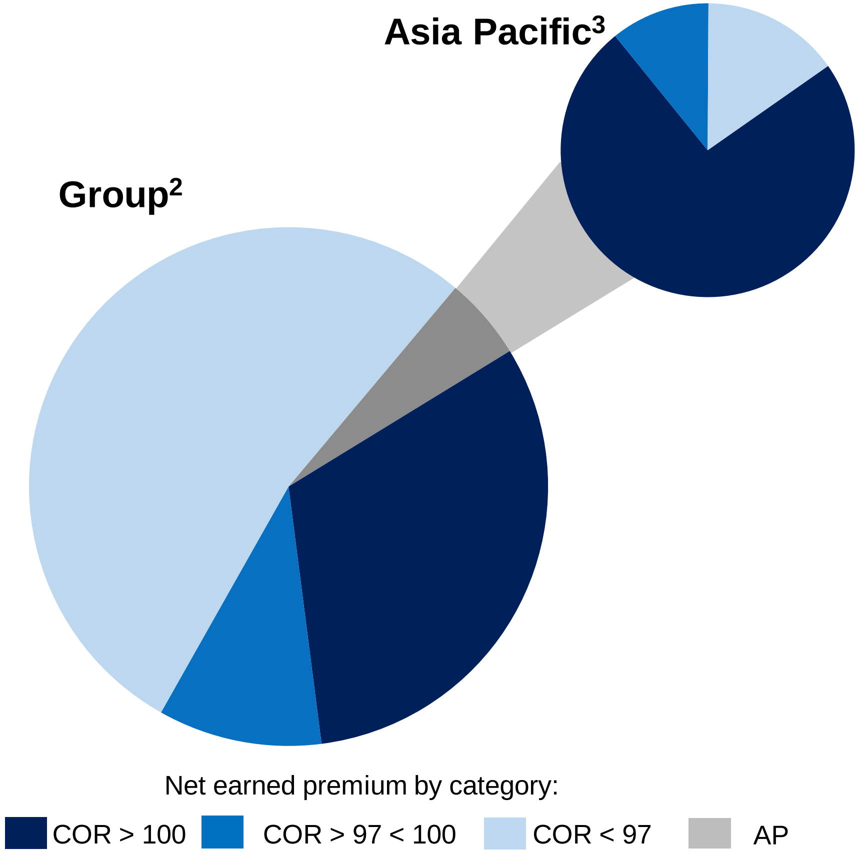
1. The Hazard Index ranks property exposures by their fire riskiness, where 1 is the lowest and 10 is the highest risk
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims

Brilliant Basics: pricing

Driving targeted rate increases…



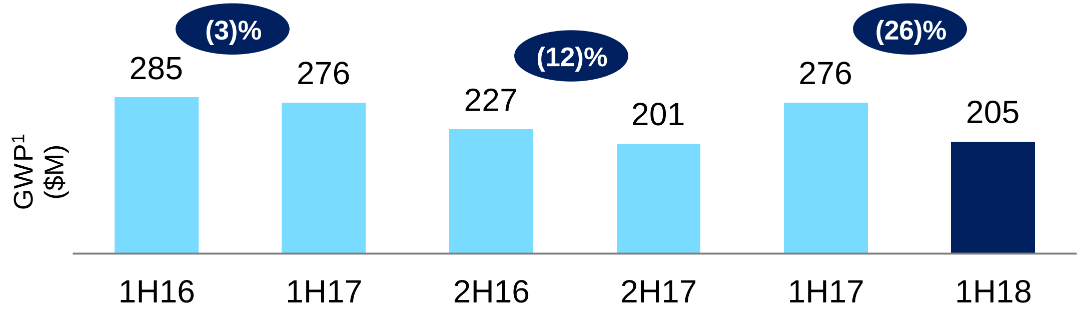
…the opportunity is significant



1. Excludes CTP
2. Continuing operations basis
3. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities

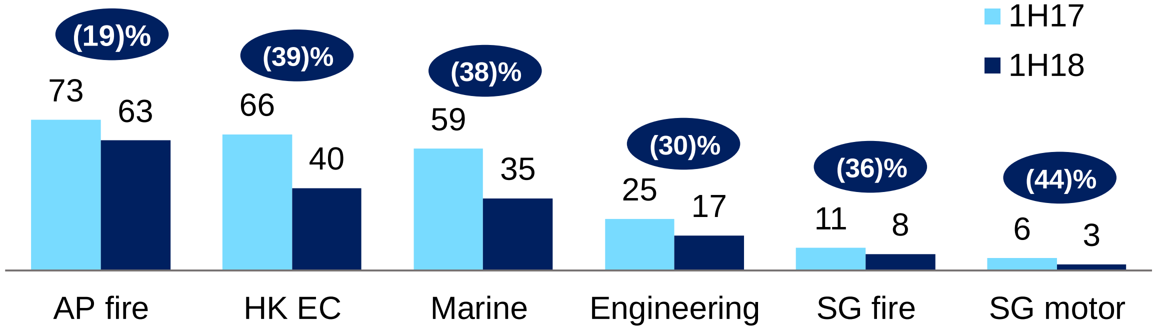
Remediate Asia: execute Profit Improvement Program

Significant reduction in poorly performing segments

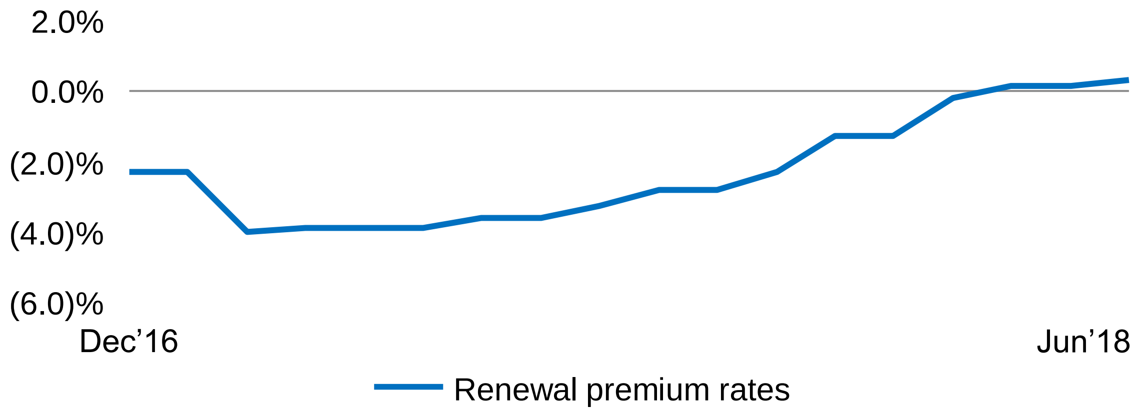


% of AP	69%	67%	66%	62%	67%	60%

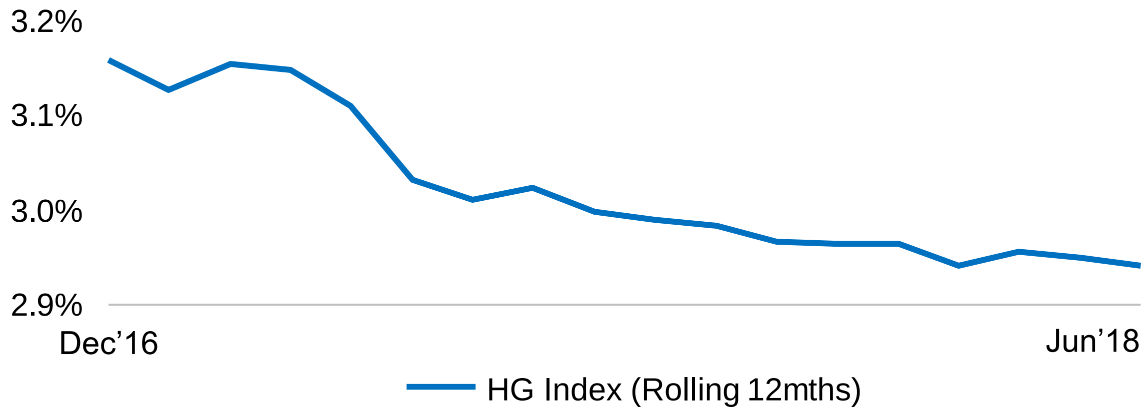
Remediation driving premium contraction



Improving rate momentum



Property hazard grade improving



1. Gross written premium of portfolios subject to Profit Improvement Plans

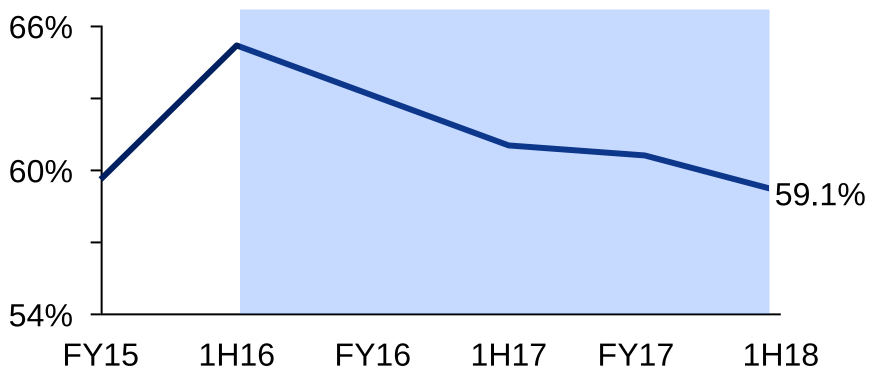
Mobilised an extensive Brilliant Basics program

Actions completed…	…while focus remains on

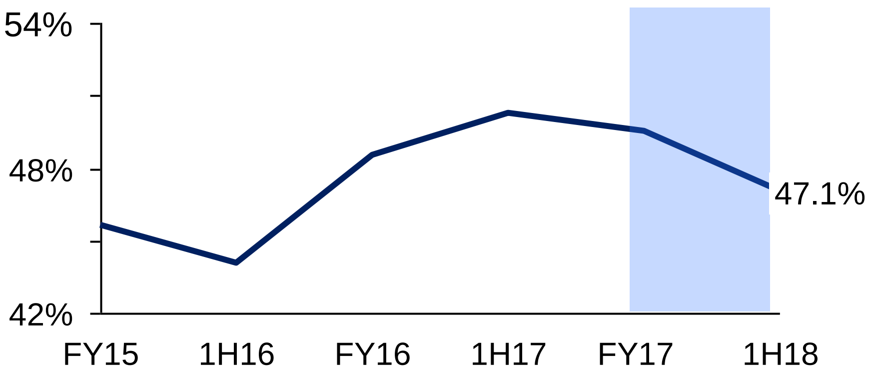
- Comprehensive review and implementing a new set of global underwriting standards
- Established a fully-staffed Chief Underwriting Office in all divisions
- Detailed global pricing assessments completed
- Hired a Global Head of Pricing and strengthened pricing teams
- Global claims standards designed and being implemented

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

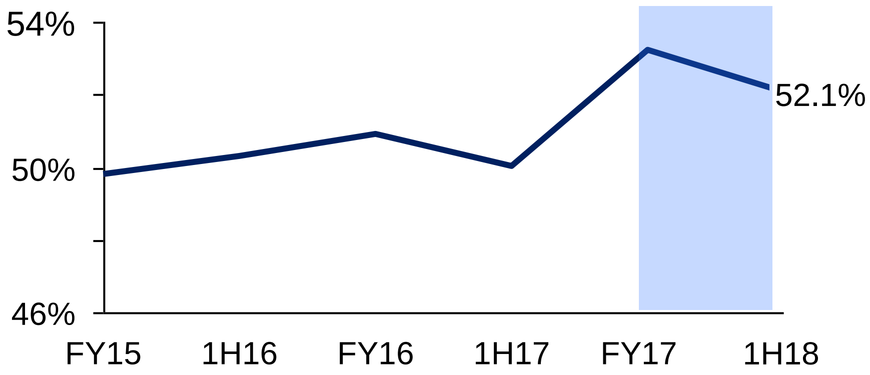
Australia & New Zealand[2]



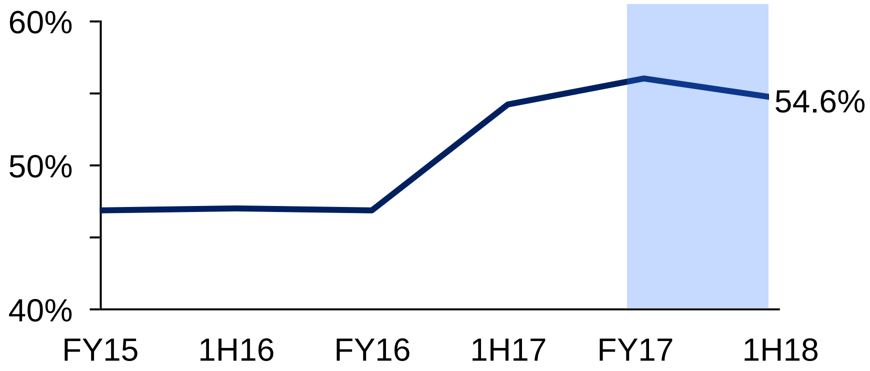
Europe



North America[3]



Asia Pacific



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

Inder Singh

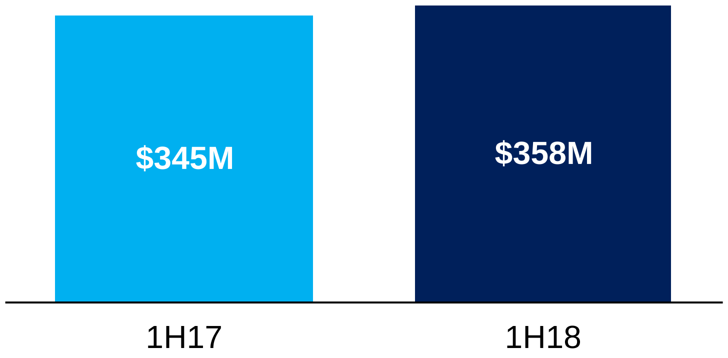
Group Chief Financial Officer

Financial results summary

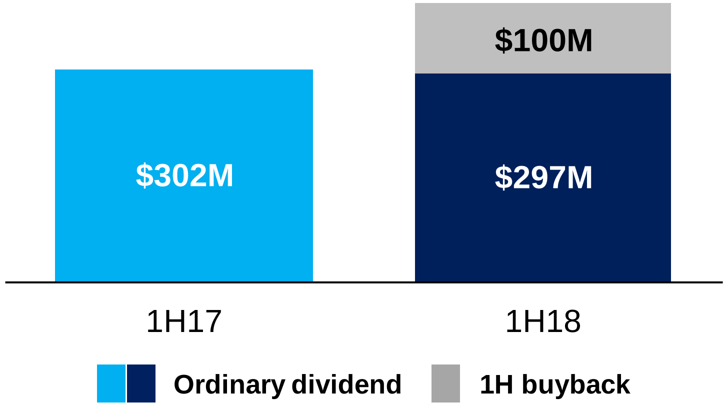
Adjusted operating results

		1H17[1,2]	1H18[2,3]	△
GWP	$M	7,596	7,887	291
NEP	$M	5,698	5,837	139
Net claims ratio	%	62.7	63.9	1.2
Net commission ratio	%	16.4	16.2	(0.2)
Expense ratio	%	14.9	15.0	0.1
COR	%	94.0	95.1	1.1
COR (ex discount rate)	**%**	**94.5**	**95.8**	**1.3**
Annualised net investment return	%	3.6	2.1	(1.5)
Insurance profit margin	**%**	**10.1**	**8.2**	**(1.9)**

Profit after tax ⬆4%



Total (A$) return to shareholders ⬆31%



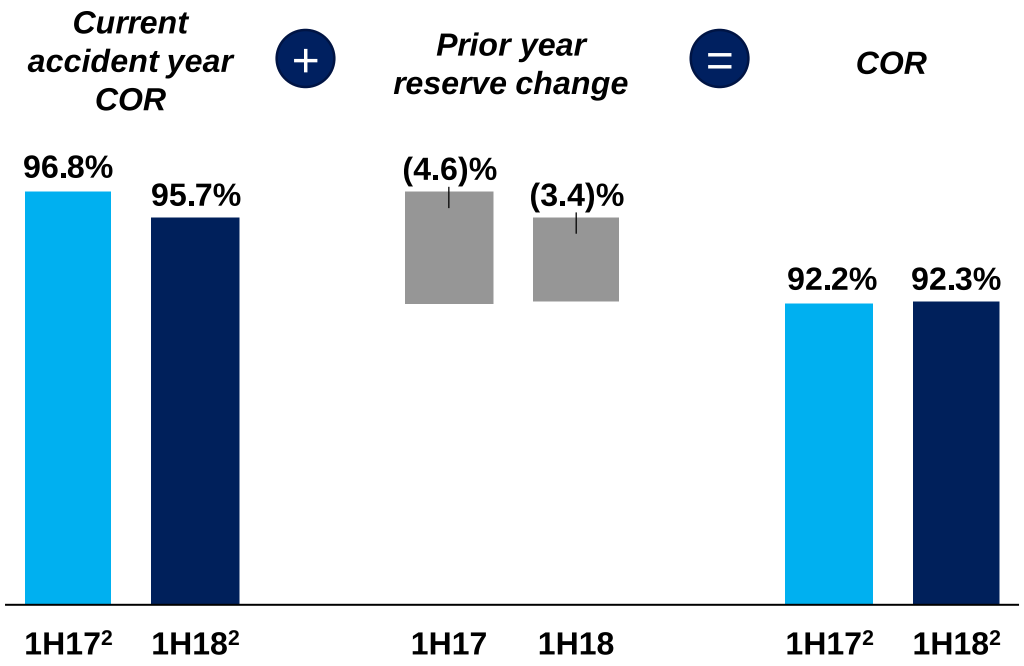
1. Excludes one-off impact on the Group's underwriting result due to the Ogden decision in the UK
2. Continuing operations basis
3. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities

Continued strong performance in Australia and New Zealand

GWP
$2,040M
+3%[1] from 1H17

COR (%)[2]
92.3%
1H17 92.2%

Attritional (%)[3]
59.1%
1H17 61.0%



- \+ Improved attritional claims ratio
- \+ LMI performance stable
- \- Modestly higher acquisition cost ratio (+0.7pts)

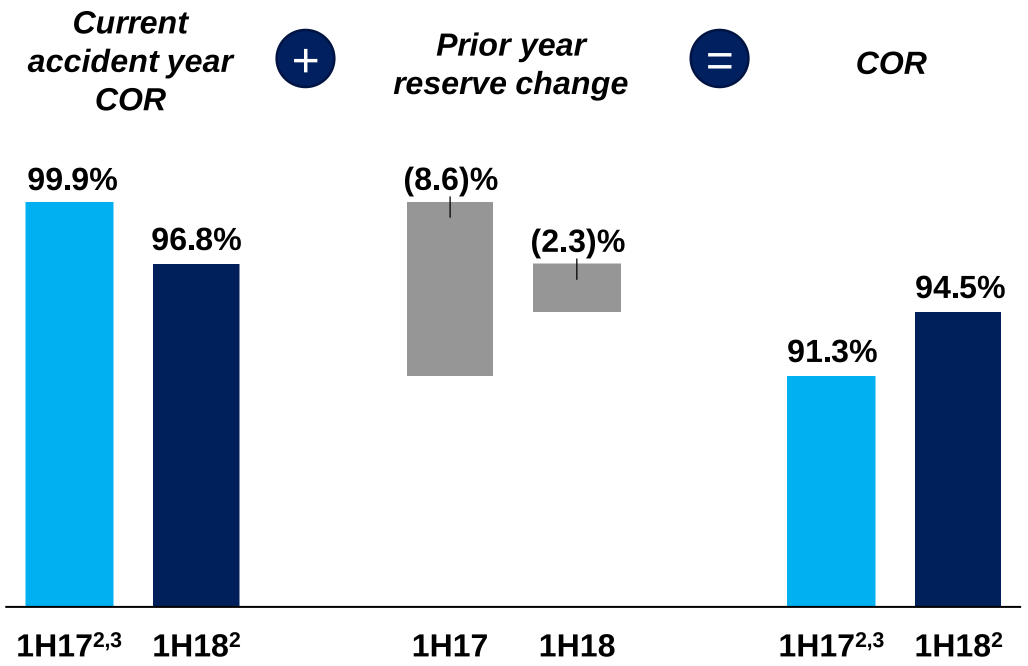
1. Down 1% on a constant currency basis; however, up 3% excluding the impact of regulatory changes to CTP
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3. Excludes LMI

Improving accident year COR in Europe

GWP
$2,614M
+3%[1] from 1H17

COR (%)[2]
94.5%
1H17 91.3%[3]

Attritional (%)
47.1%
1H17 50.3%



- + Improving accident year COR and reduced reliance on PYD
- + Maintaining expense discipline, lower acquisition cost ratio (-1.7pts)

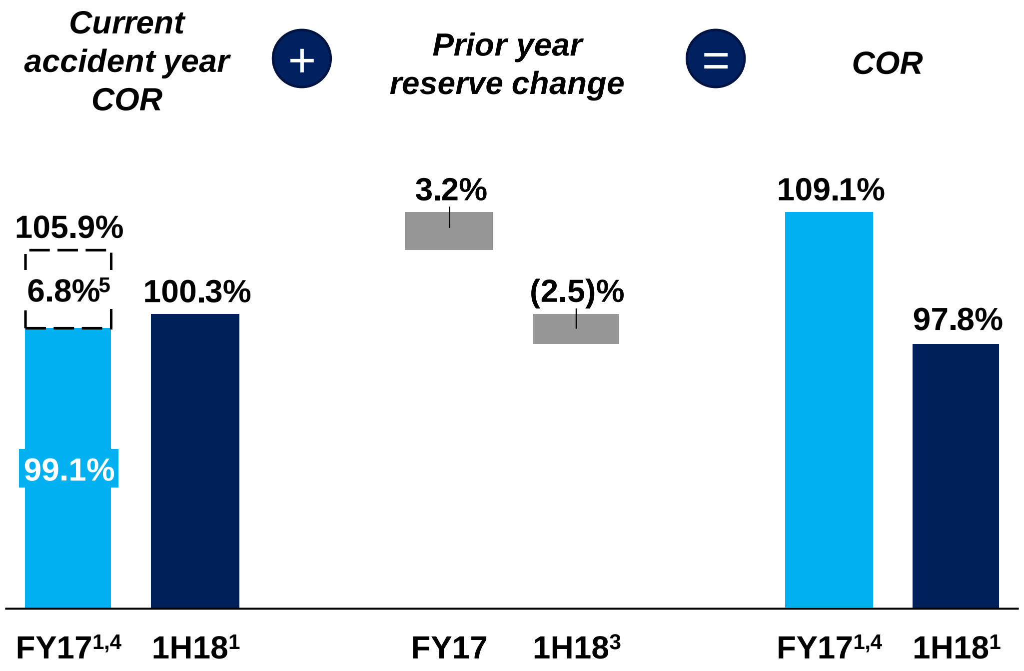
1. Constant currency basis
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3. Excludes one-off impact on the underwriting result due to the Ogden decision in the UK

Progress in North America

GWP
$2,896M
+3% from 1H17

COR (%)[1]
97.8%
1H17 98.2%

Attritional (%)[2]
52.1%
1H17 49.9%



+ Favourable PYD in Crop, net nil for rest of NAO

- Focus on reducing acquisition cost ratio

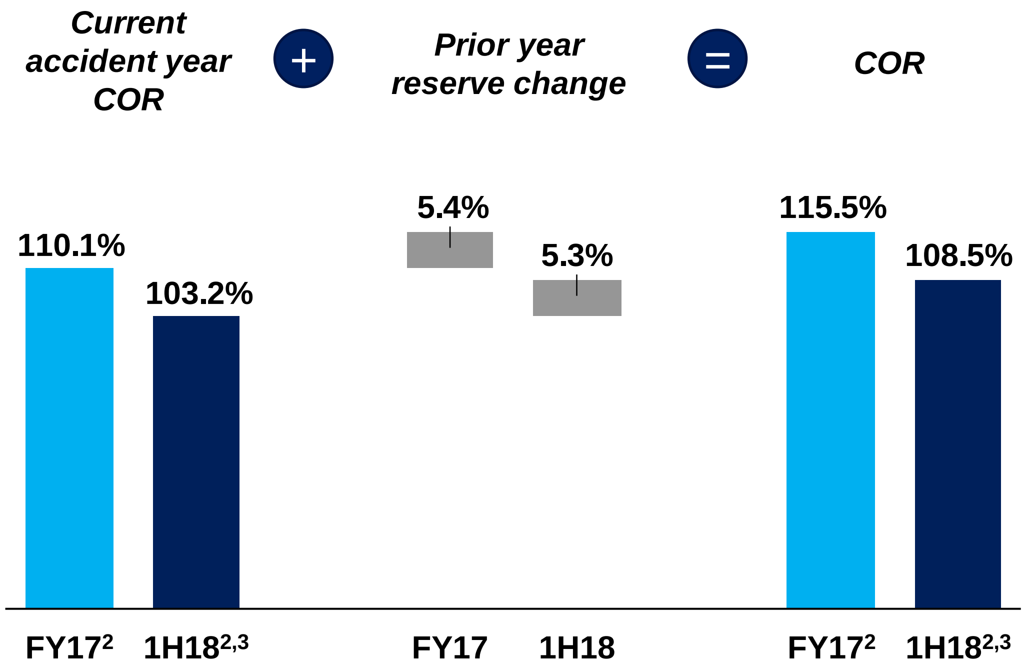
1. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2. Excludes Crop
3. Prior accident year claims development has been adjusted to reflect the impact of additional reinsurance cessions to the US Government
4. Excludes transactions to reinsure liabilities
5. Catastrophe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

Asia Pacific reflects early benefits from remediation

GWP
$350M
(17)%[1] from 1H17

COR (%)[2]
108.5%[3]
1H17 109.1%

Attritional (%)
54.6%[3]
1H17 54.3%



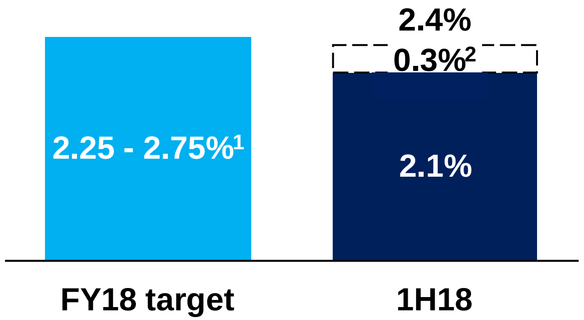
+ Reinsurance of HK construction workers' compensation

- 1H18 includes $15M adverse PYD

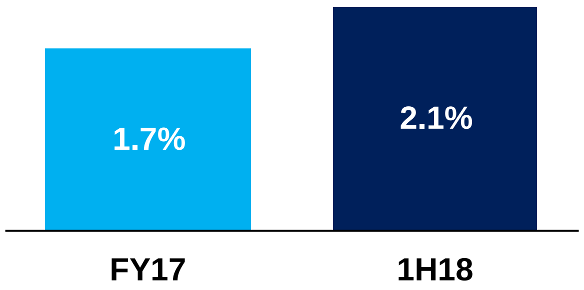
1. Constant currency basis
2. Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3. Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities

Investment performance

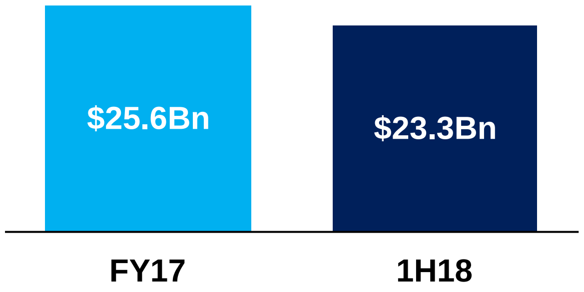
Annualised net investment return



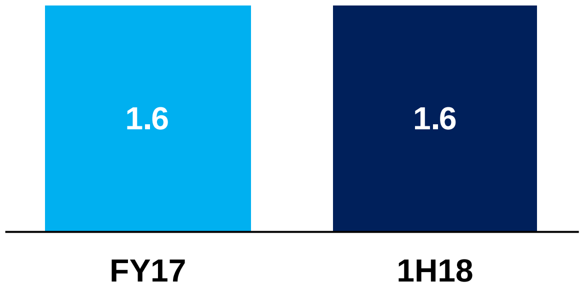
Fixed income running yield



Funds under management[3]



Duration



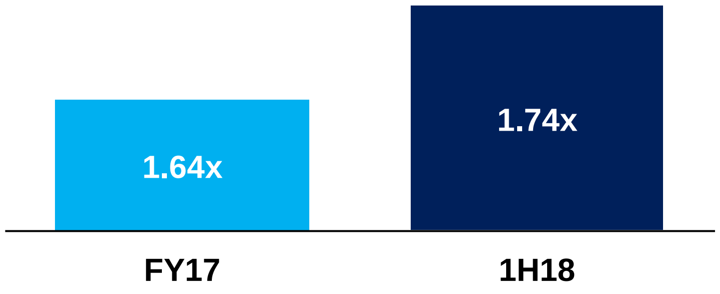
- **Rising yields and widening credit spreads**
- **Annualised growth asset returns of ~9%**
- **FX movements, strategic exits and capital management reduced FUM**

1. Full year 2018 investment return target range revised to exclude Latin American Operations held for sale at 30 June 2018
2. Impact of higher risk-free rates used to discount net outstanding claims
3. Continuing operations basis

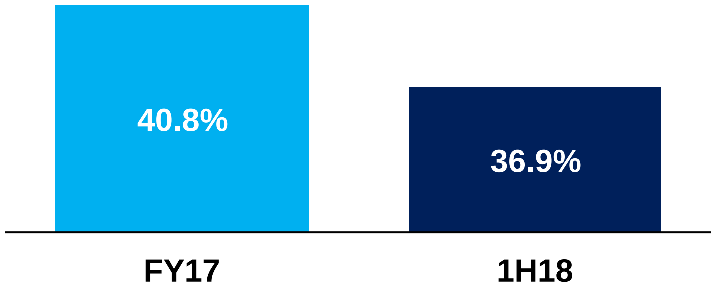
Balance sheet and capital management

Strong capital | **Lower gearing** | **Shareholder returns** | **Stable liquidity**

PCA multiple



Debt to equity ratio



+ **A$100M share repurchase**
+ **Central cash approaching c.$900M[1]**

… **2019 reinsurance renewal**

1. Pro forma for Argentina and Brazil proceeds

Outlook

Pat Regan Group Chief Executive Officer

2H18 focus

- Maintain Cell Review momentum
- Fully embed and build upon Brilliant Basics
- Drive improvement in the attritional claims ratio
- Further reduce large individual risk claims frequency and severity
- Additional investment in Brilliant Basics and innovation
- Finalise cost-out plans
- Further develop talent and culture

Our priorities

1. Simplify QBE
2. Brilliant Basics
3. Drive performance improvement
4. Further reposition North America
5. Remediate Asia
6. Further develop talent and culture
7. Build for the future

2018 targets

COMBINED OPERATING RATIO	95.0% – 97.0%[1,2]
INVESTMENT RETURN	2.25% – 2.75%[2]

1. Assumes risk-free rates as at 31 December 2017
2. Full year 2018 combined operating ratio and investment return target ranges have been amended to exclude Latin American Operations held for sale at 30 June 2018

Questions & Answers

Disclaimer

The information in this presentation provides an overview of the results for the half year ended 30 June 2018.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange ("ASX"). Copies of those lodgements are available from either the ASX website www.asx.com.au or QBE's website www.qbe.com.

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.

This presentation contains certain "forward-looking statements" for the purposes of the U.S. Private Securities Litigation Reform Act of 1995. 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.

Appendices

Currency mix[1]

Total investments and cash ($M)	1H17		1H18	
Australian dollar	8,320	33%	**7,052**	**30%**
US dollar	6,902	27%	**6,940**	**30%**
Sterling	4,819	19%	**4,355**	**19%**
Euro	2,473	10%	**2,463**	**10%**
Canadian dollar	1,024	4%	**1,089**	**5%**
New Zealand dollar	406	2%	**376**	**2%**
Hong Kong dollar	484	2%	**375**	**2%**
Singapore dollar	226	1%	**180**	**1%**
Other	483	2%	**450**	**2%**
Total[1]	**25,137**	**100%**	**23,280**	**100%**
Gross written premium[2]				
US dollar	3,510	46%	**3,703**	**47%**
Australian dollar	1,905	25%	**1,957**	**25%**
Euro	700	9%	**813**	**10%**
Sterling	647	9%	**714**	**9%**
New Zealand dollar	138	2%	**146**	**2%**
Canadian dollar	154	2%	**134**	**2%**
Hong Kong dollar	155	2%	**129**	**2%**
Singapore dollar	100	1%	**90**	**1%**
Other	287	4%	**201**	**2%**
Total	**7,596**	**100%**	**7,887**	**100%**

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

North American Operations

		1H17	1H18
Gross written premium	$M	2,803	2,896
Gross earned premium	$M	2,187	2,162
Net earned premium	$M	1,712	1,678
Net claims ratio	%	66.8	63.5
Net commission ratio	%	15.5	16.0
Expense ratio	%	16.0	15.9
Combined operating ratio	%	98.3	95.4
Combined operating ratio (ex discount rate)	%	98.2	97.8
Insurance profit margin	%	4.1	7.9

- GWP up 3% due to growth in Specialty and new program business which more than offset the prior year cancellation of two large, unprofitable programs
- Average premium rate increase of 3.1% compared with 0.9% in 1H17
- Net claims ratio improved due to:
  - Positive prior accident year claims development in Crop;
  - Offset by an increase in the attritional ratio due to Crop, business mix changes and more cautious ultimate claims ratio assumptions; and
  - A strengthening of risk margins
- Commission ratio up due to extra Crop reinsurance cessions, revised reinsurance arrangements in Specialty and the Arrowhead outsourcing
- Excluding the impact of Crop, the expense ratio improved due to ongoing efficiencies
- COR (ex discount rate) improved as remediation and repositioning activities take effect

European Operations

		1H17[1]	1H18
Gross written premium	$M	2,393	2,614
Gross earned premium	$M	1,915	2,134
Net earned premium	$M	1,532	1,731
Net claims ratio	%	53.3	60.6
Net commission ratio	%	19.3	18.1
Expense ratio	%	16.1	15.6
Combined operating ratio	**%**	88.7	94.3
Combined operating ratio (ex discount rate)	**%**	91.3	94.5
Insurance profit margin	**%**	15.1	9.8

- GWP up 3% on a constant currency basis, with improved pricing offset by disciplined new business risk selection
- Average premium rate increase of 4.8% compared with a reduction of 1.1% in 1H17
- NEP up 6% on a constant currency basis
- Net claims ratio increased from the prior period due to:
  - A reduced level of positive prior accident year claims development;
  - Partly offset by lower attritional claims ratio due to underlying improvement coupled with the unwind of the post Brexit FX impact and the non-recurrence of one-off reinsurance spend in the prior period
- Expense ratio improved reflecting ongoing strict cost control coupled with net earned premium growth
- COR (ex discount rate) increased primarily due to reduced positive prior accident year claims development
- Current accident year COR improved significantly

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

Australian & New Zealand Operations

		1H17	1H18
Gross written premium	$M	2,007	2,040
Gross earned premium	$M	2,024	2,035
Net earned premium	$M	1,705	1,802
Net claims ratio	%	63.6	63.0
Net commission ratio	%	15.0	15.6
Expense ratio	%	13.9	14.0
Combined operating ratio	%	92.5	92.6
Combined operating ratio (ex discount rate)	%	92.2	92.3
Insurance profit margin	%	12.3	11.8

- GWP down 1% on a constant currency basis with premium rate increases more than offset by NSW CTP scheme reform, non-renewal of unprofitable travel credit card business and subdued LMI volumes
- Average premium rate increase of 6.6%, up from 5.0% in 1H17
- Net claims ratio improved as a result of pricing and performance management initiatives – attritional claims ratio fell by 1.9% (1.4% including LMI) with significant improvement in commercial packages, CTP and workers' compensation
- Continued positive prior accident year claims development of 3.4%, albeit down from 4.6% in 1H17
- Expense ratio increased with cost efficiencies more than offset by reduced managed fund fee income
- COR (ex discount rate) stable despite a reduced level of positive prior accident year claims development and a lower contribution from LMI

Asia Pacific Operations

		1H17	1H18[1]
Gross written premium	$M	409	350
Gross earned premium	$M	378	365
Net earned premium	$M	317	282
Net claims ratio	%	65.3	63.8
Net commission ratio	%	21.7	21.3
Expense ratio	%	22.1	22.7
Combined operating ratio	%	109.1	107.8
Combined operating ratio (ex discount rate)	%	109.1	108.5
Insurance profit (loss) margin	%	(7.9)	(6.4)

- GWP down 17% on a constant currency basis, mainly reflecting the sale of Thailand, exiting of Hong Kong construction workers' compensation and Indonesian marine hull
- Average premium rate increase of 0.3% compared with a reduction of 3.9% in 1H17
- Net claims ratio decreased reflecting an increase in adverse prior accident year claims development that was more than offset by a risk margin release facilitated by the Hong Kong construction workers' compensation reinsurance transaction – PoA is unchanged from 31 Dec 2017
- The attritional claims ratio was stable at 54.6% compared with 1H17, but improved relative to 2H17 (57.7%) and FY17 (56.0%)
- The commission ratio improved due to additional exchange commissions from revised reinsurance arrangements
- Despite cost reduction initiatives, the expense ratio increased as a result of reduced premium income
- COR (ex discount rate) improved to 108.5% from 109.1% in the prior period but is better compared with the FY17 COR (ex discount rate) of 115.5%

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

Equator Re

		1H17	1H18
Gross written premium	$M	1,375	1,250
Gross earned premium	$M	798	691
Net earned premium	$M	419	314
Net claims ratio	%	68.7	80.9
Net commission ratio	%	9.8	8.9
Expense ratio	%	2.1	2.2
Combined operating ratio	%	80.6	92.0
Combined operating ratio (ex discount rate)	%	79.9	91.7
Insurance profit margin	%	21.7	13.4

- GWP reduced 9% due to the non-renewal of two proportional contracts
- Average premium rate increase was limited to 5% on catastrophe impacted lines. Surplus market capital maintained pressure on non-catastrophe lines
- Net claims ratio increased due to:
  - higher net retention under the Group's aggregate program
  - adverse prior accident year claims development including reduced recoveries projected on older year aggregate treaties and late reporting of 2017 catastrophes, primarily with respect to the Mexican earthquakes
- The lower commission ratio is due to the non renewal of proportional business which incurs higher commissions relative to excess of loss business
- COR (ex discount rate) increased primarily as a result of reduced premium income coupled with adverse prior accident year claims development

Financial Strength and Flexibility

Summary balance sheet ($M)	31 Dec 2017	30 Jun 2018
Investments and cash	26,141	23,280
Trade and other receivables	4,906	5,780
Intangibles	3,079	2,933
Other assets	1,168	1,986
Assets	**35,294**	**33,979**
Insurance liabilities, net	19,898	19,046
Borrowings	3,616	3,205
Other liabilities	2,879	3,003
Liabilities	**26,393**	**25,254**
Net assets	**8,901**	**8,725**
Shareholders' funds	8,859	8,695
Non-controlling interests	42	30
Total equity	**8,901**	**8,725**

Reserving

- Positive prior accident year claims development of $51M (1H17 $147M)
- $40M positive discount rate impact (1H17 $30M positive)
- PoA broadly stable at 90.2% (FY17 90.0%)

Borrowings

- Debt to equity ratio 36.9% (FY17 40.8%)
- Buyback of $391M senior unsecured debt

APRA PCA Calculation

	$M	FY17[1]	1H18[2]
Ordinary share capital and reserves		8,901	8,725
Net surplus relating to insurance liabilities		776	844
Regulatory adjustments to Common Equity Tier 1 Capital		(3,642)	(3,575)
Common Equity Tier 1 Capital		**6,035**	**5,994**
Additional Tier 1 Capital – Capital securities		399	399
Total Tier 1 Capital		**6,434**	**6,393**
Tier 2 Capital – Subordinated debt and hybrid securities		2,540	2,477
Total capital base		**8,974**	**8,870**
Insurance risk charge		2,995	2,872
Insurance concentration risk charge		1,064	908
Asset risk charge		2,143	1,965
Operational risk charge		521	505
Less: Aggregation benefit		(1,235)	(1,138)
APRA's Prescribed Capital Amount (PCA)		**5,488**	**5,112**
PCA multiple		**1.64**	**1.74**
CET1 ratio (APRA requirement >60%)		**110%**	**117%**

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 30 June 2018