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15 August 2019

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 2019

Further to the announcement today of our results for the half year ended 30 June 2019, please find attached a market release in relation to those results.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Carolyn Scobie', written in a cursive style.

Carolyn Scobie
Company Secretary

Attachment



MARKET RELEASE

15 August 2019

QBE ANNOUNCES 2019 HALF YEAR RESULTS¹

QBE today announced a 1H19 statutory net profit after tax of \$463M, up 29% from \$358M in the prior period.

Cash profit after tax was \$520M, up 35% from \$385M in the prior period while cash profit return on equity was 13.4%², up from 9.6%² in the prior period.

QBE Group CEO, Pat Regan, said: 'The Group's half year financial performance reflected a further significant improvement in attritional claims experience across all divisions coupled with materially stronger investment returns. These were partly offset by an anticipated increase in the net cost of large individual risk and catastrophe claims following the successful renegotiation of the Group's reinsurance program.

"We began 2019 with positive momentum and a clear strategy to drive further performance improvement across the business and deliver greater shareholder value. We have made good progress through the first half, with the interim combined operating ratio comfortably within our full year target range and the Group generating a double-digit return on equity."

The Group reported a 1H19 combined operating ratio of 95.2%^{3,4,5}, better than the mid-point of our FY19 target range of 94.5%-96.5%^{3,4,5} and an improvement from 95.8%^{3,5,6} reported in 1H18. The uplift in underwriting profitability was underpinned by a further material reduction in the attritional claims ratio to 47.7%^{5,7} from 51.3%^{5,7} in the prior period.

Group-wide premium rate increases averaged 4.7%^{5,8} compared with 4.6%^{5,8} in the prior period.

The Group's underwriting result includes a reduced contribution from our North American Crop insurance business where challenging planting conditions following a particularly wet spring contributed to a current accident year combined operating ratio of 97.7% compared with 92.6% in the prior period. The result was also adversely impacted by normalisation in our Australian lenders' mortgage insurance (LMI) business where the combined operating ratio increased to 58.5% from 50.6% in the prior period.

The strong result is all the more pleasing in light of the Crop and LMI results which added around 1.0% to the Group's combined operating ratio relative to the prior period and demonstrates improved earnings resilience.

1 All figures in US\$ unless otherwise stated

2 2019 cash profit RoE excludes material non-recurring items such as gains (losses) on disposals, the impact of the Ogden decision in the UK and restructuring costs. 2018 cash profit RoE excludes the transaction to reinsure Hong Kong construction workers' compensation liabilities.

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 Continuing operations basis

6 Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities

7 Excludes Crop and LMI

8 Excludes premium rate changes relating to CTP



MARKET RELEASE

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QBE's capital position remains strong when measured against both regulatory and rating agency capital requirements. The Group's indicative APRA PCA multiple was 1.75x at 30 June 2019 and remains towards the upper end of the Group's 1.6x – 1.8x target PCA range while the Group retains an excess above S&P 'AA' minimum capital.

The 2019 interim dividend increased 14% to AUD25¢ps (1H18 AUD22¢ps), reflecting confidence in the balance sheet and improved earnings resilience.

When combined with the A\$174M of shares repurchased through the on-market buyback, the significantly increased interim dividend brings total shareholder returns in the first half of 2019 to A\$503 million, up 27% from A\$397 million in the prior period.

Mr Regan said: "With a strong first half result now behind us and our 2019 full year guidance unchanged, through the second half of 2019 we will continue to build on the good progress we have made against our priorities."

Key 1H19 result highlights include:

- Statutory net profit after tax up 29% to \$463M (1H18 \$358M)
- Cash profit after tax up 35% to \$520M (1H18 \$385M)
- Cash profit RoE of 13.4%¹ (1H18 9.6%¹)
- Average Group-wide premium rate increase of 4.7%^{2,3} (1H18 4.6%^{2,3})
- Gross written premium up 1%⁵ to \$7,637M² (1H18 \$7,887M²)
- Net earned premium up 3%⁵ to \$5,671M² (1H18 \$5,837M^{2,4})
- Adjusted combined operating ratio improved to 95.2%^{2,6,7} (1H18 95.8%^{2,4,6})
- Attritional claims ratio (excluding Crop and LMI) reduced to 47.7%² (1H18 51.3%^{2,4}) driven by significant improvement across all divisions
- Commission and expense ratio down slightly to 30.9%² (1H18 31.2%^{2,4})
- Net investment return increased appreciably to 6.8%² (1H18 2.1%²) reflecting particularly strong returns across most asset classes
- Financing and other costs of \$129M (1H18 \$135M²)
- Amortisation and impairment of intangibles of \$32M before tax (1H18 \$20M²)
- Debt to equity ratio reduced to 36.8% (FY18 38.0%)
- Indicative APRA PCA multiple remains strong at 1.75x (FY18 1.78x)
- Probability of adequacy of outstanding claims stable at 90.1% (FY18 90.1%)
- Interim dividend of AUD25¢ps, franked at 60% (1H18 AUD22¢ps, franked at 30%)
- Including share buyback, total shareholder payout increased 27% to A\$503M (1H18 A\$397M)

1 2019 cash profit RoE excludes material non-recurring items such as gains (losses) on disposals, the impact of the Ogden decision in the UK and restructuring costs. 2018 cash profit RoE excludes the transaction to reinsure Hong Kong construction workers' compensation liabilities.

2 Continuing operations basis

3 Excludes premium rate changes relating to CTP

4 Excludes transactions to reinsure Hong Kong construction workers' compensation liabilities

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 2019

The Group's 2019 full year targets are unchanged:

Combined operating ratio 94.5% - 96.5%^{1,2}

Net investment return 3.0% - 3.5%¹

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

1 Assumes risk-free rates as at 31 December 2018

2 Excludes one-off impact of the Ogden decision in the UK

- ENDS -

For further information, please contact:

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IMPORTANT DISCLAIMER

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no overall reduction in premium rates in excess of 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 significant 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 market release.