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13 August 2020

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 2020

Further to the Company's release to the market of its results for the half year ended 30 June 2020, please find attached a copy of the presentation to be delivered to the market today.

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

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Carolyn Scobie', enclosed in a thin black rectangular box.

Carolyn Scobie
Company Secretary

Attachment

QBE INSURANCE GROUP LIMITED

2020 half year results

Thursday 13 August 2020

All figures in US\$ unless otherwise stated



Pat Regan

Group Chief Executive Officer



Keeping our people safe

- Business continuity plan responded strongly
 - › **Employees successfully transitioned** to work remotely
- Focus on **employee health and wellbeing**
 - › Enhanced wellbeing support and ongoing access to counselling
- Deployed 1,800 additional laptops to GSSC employees in 48hrs
- **Protecting** those in the office; social distancing and enhanced cleaning



Supporting our customers

- North America – accelerated workers' compensation **premium refunds**
- Aus Pac: supported >1,300 impacted customers
 - › Gift card **refunds** for personal motor
 - › SME **premium deferrals** up to 6 months
 - › Premium **rates frozen** on SME, commercial motor and A&H
 - › 567 business policies afforded **relief support**
- Financial hardship provisions available



Repositioning for the new environment

- **Workplace of the future** – re-thinking how we use office vs. home
- **Accelerate digital** agenda
 - › Process automation
 - › Advancing AI
 - › Increased digitisation of claims
 - › Launch of Omni-channel
- **Increased remote network capacity** to support all homeworkers, up to 10,000 per region



Balance sheet

Executed comprehensive capital plan

Regulatory capital at the top of 1.6-1.8x target range

Surplus above S&P 'AA' increased

Pro forma gearing ~30%¹

Head Office liquidity \$1.5B



Brilliant Basics

Building a platform for sustainable growth

Portfolio optimisation with data & analytics

Improving large individual risk claims trends

Enhanced digital claims processes



Accelerating pricing momentum²

1H20 average rate increase of 8.7%

Momentum accelerating – 1Q20: 7.3% & 2Q20: 10.2%

Continued rate increases in all regions

Australia Pacific 2Q20 momentum impacted by COVID-19 response



Results

Combined operating ratio 103.4%³

COR 97.4% (ex. COVID-19)

Organic GWP growth ~10%

Attritional claims ratio down 2.2%⁴ (ex. COVID-19)

Large risk claims down 0.7%

Expense ratio down 0.5%⁵



Investments

Net return⁶ of (0.4)% ((1.7)% ex rfr) YTD

De-risked portfolio

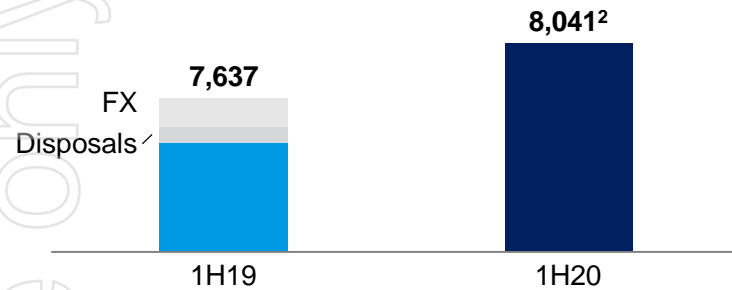
1Q20 unrealised losses largely unwound

No sub-investment grade fixed income investments

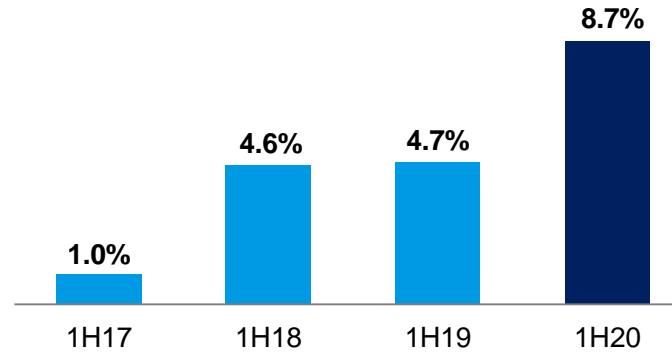
1. Allows for the post balance date reclassification of 2017 perpetual capital notes out of borrowings and into equity
 2. Excludes premium rate changes relating to Australian compulsory third party motor (CTP)
 3. Excludes impact of changes in risk-free rates used to discount net outstanding claims
 4. Excludes Crop and LMI
 5. Excludes impact of COVID-19
 6. Includes FX gains (losses) & other income (expenses)

Results snapshot¹

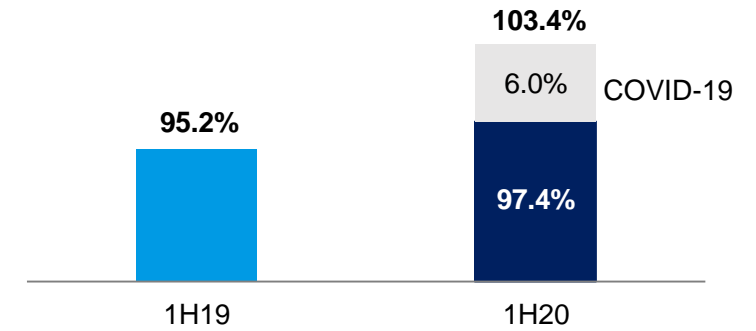
Gross written premium (\$M)



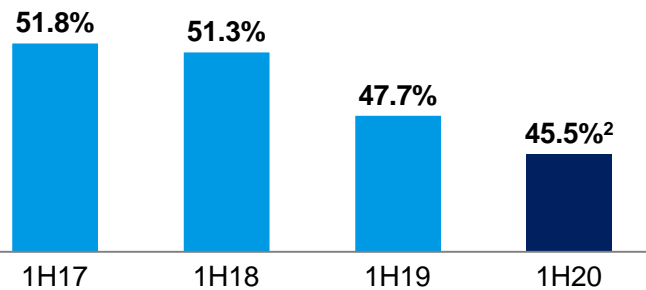
Premium rate increases³



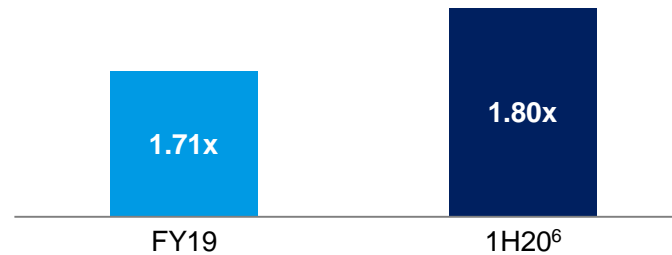
Combined operating ratio⁴



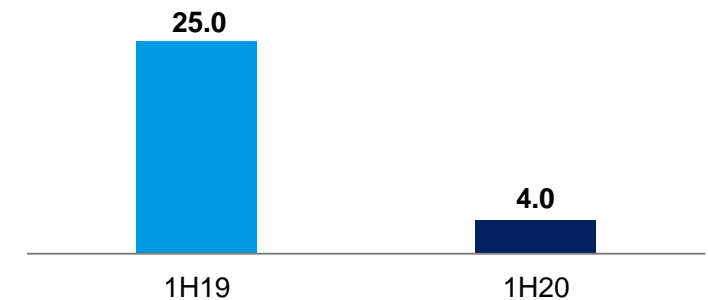
Attritional claims ratio⁵



PCA multiple



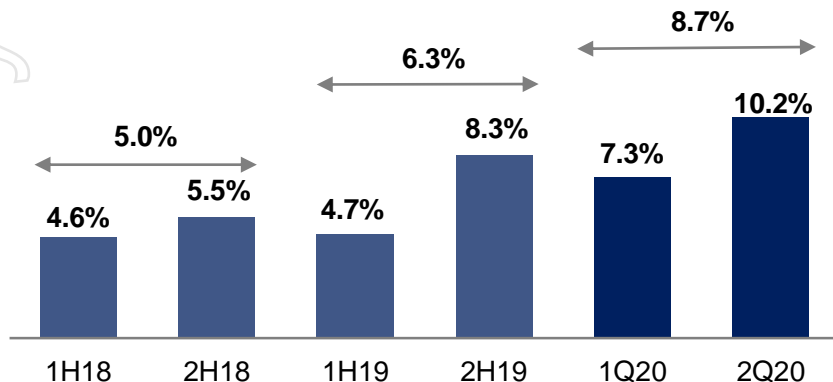
Dividends per share (A¢)



1. Prior periods presented on continuing operations and adjusted basis as presented in annual and half year reports
2. Excludes impact of COVID-19
3. Excludes premium rate changes relating to CTP
4. Excludes impact of changes in risk-free rates used to discount net outstanding claims
5. Excludes Crop and LMI
6. Indicative APRA PCA calculation at 30 June 2020

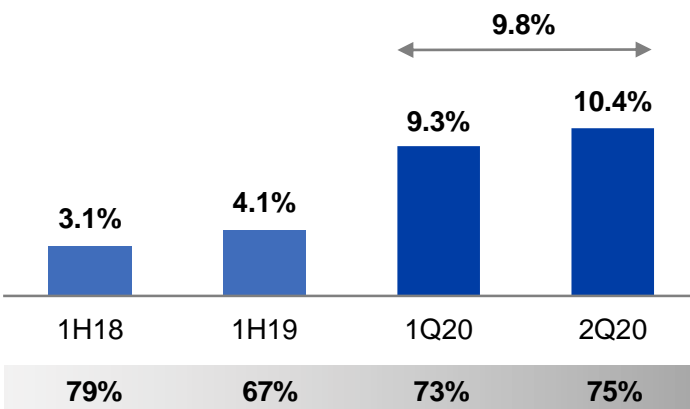
Pricing momentum

Continued Group-wide premium rate increases¹

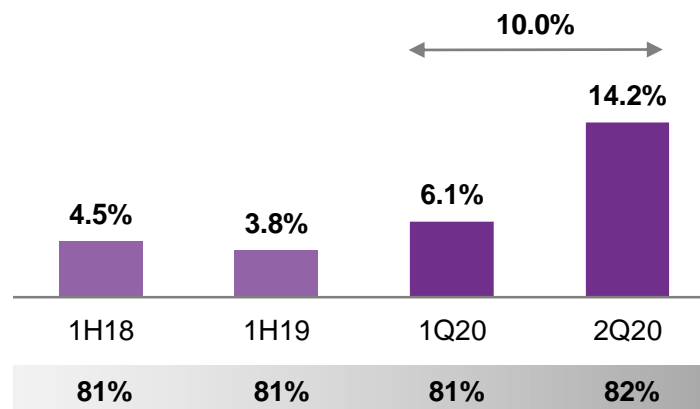


- Strong premium rate increases globally
- Material increase in pricing momentum, particularly in North America and International
- Australia Pacific pricing momentum impacted by COVID-19 response

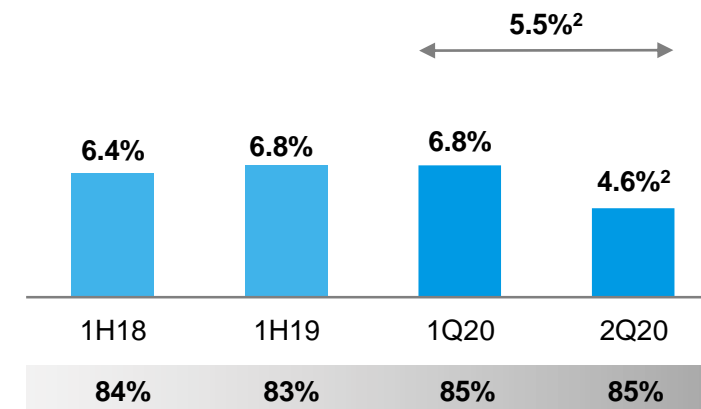
North America



International



Australia Pacific¹



1. Excludes premium rate changes relating to CTP

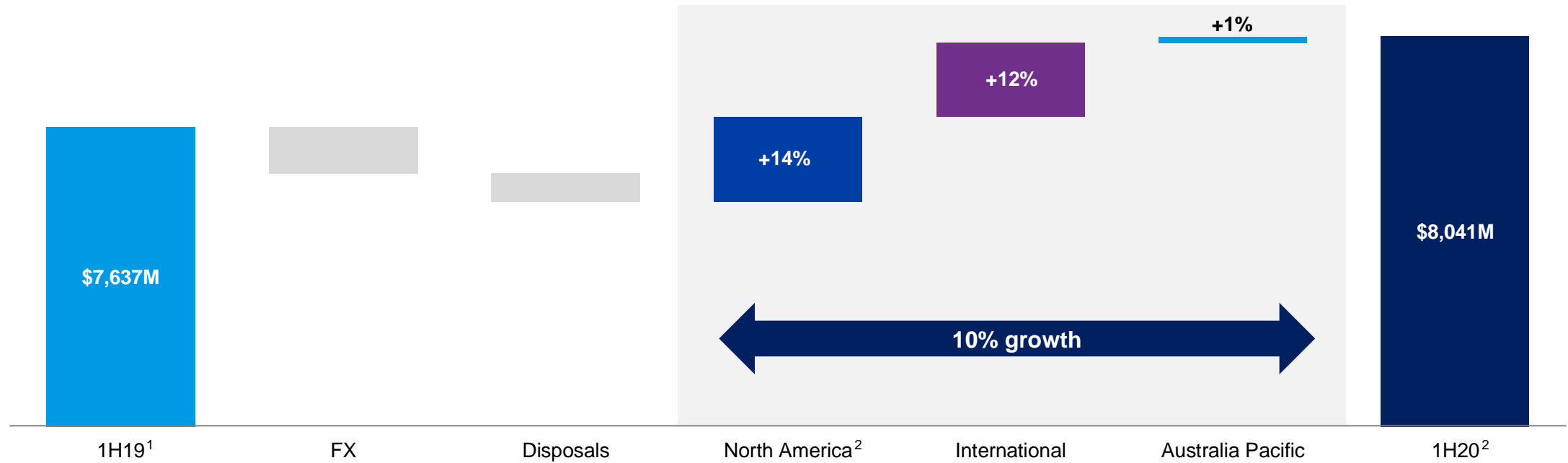
2. Adversely impacted by 2Q20 decision to temporarily suspend rate increases for business packages, commercial auto and A&H in response to COVID-19

12mth premium rate change

12mth premium retention

Gross written premium

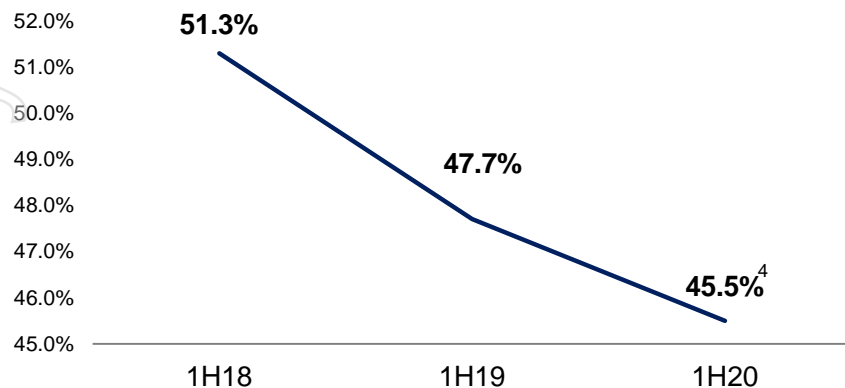
Underlying growth of 10%



1. Continuing operations basis
2. Excludes impact of COVID-19

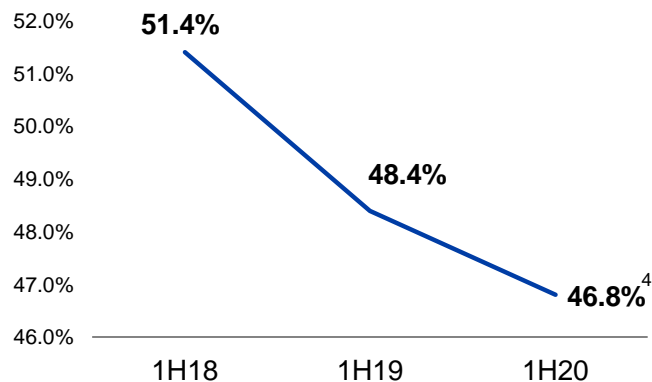
Attritional claims ratio¹

Group^{2,3}

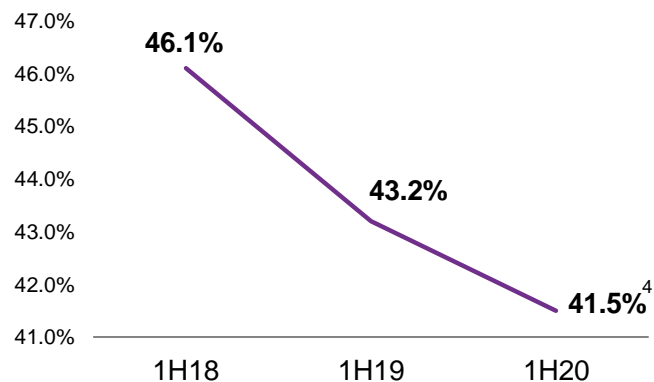


- 8.8%⁴ improvement from 54.3% peak in 2H17
- Continued improvement across all divisions
 - › North America 1H20 improvement despite mix and higher CAY loss picks
 - › Australia Pacific ~13% improvement since 1H16

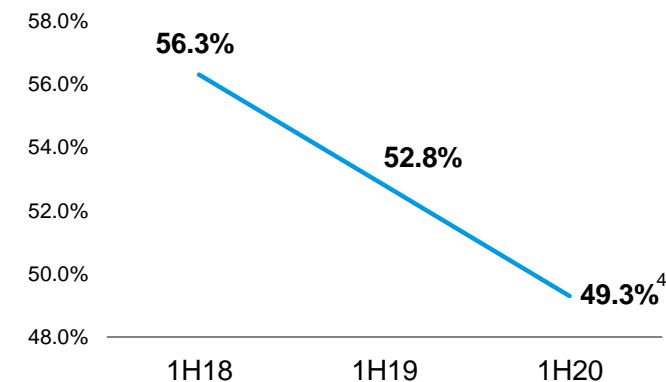
North America²



International



Australia Pacific³



1. Prior periods presented on continuing operations and adjusted basis as presented in annual and half year reports

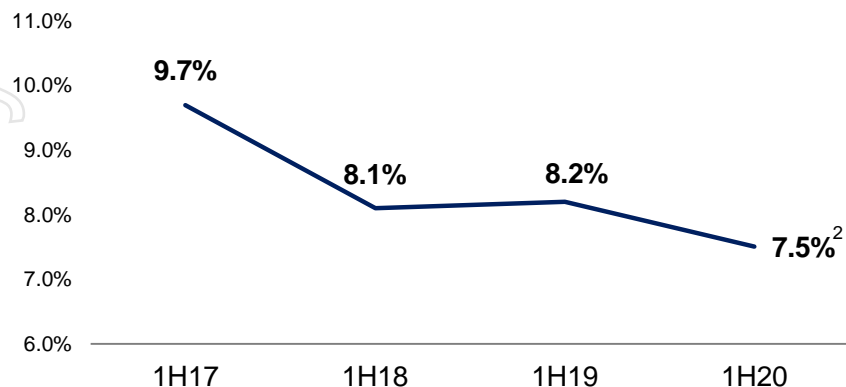
2. Excludes Crop

3. Excludes LMI

4. Excludes impact of COVID-19

Large individual risk claims ratio

Group¹

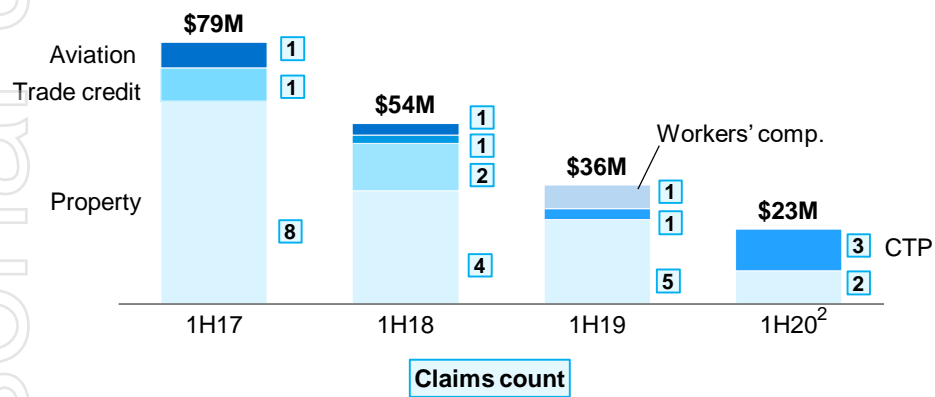


Large risk claims ratio trending favourably: down 0.7% from 1H19

- Australia Pacific continued improvement in large claims frequency since 1H17 driven by Brilliant Basics program
- North America and International improvements emerging following Australia Pacific lead

Australia Pacific³

Reported large individual risk claims



Significant improvement in large claims frequency and severity

- Significantly lower cost of commercial property claims due to reduction in higher hazard risks eg abattoirs, mines, pubs & clubs
- Australia Pacific's large claims ratio has more than halved since 1H17

1. 1H17 and 1H18 continuing operations basis and excludes the impact of the Group Large Risk and Cat ("GLRC") reinsurance program
 2. Excludes impact of COVID-19
 3. Reported claims only (i.e. excludes IBNR) presented net of reinsurance at respective balance date; accident year 1H17 and 1H18 excludes GLRC recoveries

Brilliant Basics: optimising portfolios with data analytics

Controlled growth without increasing overall PML¹ exposure...

GWP

↑ **23%**

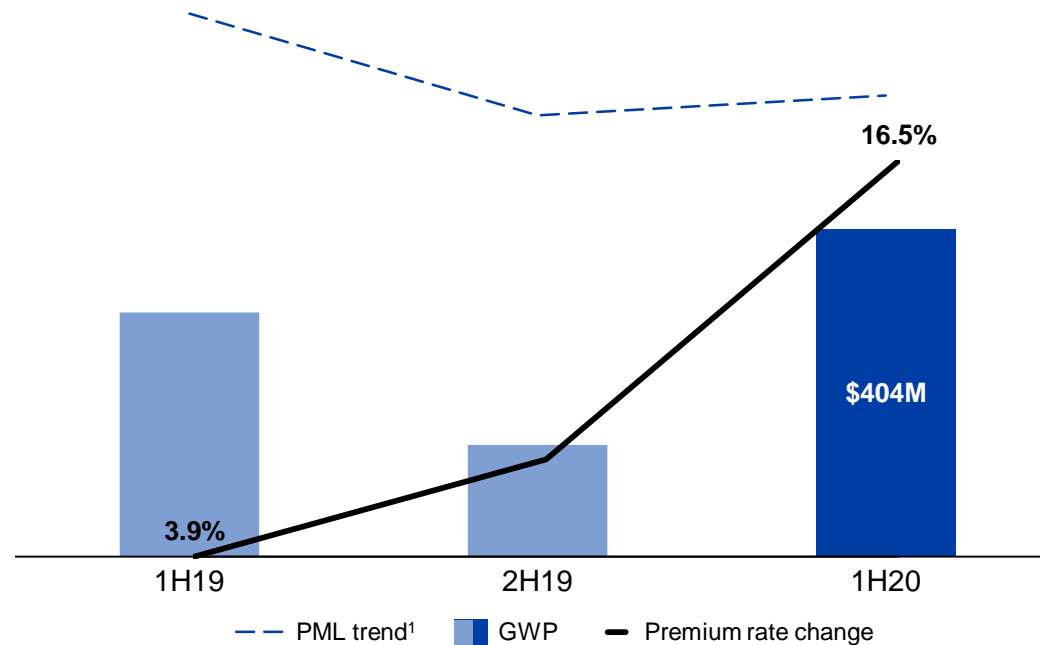
PML¹

↓ **6%**

Increase in premium rate adequacy

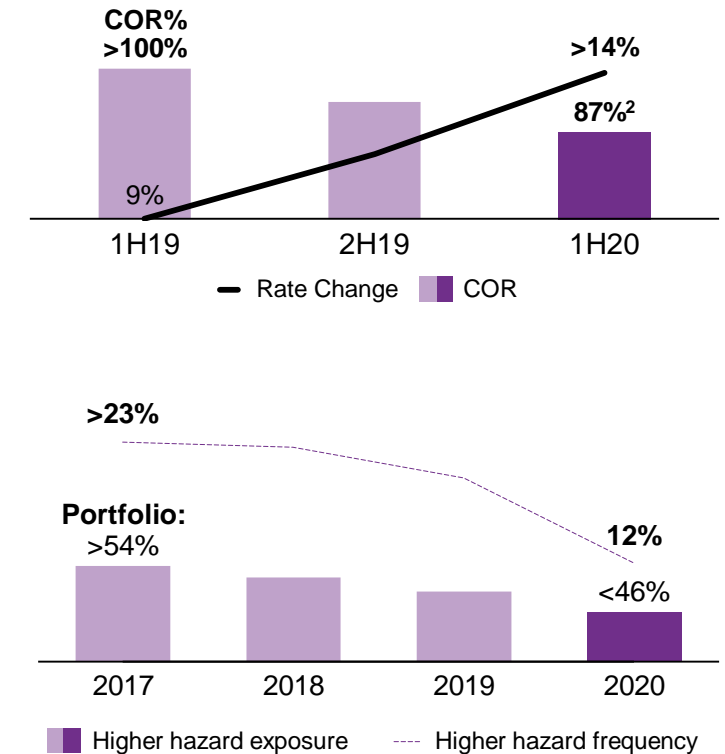
↑ **8%⁺**

North America Programs (Property)
(\$404M GWP)



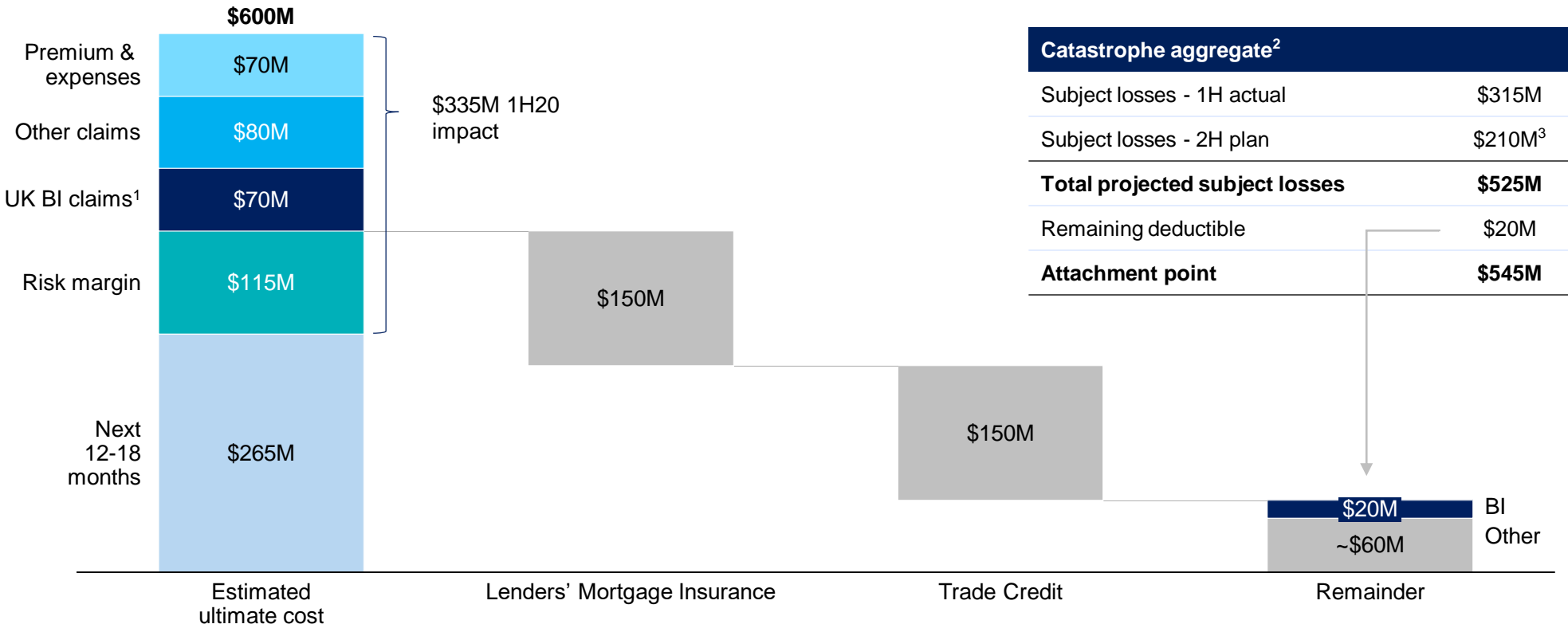
Increased focus on rate and risk selection in UK motor...

UK Motor
(\$320M GWP)



1. Probable maximum loss (PML) is the stated loss likely exceeded only once in 200yrs (i.e. 0.5% chance that the stated loss could be exceeded)
2. UK motor combined operating ratio (COR) excludes ~6% estimated claims benefit as a result of reduced claims frequency due to COVID-19

Breakdown of \$600M COVID-19 estimated ultimate cost



1. UK primary BI is capped at \$70M by virtue of non-peak Cat XOL and whole account quota share
2. Net of \$5M per occurrence deductible
3. Corresponds to \$300M 2H20 catastrophe allowance

COVID-19 impact: Business Interruption



Business Interruption (BI)

COVID-19 impact (1H20)

~\$140M

QBE's reinsurance responds to COVID-19

Region

North America

Minimal exposure

- Requires physical damage and all policies have virus exclusion
- Protected by quota share, non-peak cat XOL and cat aggregate reinsurance

International

Moderate exposure

- UK primary BI claims capped at \$70M
- Protected by quota share, non-peak cat XOL and cat aggregate reinsurance

Australia Pacific

Minimal exposure

- Confident that wordings exclude pandemic
- Protected by quota share, non-peak cat XOL and cat aggregate reinsurance

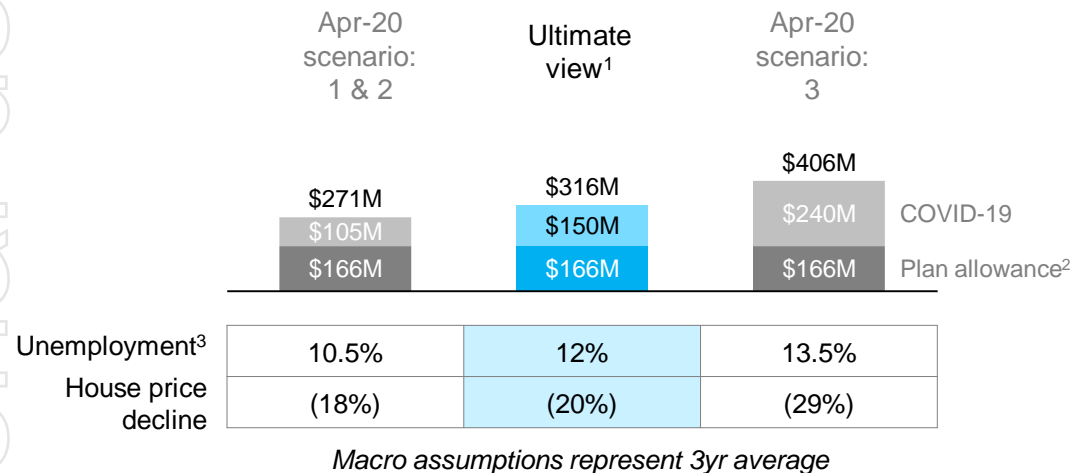
- QBE's non-damage business interruption exposure arising from COVID-19 is protected by comprehensive property catastrophe XOL, catastrophe aggregate and "clash" reinsurance
- QBE's property catastrophe and catastrophe aggregate treaties are "all perils" covers i.e. qualifying perils are **not** named or listed
- This contrasts with less expensive "named perils" covers, which only cover perils specifically named (and would therefore exclude COVID-19 unless pandemic was named as a qualifying peril)
- Classes of businesses covered by QBE's catastrophe treaties include "**property material damage and business interruption**" i.e. business interruption is covered in its own right and **does not require a material damage trigger**, unlike many primary policy wordings

COVID-19 impact: LMI & Trade Credit

Lenders' Mortgage Insurance (LMI)

COVID-19 impact \$150M

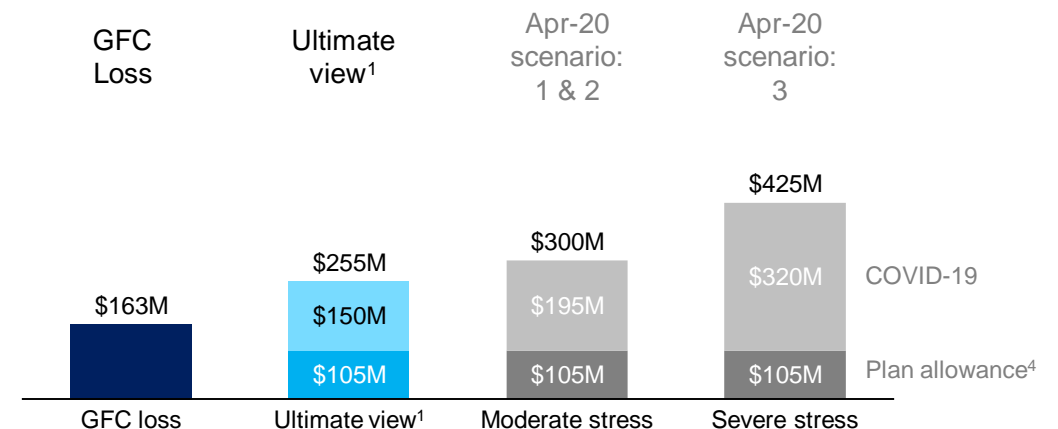
- Previously modelled most severe downside scenarios are less likely:
 - Successful fiscal stimulus
 - Ongoing bank forbearance
- Capital impact of expected claims partly recognised in premium liabilities
- Updated 3-year cumulative incremental claims scenarios:



Trade Credit

COVID-19 impact \$150M

- Previously modelled most severe downside scenarios are less likely:
 - Successful fiscal stimulus
 - Government backstop in UK
- ~30% reduction in trade credit buyer limits achieved YTD
 - Limit reductions focused in high risk industries



1. Based on current view of ultimate cost which is a more conservative estimate than base case and is inclusive of significant risk margins

2. COVID-19 claims are expected to emerge over 3 years: plan allowance represents cumulative claims over 3 years

3. Long-term unemployment resulting from COVID-19 is likely to be higher than that impacting the LMI portfolio reflecting a disproportionate unemployment impact on non-mortgagors e.g. young, part-time and low-paid workers. We have conservatively assumed this variance to be around 1.5%

4. COVID-19 claims are expected to emerge over 12-18 months: plan allowance represents cumulative claims over 12 months

Inder Singh

Group Chief Financial Officer

Financial results summary¹

Operating results

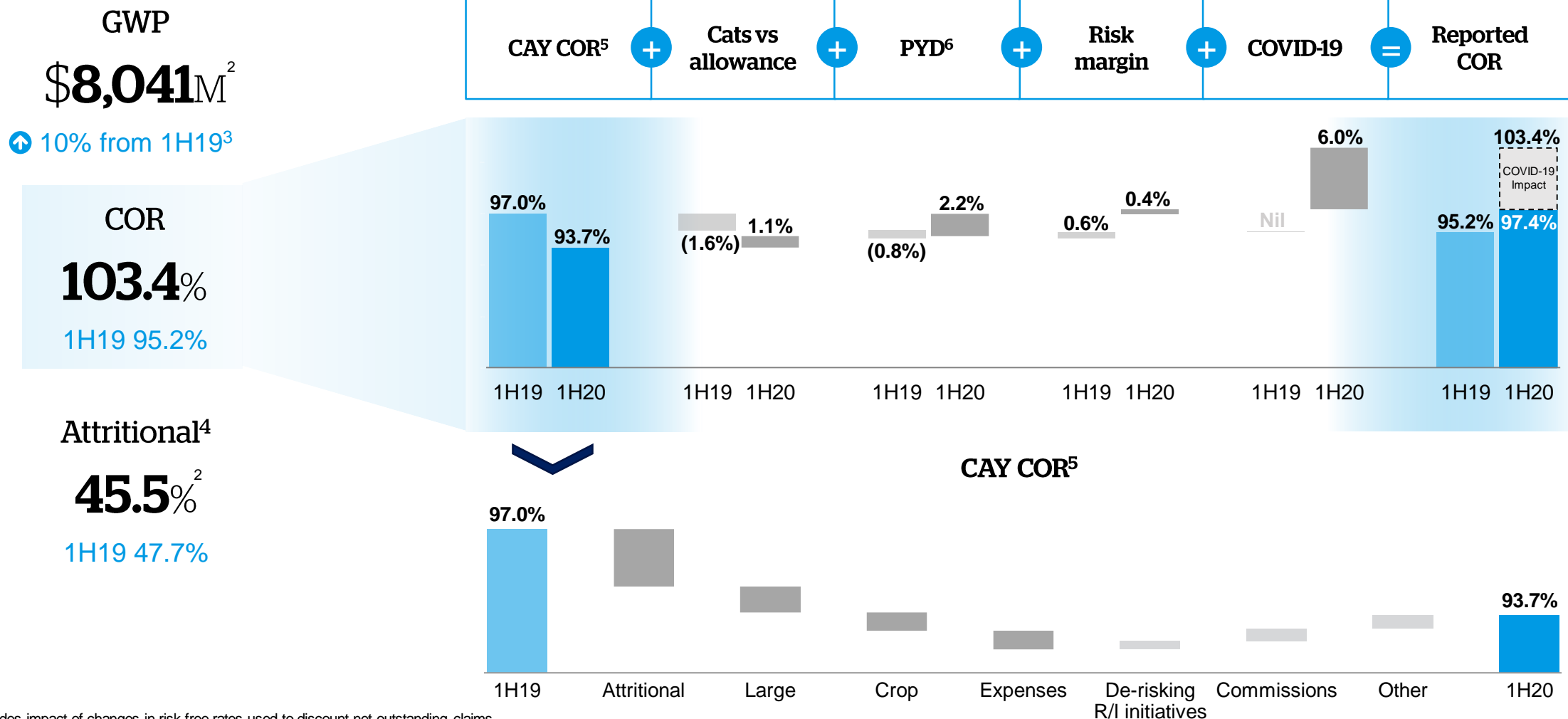
| | | 1H19 | 1H20 | 1H20 (ex. COVID-19) |
|--|------------|-------------|--------------|------------------------|
| Gross written premium | \$M | 7,637 | 8,011 | 8,041 |
| Net earned premium | \$M | 5,671 | 5,506 | 5,556 |
| Net claims ratio (ex discount rate) | % | 64.3 | 72.1 | 66.7 |
| Net commission ratio | % | 16.1 | 16.4 | 16.4 |
| Expense ratio | % | 14.8 | 14.9 | 14.3 |
| COR (ex discount rate) | % | 95.2 | 103.4 | 97.4 |
| Net investment yield ² (ex discount rate) | % | 2.2 | (1.7) | |
| Net profit (loss) after income tax | \$M | 531 | (712) | |
| Cash net profit (loss) after income tax³ | \$M | 520 | (682) | |

1. 1H19 presented on a continuing operations and adjusted basis as presented in annual and half year reports

2. Includes FX gains (losses) & other income (expenses)

3. Statutory net profit (loss) after income tax excluding amortisation, impairment and FCTR

Group combined ratio impacted by COVID-19¹



1. Excludes impact of changes in risk-free rates used to discount net outstanding claims
2. Excludes impact of COVID-19
3. Constant currency basis excluding disposals
4. Excludes Crop and LMI
5. Current accident year COR adjusted to reflect catastrophe claims at allowance and excludes risk margin strengthening
6. Excludes impact of Crop development that is matched by premium cessions under the MPCl scheme (resulting in a nil profit impact)

GWP

\$3,081M²

⬆️ 14% from 1H19³

COR

108.8%

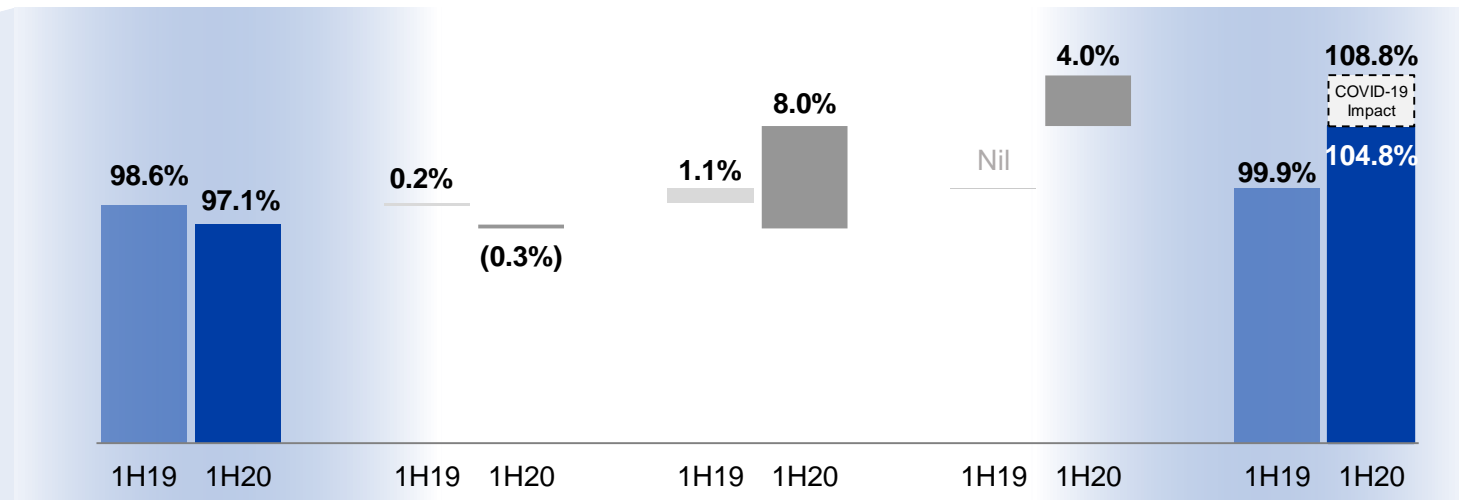
1H19 99.9%

Attritional⁴

46.8%²

1H19 48.4%

| | | | | | | | | |
|----------------------|---|-------------------|---|------------------|---|----------|---|--------------|
| CAY COR ⁵ | + | Cats vs allowance | + | PYD ⁶ | + | COVID-19 | = | Reported COR |
|----------------------|---|-------------------|---|------------------|---|----------|---|--------------|



- Strong premium rate momentum (2Q20 10.4%)
- Strong growth in profitable segments including A&H, crop and property programs
- ~\$55M PYD from closed portfolios
- COVID-19 primarily related to workers' compensation

1. Excludes impact of changes in risk-free rates used to discount net outstanding claims
 2. Excludes impact of COVID-19
 3. Excludes personal lines disposal
 4. Excludes Crop
 5. Current accident year COR adjusted to reflect catastrophe claims at allowance
 6. Prior accident year claims development excludes Crop development that is matched by premium cessions under the MPCl scheme (resulting in net nil profit impact)

GWP

\$3,150M

↑ 12% from 1H19²

COR

97.5%

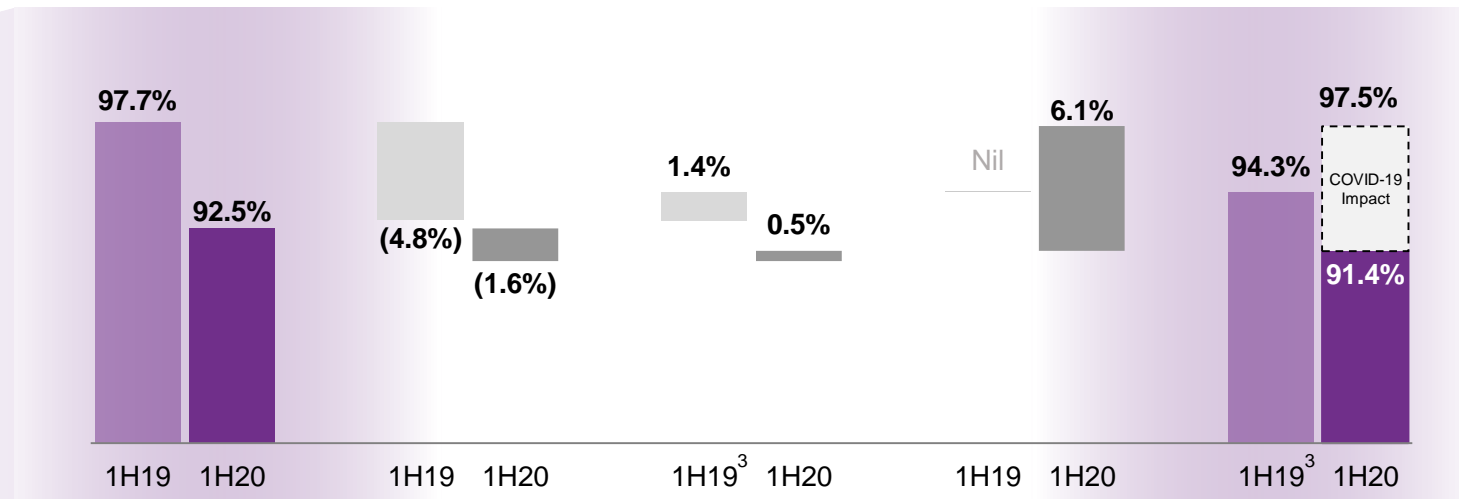
1H19 94.3%³

Attritional

41.5%⁴

1H19 43.2%

| | | | | | | | | |
|----------------------|---|-------------------|---|-----|---|----------|---|--------------|
| CAY COR ⁵ | + | Cats vs allowance | + | PYD | + | COVID-19 | = | Reported COR |
|----------------------|---|-------------------|---|-----|---|----------|---|--------------|



- Attritional claims ratio improved 1.7%
- Large individual risk and catastrophe claims below allowance
- COVID-19 impact primarily driven by business interruption
- Combined acquisition costs ratio improved by 0.5%

1. Excludes 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 impact of COVID-19
 5. Current accident year COR adjusted to reflect catastrophe claims at allowance

GWP

\$1,829M

↑ 1% from 1H19²

COR

96.4%

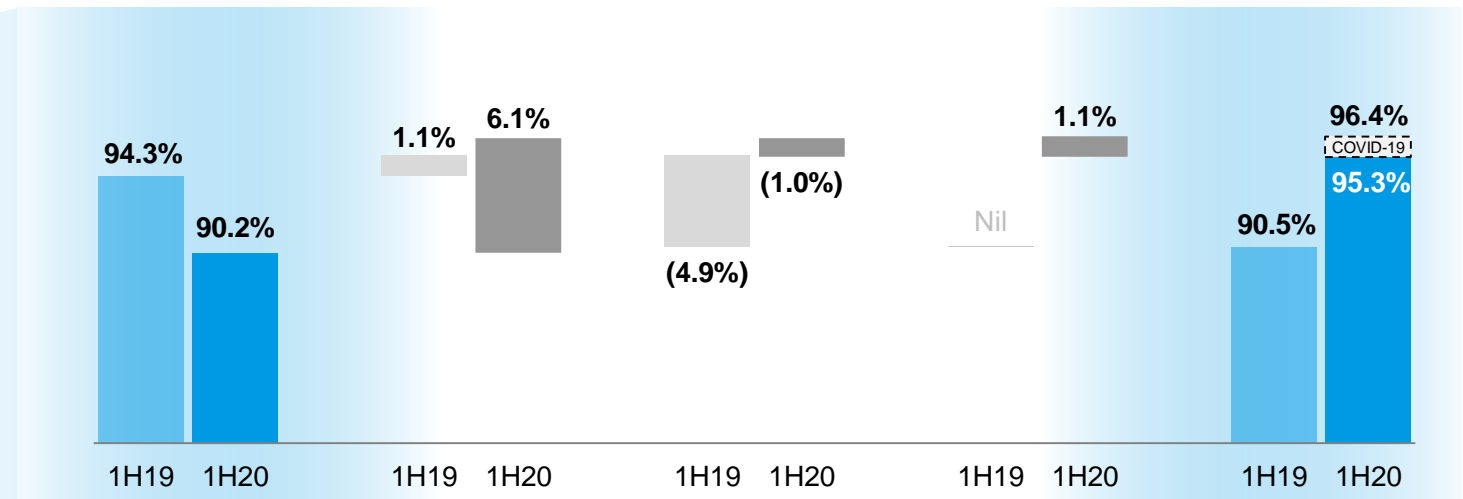
1H19 90.5%

Attritional³

49.3%⁴

1H19 52.8%

| | | | | | | | | |
|----------------------|---|-------------------|---|-----|---|----------|---|--------------|
| CAY COR ⁵ | + | Cats vs allowance | + | PYD | + | COVID-19 | = | Reported COR |
|----------------------|---|-------------------|---|-----|---|----------|---|--------------|



- Attritional claims ratio improved 3.5%³ (~13% since 1H16)
- Catastrophe costs up 5.0% vs 1H19 driven by summer bushfires and storm activity
- Customer rebates ~\$16M primarily within private motor

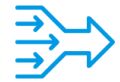
1. Excludes impact of changes in risk-free rates used to discount net outstanding claims
 2. Constant currency basis excluding disposals
 3. Excludes LMI
 4. Excludes impact of COVID-19
 5. Current accident year COR adjusted to reflect catastrophe claims at allowance

Operational efficiency ahead of schedule

Strong progress on clear, targeted initiatives



Operating model cost savings



Simpler and more streamlined North American business



Rationalised technology estate and de-commissioned legacy applications



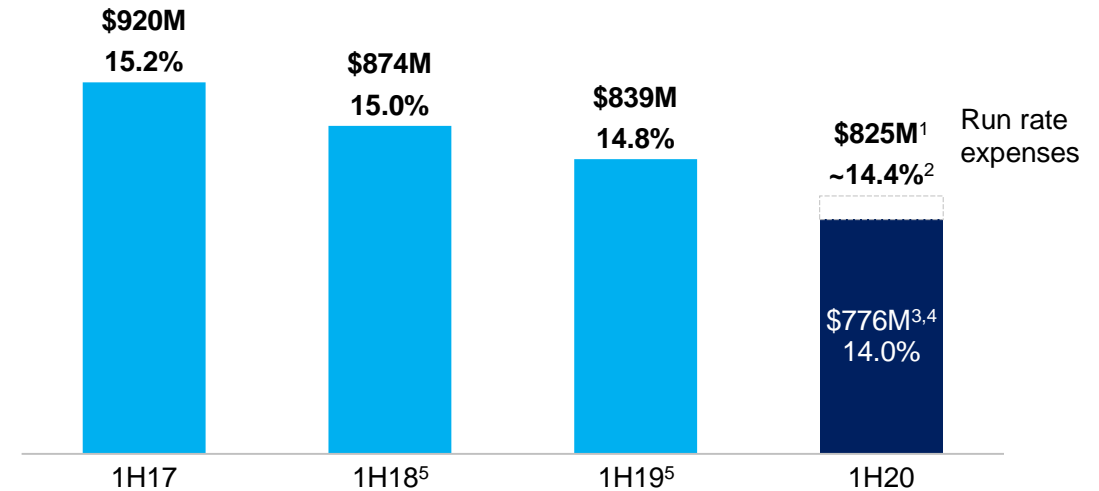
Strong tactical expense discipline



Journey towards greater digitisation and end-to-end process optimisation

Accelerating delivery against targets

Net underwriting expenses (\$M) / ratio (%)



NEP

\$6.0B \$5.8B \$5.7B \$5.6B³

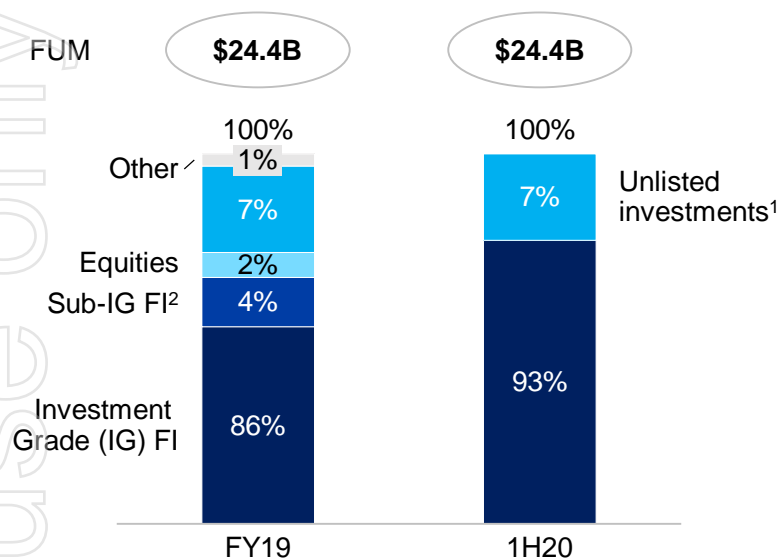
Premium rate Δ ⁶

1.0% 4.6% 4.7% 8.7%

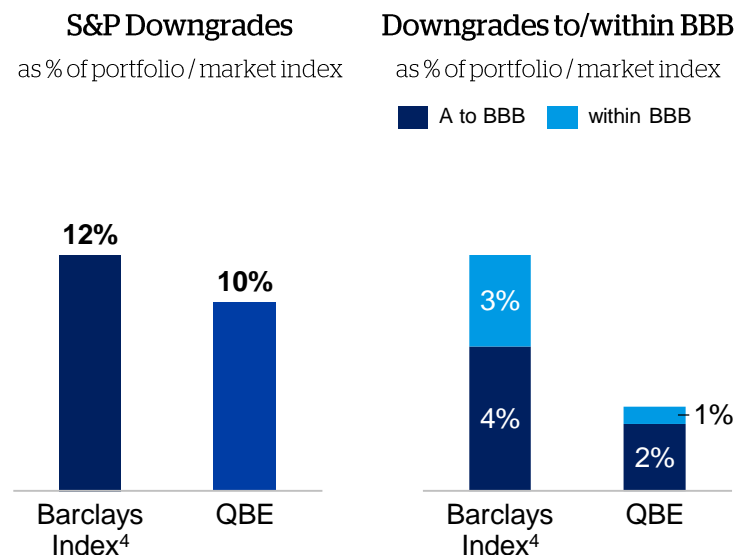
1. Adjusted for below-plan variable compensation and change spend
2. Based on premiums adjusted for de-risking reinsurance initiatives
3. Excludes impact of COVID-19
4. Excludes heightened risk and regulatory costs
5. Continuing operations and adjusted basis as presented in annual and half year reports
6. Excludes premium rate changes relating to CTP

Investment portfolio and performance outlook

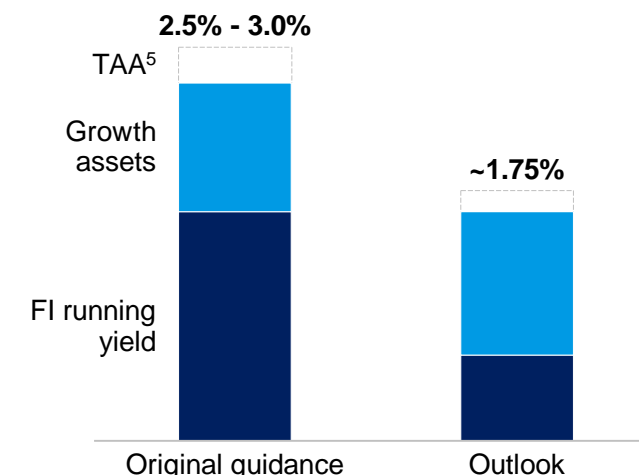
De-risked investment portfolio



High quality, resilient investment grade FI portfolio



Investment return outlook



- Zero listed equities exposure³
- Unrealised losses from credit spread movements \$350M (1Q20) and \$21M (1H20)

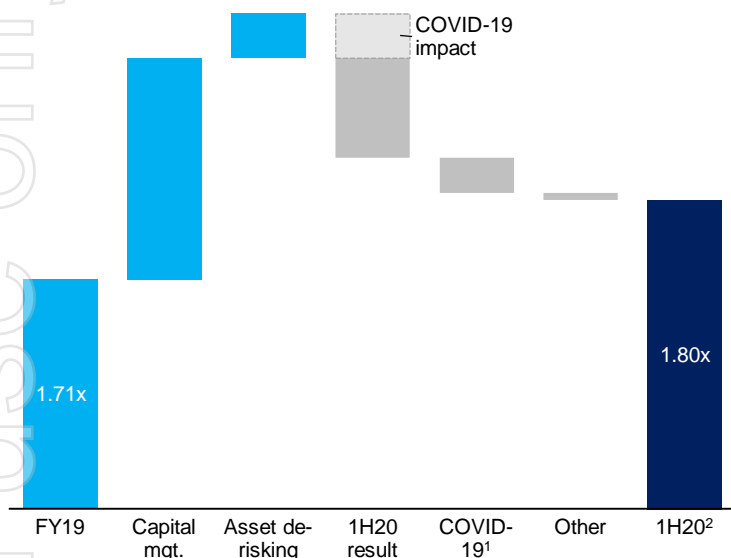
- ~85% of fixed income rated A- or better
- BBB average maturity of 3.1 years
- No downgrades from investment grade to sub-investment grade
- No credit trading distressed

- Fixed income running yield 0.7% at 1H20 (vs 1.6% 1H19)
- Outlook assumes growth asset allocation in line with 15% benchmark

1. Inclusive of private equity, unlisted property and unlisted infrastructure investments
 2. Inclusive of high yield debt, emerging market debt and other sub investment grade investments
 3. QBE retains a small investment in an ASX listed investment company (FGG) which includes a social objective in its investment charter
 4. Bloomberg Barclays Global Aggregate Corporate Bond Index
 5. Targeted incremental returns due to tactical asset allocation changes

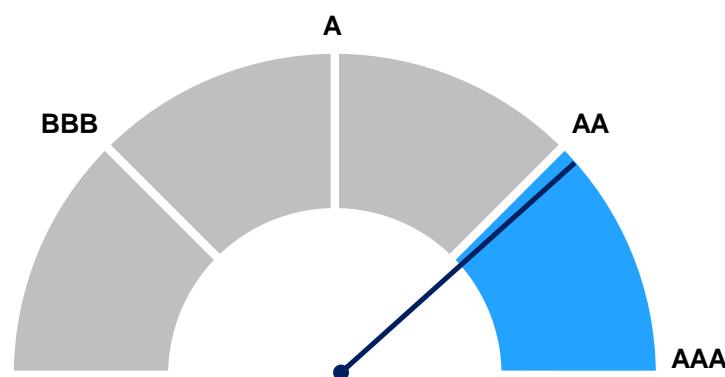
Balance sheet and capital management

APRA regulatory capital



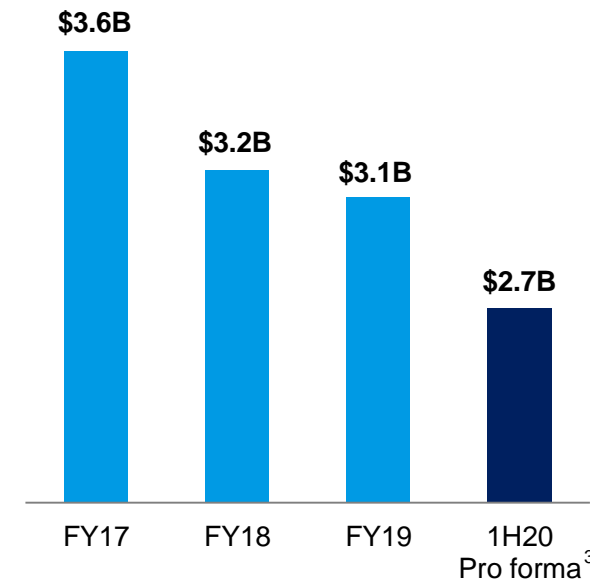
- Regulatory capital at the top of 1.6x-1.8x target range
- \$175M prospective COVID-19 claims allowed for in premium liabilities
- Head Office liquidity \$1.5B

S&P capital



S&P Capital remains above 'AA' level

Borrowings



| | | | | |
|-----------------------|------|------|------|------|
| Debt to equity | 40.8 | 38.0 | 38.0 | 30.2 |
| Debt to total capital | 29.0 | 27.6 | 27.5 | 23.2 |

1. Primarily premium liabilities charge pertaining to COVID-19
 2. Indicative APRA PCA calculation at 30 June 2020
 3. Allows for the post balance date reclassification of 2017 perpetual capital notes out of borrowings and into equity

Priorities

Pat Regan - Group Chief Executive Officer

2020 priorities unchanged



Performance



Brilliant Basics +



Talent & culture



Customer focus



**Innovation &
Technology**

Questions & Answers



The information in this presentation provides an overview of the results for the half year ended 30 June 2020.

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

| Total investments and cash | 1H19 | | 1H20 | |
|----------------------------|---------------|-------------|---------------|-------------|
| | \$M | % | \$M | % |
| US dollar | 7,349 | 32% | 8,756 | 36% |
| Australian dollar | 6,565 | 28% | 6,179 | 25% |
| Sterling | 3,708 | 16% | 3,849 | 16% |
| Euro | 3,005 | 13% | 3,169 | 13% |
| Canadian dollar | 1,191 | 5% | 1,235 | 5% |
| New Zealand dollar | 378 | 2% | 367 | 2% |
| Hong Kong dollar | 367 | 2% | 360 | 1% |
| Singapore dollar | 184 | 1% | 171 | 1% |
| Other | 347 | 1% | 346 | 1% |
| Total | 23,094 | 100% | 24,432 | 100% |

| Gross written premium | 1H19 ¹ | | 1H20 | |
|-----------------------|-------------------|-------------|--------------|-------------|
| | \$M | % | \$M | % |
| US dollar | 3,757 | 49% | 4,107 | 51% |
| Australian dollar | 1,843 | 24% | 1,719 | 21% |
| Sterling | 649 | 8% | 810 | 10% |
| Euro | 748 | 10% | 768 | 10% |
| New Zealand dollar | 139 | 2% | 141 | 2% |
| Canadian dollar | 138 | 2% | 138 | 2% |
| Hong Kong dollar | 119 | 2% | 118 | 1% |
| Singapore dollar | 80 | 1% | 88 | 1% |
| Other | 164 | 2% | 122 | 2% |
| Total | 7,637 | 100% | 8,011 | 100% |

1. Continuing operations basis

| | | 1H19 | 1H20 ² |
|--|----------|-------------|-------------------|
| Gross written premium | \$M | 2,804 | 3,081 |
| Gross earned premium | \$M | 2,194 | 2,198 |
| Net earned premium | \$M | 1,849 | 1,672 |
| Net incurred claims | \$M | 1,362 | 1,385 |
| Net commission | \$M | 292 | 272 |
| Expenses | \$M | 255 | 237 |
| Underwriting result | \$M | (60) | (222) |
| Net claims ratio | % | 73.7 | 82.8 |
| Net commission ratio | % | 15.7 | 16.3 |
| Expense ratio | % | 13.8 | 14.2 |
| Combined operating ratio | % | 103.2 | 113.3 |
| Adjusted combined operating ratio¹ | % | 99.9 | 104.8 |
| Insurance profit (loss) margin | % | 1.0 | (13.6) |

- Underlying GWP growth was 14%^{2,3}, reflecting strong growth in A&H, property programs and Crop
- Underlying NEP was down 2%^{2,3}, impacted by the purchase of additional Crop hail and catastrophe reinsurance
- Average premium rate increases accelerated to 9.8% (1H19 4.1%)
- Net claims ratio increased to 74.3%^{1,2} (1H19 70.4%¹) due to:
 - adverse prior accident year claims development of 8.0%^{2,4} compared with 1.1%⁴ in 1H19
 - catastrophe and large individual risk claims of 10.6%² compared with 8.7% in 1H19; partially offset by
 - a 1.6%² improvement in the attritional claims ratio (ex Crop) and an improved Crop performance consistent with long-term average
- Commission ratio increased 0.6% due to the sale of retail personal lines and strong growth in programs
- Expense ratio increased 0.4%² due to the impact of 2019 disposals and the additional reinsurance spend on net earned premium
- COR^{1,2} deteriorated 4.9% mainly due to adverse prior accident year claims development and increased large individual risk and catastrophe claims which more than offset improvement in the attritional claims ratio

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

2. Excludes impact of COVID-19

3. Excludes impact of 2019 disposals

4. Excludes Crop development that is matched by premium cessions under the MPCl scheme (resulting in a nil profit impact)

| | | 1H19 ¹ | 1H20 ³ |
|--|----------|-------------------|-------------------|
| Gross written premium | \$M | 2,880 | 3,150 |
| Gross earned premium | \$M | 2,319 | 2,498 |
| Net earned premium | \$M | 2,019 | 2,191 |
| Net incurred claims | \$M | 1,363 | 1,464 |
| Net commission | \$M | 350 | 386 |
| Expenses | \$M | 306 | 315 |
| Underwriting result | \$M | - | 26 |
| Net claims ratio | % | 67.5 | 66.8 |
| Net commission ratio | % | 17.3 | 17.6 |
| Expense ratio | % | 15.2 | 14.4 |
| Combined operating ratio | % | 100.0 | 98.8 |
| Adjusted combined operating ratio² | % | 94.3 | 91.4 |
| Insurance profit (loss) margin | % | 11.4 | (0.2) |

- GWP was up 12% on a constant currency basis excluding disposals in Asia, reflecting strong pricing, improved retention and strong new business growth, especially in the European insurance operations
- Average renewal rate increases of 10.0% (1H19 3.8%); European Operations' rates increased 10.3% (1H19 3.9%) while rates in Asia increased 6.6% (1H19 2.2%)
- Net claims ratio decreased to 59.4%^{2,3} (1H19 61.8%^{1,2}) due to:
 - a decrease in the net cost of large individual risk claims to 11.0% (1H19 15.3%) following ongoing de-risking and positive market conditions
 - a further 1.7% improvement in the attritional claims ratio, reflecting targeted underwriting actions in both Europe and Asia, coupled with the beneficial rating environment; partly offset by
 - an increase in catastrophe claims to 2.9% (1H19 0.5%), reflecting an especially benign prior period and minor adverse prior accident year claims development, primarily relating to 2019 typhoon claims
- Expense ratio improved 0.8%³ due to premium growth and expense reductions, primarily in Asia
- COR improved 2.9%^{2,3} due to reduced large individual risk and attritional claims and improved efficiency, partly offset by an increase in the net cost catastrophe claims

1. Excludes the one-off impact of the Ogden decision in the UK
 2. Excludes impact of changes in risk-free rates used to discount net outstanding claims
 3. Excludes impact of COVID-19

| | | 1H19 | 1H20 ² |
|--|----------|-------------|-------------------|
| Gross written premium | \$M | 1,960 | 1,829 |
| Gross earned premium | \$M | 1,951 | 1,858 |
| Net earned premium | \$M | 1,797 | 1,696 |
| Net incurred claims | \$M | 1,157 | 1,151 |
| Net commission | \$M | 269 | 256 |
| Expenses | \$M | 258 | 237 |
| Underwriting result | \$M | 113 | 52 |
| Net claims ratio | % | 64.4 | 67.9 |
| Net commission ratio | % | 14.9 | 15.2 |
| Expense ratio | % | 14.4 | 14.0 |
| Combined operating ratio | % | 93.7 | 97.1 |
| Adjusted combined operating ratio¹ | % | 90.5 | 95.3 |
| Insurance profit margin | % | 13.6 | 1.5 |

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

2. Excludes impact of COVID-19

3. Excludes premium rate changes relating to CTP

4. Excludes LMI

- GWP was up 0.4% on a constant currency basis but up 4% excluding CTP, disposals and discontinued portfolios
- Average renewal premium rate reduced to 5.5%³, from 6.8%³ in 1H19 due in part to premium rate freezes in response to COVID-19
- Net claims ratio increased to 66.1%^{1,2} (1H19 61.2%¹) reflecting:
 - 11.6% catastrophe claims ratio (1H19 6.5%) resulting from the severe catastrophe experience in Australia including extreme bushfires, hail and storm events and cyclone Mangga in Western Australia
 - reduced positive prior accident year claims development; partly offset by
 - a further 4.3%⁴ improvement in the attritional and large individual risk claims ratios, reflecting targeted pricing increases, enhanced risk selection and claims management initiatives
- Commission ratio increased 0.3% due to strong growth in strata which attracts a higher commission ratio
- Expense ratio decreased 0.4% primarily due to a reduction in staff, travel and project costs, offset by increased regulatory and legal costs and a NSW CTP profit normalisation charge
- COR increased 4.8%^{1,2} due to further material improvement in the attritional claims ratio⁴ more than offset by increased catastrophe costs and a reduced level of positive prior year development

Financial strength and flexibility

| Summary balance sheet | 31 DEC 2019 | 30 JUN 2020 | 30 JUN 2020 Pro forma ¹ |
|----------------------------------|---------------|---------------|---------------------------------------|
| | \$M | \$M | \$M |
| Investments and cash | 24,374 | 24,432 | 24,432 |
| Trade and other receivables | 4,621 | 6,282 | 6,282 |
| Intangibles | 2,791 | 2,746 | 2,746 |
| Other assets | 1,238 | 1,376 | 1,376 |
| Assets | 33,024 | 34,836 | 34,836 |
| Insurance liabilities, net | 19,364 | 20,304 | 20,304 |
| Borrowings | 3,095 | 3,064 | 2,665 |
| Other liabilities | 2,412 | 3,030 | 3,030 |
| Liabilities | 24,871 | 26,398 | 25,999 |
| Net assets | 8,153 | 8,438 | 8,837 |
| Shareholders' funds ⁵ | 8,153 | 7,943 | 7,943 |
| Capital notes | - | 495 | 894 |
| Non-controlling interests | - | - | - |
| Total equity | 8,153 | 8,438 | 8,837 |

1. Allows for the post balance date reclassification of 2017 perpetual capital notes out of borrowings and into equity
2. Constant currency basis
3. Excludes impact of COVID-19
4. Excludes impact of Crop development that is matched by premium cessions under the MPCl scheme (resulting in a nil profit impact)
5. Shareholders' funds attributable to ordinary equity holders

Reserving

- \$175M additional allowance for potential future COVID-19 related claims within premium liabilities
- \$138M² risk margin strengthening (1H19 \$32M² strengthening)
 - › \$115M additional COVID-19 related risk margin strengthening
- PYD adverse \$120M^{3,4} (1H19 \$47M⁴ favourable)
- \$335M adverse risk-free rate impact (1H19 \$231M adverse)
- PoA strengthened to 91.2% (FY19 90.0%)

Borrowings

- Pro forma debt to equity ratio 30.2%¹ (FY19 38.0%)
- \$495M AT1 Capital notes issued during 1H20 classified as contributed equity

APRA Prescribed Capital Amount

| APRA PCA calculation | 31 DEC 2019¹ \$M | 30 JUN 2020² \$M |
|--|--|--|
| Ordinary share capital and reserves | 8,153 | 7,943 |
| Net surplus relating to insurance liabilities | 718 | 835 |
| Regulatory adjustments to Common Equity Tier 1 Capital | (3,326) | (3,393) |
| Common Equity Tier 1 Capital | 5,545 | 5,385 |
| Additional Tier 1 Capital – Capital securities | 399 | 894 |
| Total Tier 1 Capital | 5,944 | 6,279 |
| Tier 2 Capital – Subordinated debt and hybrid securities | 2,558 | 2,496 |
| Total capital base | 8,502 | 8,775 |
| Insurance risk charge | 2,903 | 2,969 |
| Insurance concentration risk charge | 608 | 538 |
| Asset risk charge | 2,139 | 1,959 |
| Operational risk charge | 497 | 522 |
| Less: Aggregation benefit | (1,181) | (1,113) |
| APRA Prescribed Capital Amount (PCA) | 4,966 | 4,875 |
| PCA multiple | 1.71x | 1.80x |
| CET1 ratio (APRA requirement >60%) | 112% | 110% |

1. Prior year calculation has been restated to be consistent with APRA returns finalised subsequent to year end
 2. Indicative APRA PCA calculation at 30 June 2020

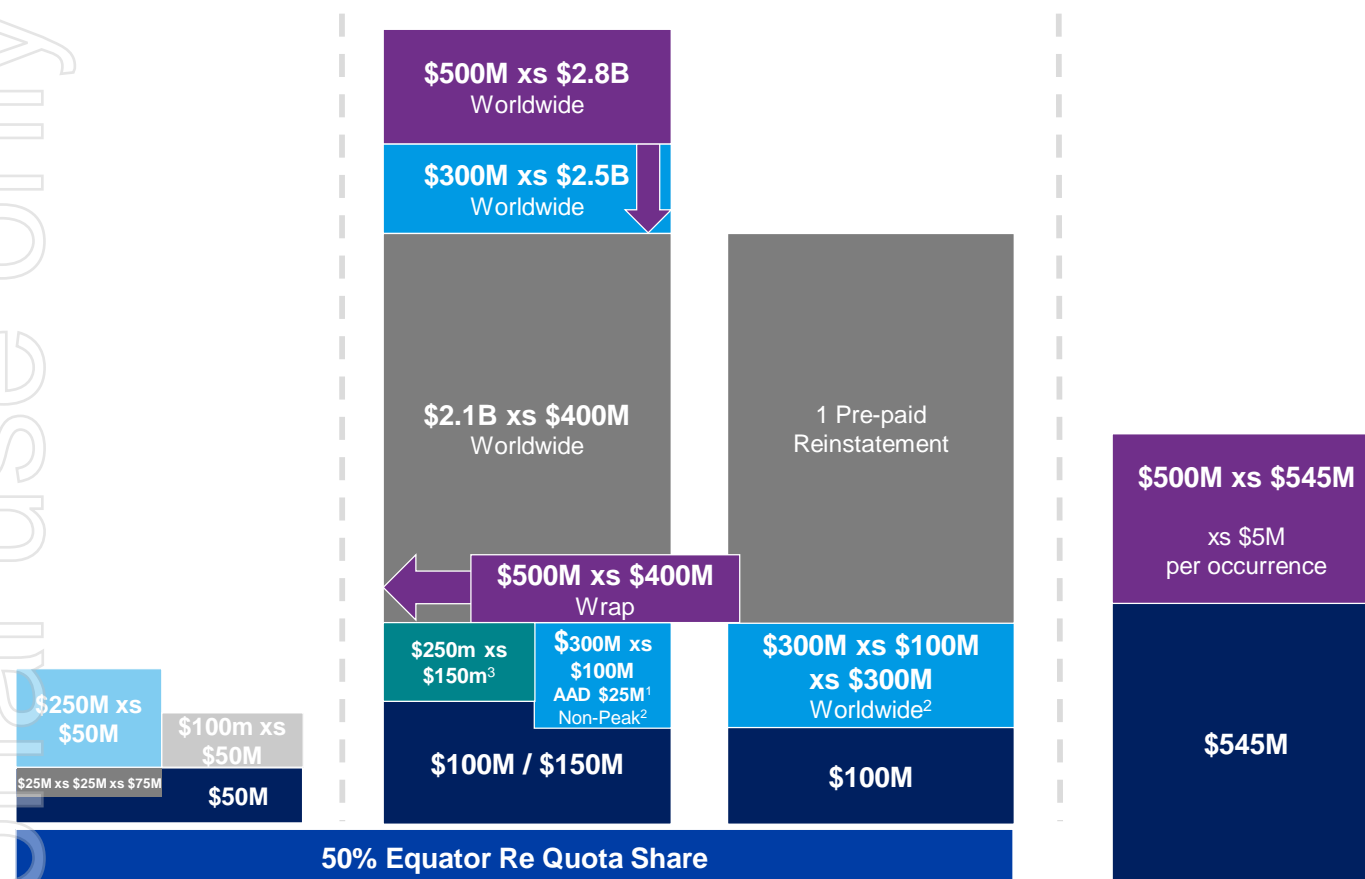
2020 global reinsurance program



Risk XOL

Cat XOL

Cat Agg



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 deductible¹
- Enhanced risk clash & cyber protection

Main Cat XOL

- \$2.1B xs \$400M

US Cat Buy Down

- \$250M xs \$150M

Cat Top or Drop or Non-Peak²

- 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 and Cyber Aggregate 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
3. US Hurricane and US Earthquake. 50% order.

Fixed income investor update



Key investment highlights

- ✓ QBE is **one of Australia's largest** general insurance and reinsurance groups
- ✓ Diversified insurance operations across **27 countries**
- ✓ ASX-listed and regulated by the Australian Prudential Regulation Authority (APRA)
- ✓ Robust capital metrics with a **PCA multiple of 1.80x¹** as at 30 June 2020
- ✓ QBE has taken **pre-emptive and decisive action to fortify its balance sheet** to navigate a broad range of severe economic and investment market downside scenarios
- ✓ Implemented a **comprehensive capital plan** including de-risking the investment portfolio, securing additional reinsurance, successfully raising \$813M Core Equity Tier 1 (CET1) in April/May 2020, and issuing \$500M² in perpetual fixed rate resetting capital notes in May 2020
- ✓ Funds under management of **\$24.4 billion** as at 30 June 2020, of which 93% investment portfolio is in investment-grade fixed income

1. Indicative APRA PCA calculation as at 30 June 2020

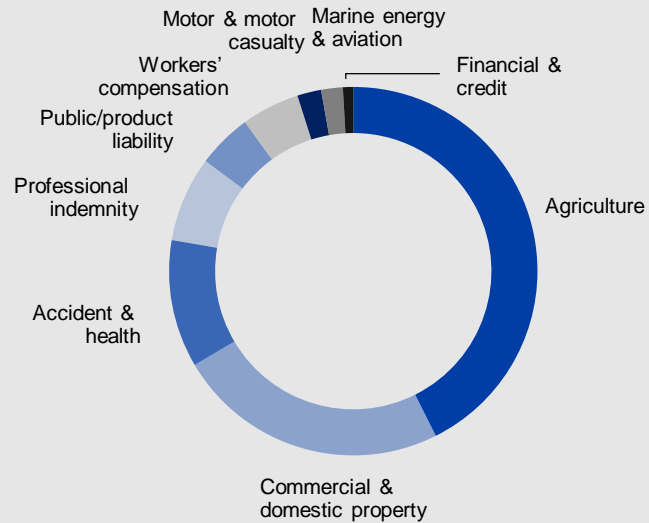
2. \$495M net of transaction costs

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

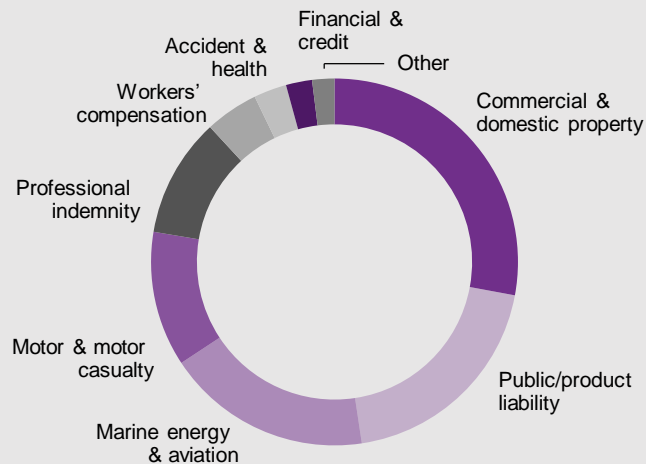
QBE is an international general insurance and reinsurance company, with meaningful operations in the major insurance hubs. QBE is listed on the Australian Securities Exchange, headquartered in Sydney, Australia and regulated by APRA

QBE had Gross Written Premium (GWP) of \$8.041¹ billion for the half year ended 30 June 2020 and funds under management of \$24.4 billion as at 30 June 2020

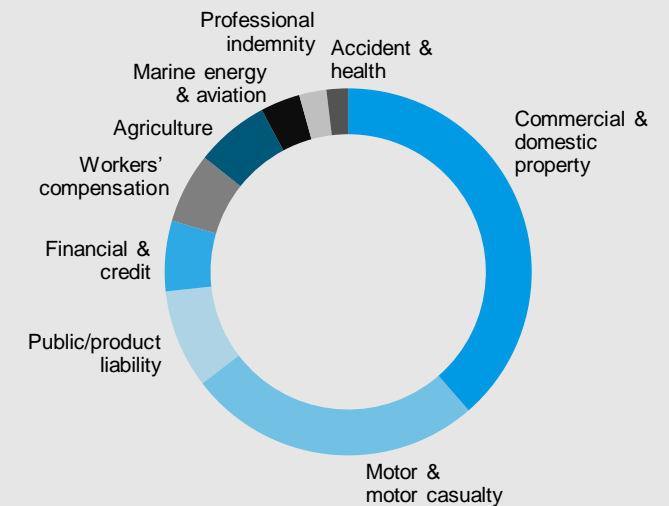
North America GWP



International GWP



Australia Pacific GWP



1. Excludes impact of COVID-19



Strong capital



Ratings strength



Globally regulated



Lower gearing

Maintaining strong capital position

- PCA multiple at 1.80x¹ (1.6x-1.8x target range)
- Remains above S&P 'AA' minimum levels

Ratings

- S&P, Moody's, Fitch and AM Best affirmed² 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

- Debt to equity ratio down from 40.8% at December 2017 to 30.2%³ at 30 June 2020





1. Indicative APRA PCA calculation as at 30 June 2020

2. Ratings for Fitch and S&P affirmed in 1H20. AM Best and Moody's to assign rating actions in 2H20

3. Allows for the post balance date reclassification of 2017 perpetual capital notes out of borrowings and into equity

Rating agencies

QBE is rated by 4 major rating agencies

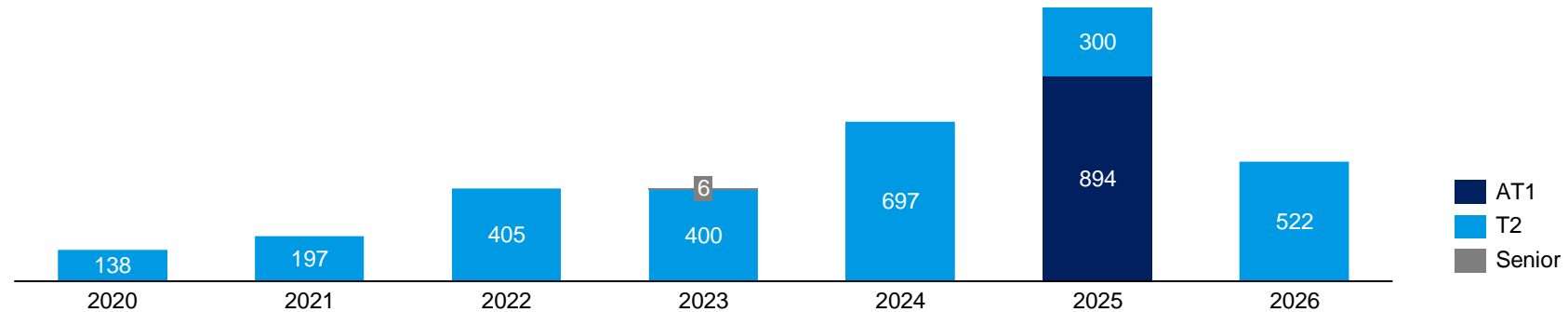
| | Long term FSR ¹ | Debt issue ICR ² | Outlook | Rating affirmation |
|---|-------------------------------|--------------------------------|---------|-----------------------|
|  | A+ | A- | Stable | July 2020 |
|  | A1 | A3 | Stable | April 2019 |
|  | A+ | A- | Stable | May 2020 |
|  | A | bbb+ | Stable | July 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

Fixed income issuance profile

Date to first call (\$M)

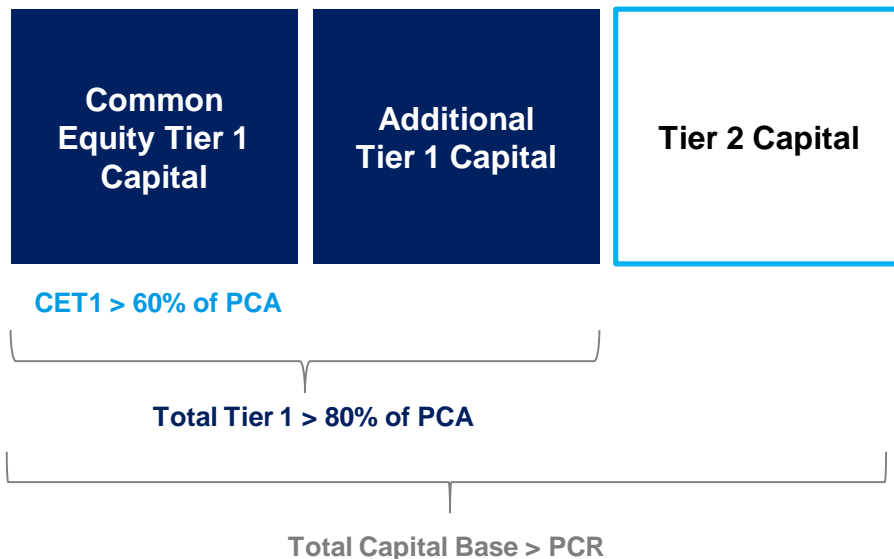
weighted average maturity: 4.5 years



| | Issued instruments ¹ | Issue date | First call date | Coupon | Balance sheet value ² (\$M) | Maturity date |
|--------------------------------|---------------------------------|------------|-----------------|-----------------|--|---------------|
| Additional Tier 1 (AT1) | Capital Notes ³ | Nov-17 | May-25 | 5.250% | 399 | Perp |
| | Capital Notes | May-20 | May-25 | 5.875% | 495 | Perp |
| Subordinated (Tier 2) | AUD 25NC5 | Sep-15 | Sep-20 | 3M BBSW + 4.00% | 138 | Sep-40 |
| | USD 30NC10 | May-11 | May-21 | 7.250% | 167 | May-41 |
| | GBP 30NC10 | May-11 | May-21 | 7.500% | 30 | May-41 |
| | GBP 26NC6 | May-16 | May-22 | 6.115% | 405 | May-42 |
| | USD 27NC7 | Oct-16 | Nov-23 | 7.500% | 400 | Nov-43 |
| | USD 30NC10 | Nov-14 | Dec-24 | 6.750% | 697 | 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 instruments | | | | | 3,559 | |

1. Subject to market conditions and to preserve flexibility, QBE may issue a new Tier 2 instrument before year end to take advantage of currently record low interest rates and to allow for upcoming potential subordinated debt redemptions over the next 12 months
2. Balance sheet value as at 30 June 2020
3. In July 2020, the terms of these instruments were amended and have been reclassified out of borrowings and into equity

Capital base / Tiers of capital



Source: Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", July 2019

| \$M | 30 June 2020 |
|--------------|--------------------|
| Capital base | 8,775 |
| PCA | 4,875 |
| PCA multiple | 1.80x ¹ |

Point of non-viability loss absorption

- All Additional Tier 1 Capital and Tier 2 Capital 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, unless a public sector injection of capital or equivalent support is required:

"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", July 2019

¹. Indicative APRA PCA calculation as at 30 June 2020

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

2020: Key achievements thus far

One of Australia's top LGBTI Employer for second year

Received Gold Employer status for second year in the Australian Workplace Equality Index (AWEI)

2020 Bloomberg Gender-Equality Index

Included in the 2020 Bloomberg Gender-Equality Index

Financial Inclusion Action Plan (FIAP)

Launched QBE's first FIAP, which contains 29 initiatives designed to address key action areas to improve financial inclusion including products & services, understanding financial vulnerability, financial capability and economic security

Recognition

Awarded Green insurer of the Year in Finder Green Awards – 2020. The award recognises our focus on reducing our environmental footprint, sourcing electricity from renewable sources for our global operations and setting emissions reduction targets



QBE Foundation

Contribution of \$1.7M to charity partners addressing the global COVID-19 crisis



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 United Nations Sustainable Development Goals (SDGs):



Further information about QBE's role in the SDGs can be found in our [2019 Sustainability Report](#)