Independent auditor's report

TO THE SHAREHOLDERS OF QBE INSURANCE GROUP LIMITED

pwc

Report on the audit of the Financial Report

Our opinion

In our opinion:

The accompanying Financial Report of QBE Insurance Group Limited (the company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

What we have audited

The Group Financial Report comprises:

- the consolidated balance sheet as at 31 December 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155, Parramatta NSW 2124

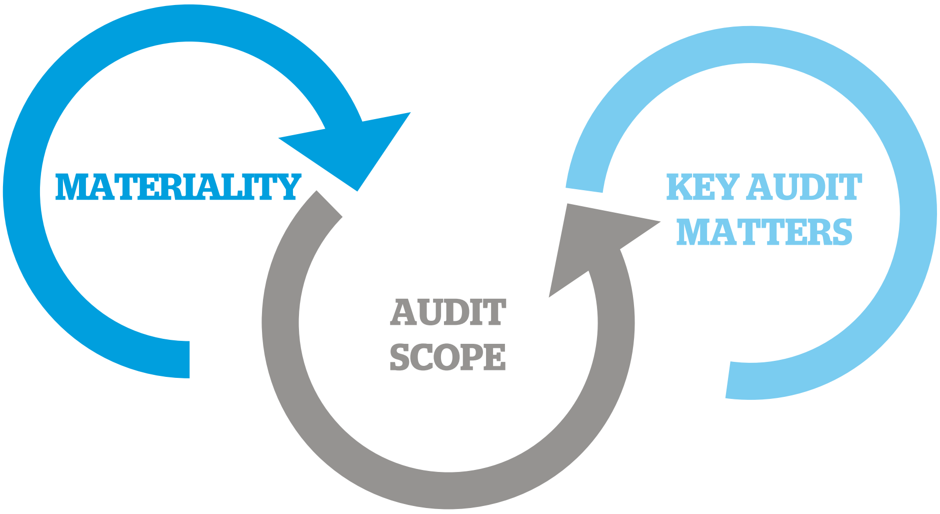
Independent auditor's report

TO THE SHAREHOLDERS OF QBE INSURANCE GROUP LIMITED

Our audit approach

An audit is designed to provide reasonable assurance about whether the Financial Report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



MATERIALITY

- For the purpose of our audit we used overall Group materiality of $58.9 million, which represents approximately 0.5% of the Group's net earned premium.
- We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Financial Report as a whole.
- We chose Group net earned premium because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is not as volatile as other profit and loss measures.

AUDIT SCOPE

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We ensured that the audit teams at both Group and operational levels possessed the appropriate skills and competencies needed for the audit of a complex global insurer. This included industry expertise in insurance, as well as IT specialists, actuarial, tax and valuation professionals.
- We conducted an audit of the most financially significant divisions being North American Operations, European Operations, Australian & New Zealand Operations and Equator Re (the divisions). In addition, we performed specified risk focused audit procedures on certain account balances for other entities within the Group.
- For the work performed by auditors within PwC Australia or from other firms operating under our instructions, we determined the level of involvement we needed to have in their audit work to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion.
- We kept in regular communication with audit teams throughout the year with conference calls, discussions and written instructions, where appropriate. Further, we visited and met with management and local audit teams in New York, London, Hong Kong and Sydney.
- We performed further audit procedures at a Group level over the remaining balances and the consolidation of the Group's reporting segments.

Independent auditor's report

TO THE SHAREHOLDERS OF QBE INSURANCE GROUP LIMITED

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period. The key audit matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

KEY AUDIT MATTER	How our audit addressed the key audit matter

Valuation of net outstanding claims

(Refer to note 2.3) $14,028 million

We considered the valuation of net outstanding claims a key audit matter because of the complexity involved in the estimation process and the significant judgements that the Group makes in determining the balance. Note 2.3 to the financial statements describes the elements that make up the balance. We comment on the most judgemental aspects of these elements below.

(a) Gross discounted central estimate

(Refer to note 2.3.1) $18,421 million

The estimation of outstanding claims involves significant judgement given the size of the liability and inherent uncertainty in estimating the expected future payments for claims incurred.

The valuation of outstanding claims relies on the quality of the underlying data. It involves complex and subjective judgements about future events, both internal and external to the business, for which minor changes in assumptions can result in material impacts on the estimate. Claims estimates in respect of catastrophe events may involve additional uncertainty, particularly those occurring closer to the year end, given the materiality of amounts involved, and the inherent difficulty in initially assessing amounts until further evidence emerges.

Judgement also arises over the estimation of payments for claims that have been incurred at the reporting date but have not yet been reported to the Group as there is generally less information available in relation to these claims. Classes of business where there is a greater length of time between the initial claim event and settlement (such as workers' compensation, professional indemnity and other liability classes) tend to display greater variability between initial estimates and final settlement.

The estimate of expected future payments is discounted to present value using a risk-free rate of return in order to reflect the time value of money. Judgement is involved in estimating the period over which claims are expected to settle.

Our procedures, in conjunction with PwC actuarial experts, included:

- Assessing the design and testing the operating effectiveness of certain controls over the actuarial function.
- Testing historical claims, a key input into the actuarial estimates, by selecting a sample of claims case estimates and settlements, and agreeing the key elements to underlying documentation.
- Assessing those classes of business where claims reserve estimates present a higher risk and focusing on those which inherently involve greater levels of judgement and have shown greater year on year variation over previous estimates. In the current year these included large risk and catastrophe claims reserves related to Hurricane Michael, the California wildfires and certain longer tail liability portfolios.
- Evaluating whether the Group's actuarial methodologies were consistent with those used in the industry and with prior periods.
- Assessing key actuarial assumptions such as the claims ratios and expected frequency and severity of claims, together with our actuarial experts. We considered these assumptions by comparing them with our expectations based on the Group's experience, current trends and benchmarks, and our own industry knowledge. For some classes of business, we also performed our own independent actuarial projections and compared the results with the Group's estimates.
- Testing the discount applied, by territory and line of business, for classes of business where there is a greater length of time between the initial claim event and settlement. This included comparing the rates applied to external market data and the payment patterns to historical information.
- Considering the work and findings of external actuarial experts engaged by the Group to review the discounted central estimates.

KEY AUDIT MATTER	How our audit addressed the key audit matter

(b) Reinsurance and other recoveries
(Refer to note 2.3.2) $5,551 million

The valuation of reinsurance assets requires a significant level of judgement, given its inherent dependence on underlying estimates of gross outstanding claims.

In addition, significant judgement may be required by the Group to ensure contractual terms are correctly accounted for (such as the Group's aggregate large risk and catastrophe reinsurance program (GLRC)).

Our procedures included:

- Obtaining audit evidence in relation to the data and actuarial processes for estimating reinsurance recoveries on outstanding claims by performing the same audit procedures as those outlined above for gross claims estimates.
- For the GLRC program, evaluating a sample of claims that are subject to recovery under the program. This included considering the work of the Group's actuarial experts and comparing the Group's recovery calculations to the terms of the underlying contracts with the reinsurer.
- For remaining material reinsurance assets, we inspected a sample of relevant contracts to determine whether the key terms had been reflected in the financial statements in accordance with Australian Accounting Standards. We also performed procedures to assess the recoverability of those assets, including consideration of the ageing on amounts receivable and assessment of the credit ratings of relevant reinsurance counterparties.

(c) Risk margins and probability of adequacy (PoA)
(Refer to note 2.3.3) $1,158 million

The net outstanding claims provision includes, in addition to the central estimate of the present value of the expected future payments, a risk margin which relates to the inherent uncertainty in that estimate. In determining the risk margin, the Group must make judgements about the variability of each class of business underwritten and the extent of correlation within each division and between different geographical locations.

Probability of adequacy (PoA) is a measure of the estimated overall sufficiency of reserves including a risk margin in light of that variability.

Our procedures included:

- Assessing the Board's approach to setting the risk margin in accordance with the requirements of Australian Accounting Standards, with a particular focus on the assessed level of uncertainty in the net central estimate leading to a change in the margin year on year. We evaluated these factors by considering the findings from our work performed on the net central estimate.
- Testing the Group's actuarial calculation of the PoA for reasonableness and consistency with previous valuations. This included developing an understanding of and testing the actuarial techniques applied by the Group, and comparing the results with industry benchmarks.

Independent auditor's report

TO THE SHAREHOLDERS OF QBE INSURANCE GROUP LIMITED

KEY AUDIT MATTER	How our audit addressed the key audit matter

Valuation of goodwill in North American Operations
(Refer to note 7.2.1) $832 million

Goodwill has been recognised as a result of the Group's historical acquisitions and is allocated to cash generating units (CGUs) expected to benefit from synergies arising from the acquisitions giving rise to the goodwill.

An impairment assessment is performed annually by the Group, comparing the carrying value of the CGUs with their recoverable amount. The recoverable amount of each CGU is determined by calculating the fair value of the CGU.

The fair value of the CGU is contingent on future cash flows and there is a risk that goodwill will be impaired if cash flows are not in line with the Group's expectations. The projections in the Group's impairment model contain a number of significant judgements and estimates including the terminal growth rate, the forecast combined operating ratios in the projection period and investment return assumptions. Changes in these assumptions could lead to an impairment to the carrying value of goodwill.

We considered goodwill relating to the North American Operations to be a key audit matter because of the financial significance of the carrying value of the balance and previous impairment charges recorded, and because the impairment assessment is sensitive to reasonably possible changes in assumptions.

Our procedures included:

- Assessing whether the methodology used by the Group for impairment assessment purposes was in line with the requirements of Australian Accounting Standards.
- Developing an understanding of the process by which the projected future cash flow forecasts were developed and comparing the cash flows included in the impairment assessment with the three year business plan presented to the Board.
- Assessing the key assumptions used to derive the future cash flows, taking into consideration the past projections and actual performance of the North American Operations.
- Together with PwC valuation experts, evaluating the consistency of the terminal growth rate and investment returns with available external analyses, and reperforming the calculation of the discount rate applied to future cash flows, comparing key inputs (including risk-free rate, market premium, unlevered beta and company specific risk premium).
- Reperforming the Group's sensitivity analysis calculations, and considering other reasonably possible changes in key assumptions.
- Considering the work and findings of external valuation experts engaged by the Group to assess a supportable range for the valuation of the North American Operations CGU.

KEY AUDIT MATTER	How our audit addressed the key audit matter

Recoverability of deferred tax assets in the US tax group
(Refer to note 6.2.3) $370 million

The Group continues to recognise a US deferred tax asset comprised of carry forward tax losses and deductible temporary differences. Following the restructure relating to Blue Ocean in the first half of 2018 (as detailed in Note 6.2.3 to the financial statements), North American Operations' carry forward tax losses can be applied against Equator Re's profits.

The recoverability of the US deferred tax asset depends upon sustained improvement in the profitability of the North American Operations, the rate at which those profits will be taxed, the period over which tax losses will be available for recovery, and the execution of any future tax planning.

We considered this a key audit matter due to the significant judgement required by the Group to assess the recoverability of the US deferred tax asset.

Our procedures included:

- Considering the impact of the restructure of the US tax group (as detailed in note 6.2.3 to the financial statements) on the recoverability of the US deferred tax asset.
- Evaluating the progress made by the Group in improving the profitability of the North American Operations in recent periods, which included the remediation of the causes of past losses through, amongst other initiatives, business disposals and cost reduction programs.
- Comparing future taxable profits used in the deferred tax asset recoverability assessment to the current year results and three year business plan presented to the Board.
- Analysing the tax rate applied to forecast future taxable profits in light of the US tax law changes.
- Considering key assumptions adopted by the Group in relation to future tax planning strategies, as outlined in Note 4.1 to the financial statements.
- Together with PwC tax experts, considering whether the tax losses are legally available for the forecast recoupment period.

Valuation of investments
(Refer to note 3.2) $21,989 million

The Group holds investments representing 56% of the total assets.

The majority of the Group's investments are considered to be non-complex in nature as fair value is based on prices and rates that can be easily observed in the relevant markets. On this basis, the majority of the Group's investments are classified under Australian Accounting Standards as either "Level 1" (i.e. where key inputs to the valuation are based on quoted prices in the market) or "Level 2" (i.e. where key inputs to the valuation are based on observable prices in the market). We considered these Level 1 and Level 2 investments to be a key audit matter due to their financial significance to the Group.

The Group also holds a limited number of investments considered to be "Level 3" under Australian Accounting Standards (i.e. where key inputs to the valuation require additional judgement as significant inputs are not based on observable market data) primarily in respect to infrastructure debt, infrastructure assets and private equity investments. While the Group's holdings of such investments is limited relative to total investment holdings, we considered their valuation to be a key audit matter because there is more judgement involved in determining their value.

Our procedures included:

- Assessing the design and testing the operating effectiveness of selected controls over the investment function.
- Comparing the Group's calculation of fair value for a sample of investments to our own independent calculation. Together with PwC valuation experts, this included sourcing independent inputs from market data providers and using our own valuation models.
- Obtaining independent confirmations from fund managers or equivalent over the existence of investments.

Independent auditor's report

TO THE SHAREHOLDERS OF QBE INSURANCE GROUP LIMITED

KEY AUDIT MATTER	How our audit addressed the key audit matter
Operation of IT systems and controls The Group is dependent on complex IT systems for the processing and recording of significant volumes of transactions. In particular, in common with all large financial services organisations, access rights to technology are important because they are intended to ensure that changes to applications and data are appropriately authorised. Ensuring staff have appropriate access to IT systems and access is monitored, are key controls in mitigating the potential for fraud or error as a result of a change to an application or underlying data. We considered this a key audit matter because a significant number of the key financial controls we seek to rely on in our audit are related to IT systems and automated controls.	Our procedures included: • Developing an understanding of the significant business processes, IT systems and relevant controls. • Assessing the design and testing the operating effectiveness of the key controls over the relevant IT systems. This involved assessing: • Access to programs and data: the access controls designed to enforce segregation of duties or ensure that data is only changed through authorised means. • Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems. • IT operations: the controls over key operations are used to ensure that any issues that arise are managed appropriately. For in-scope IT operations where technology services are provided by a third party, we considered assurance reports from the third party's auditor on the design and operating effectiveness of controls. We also carried out further independent tests over the operation of key applications to establish the accuracy of selected calculations, the correct generation of certain reports, and to assess the correct operation of selected automated controls and technology-dependent manual controls. Where we identified design and operating effectiveness issues with the access and change management controls, a combination of compensating controls and detailed testing provided sufficient evidence for our audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2018, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the company are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 60 to 82 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of QBE Insurance Group Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Hadfield

Bret M. Griffin

SJ Hadfield
Partner

B Griffin
Partner

Sydney
25 February 2019

Shareholder information

QBE is incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code “QBE”.

Registered office

QBE Insurance Group Limited
Level 27, 8 Chifley Square
Sydney NSW 2000 Australia

Telephone: +61 2 9375 4444
Facsimile: +61 2 9231 6104

Website: www.qbe.com

QBE website

QBE’s website provides investors with information about QBE including annual reports, corporate governance statements, sustainability reports, half yearly reports and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE’s dividend and online access to your shareholding details via the share registry.

Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE’s share registry:

Computershare Investor Services Pty Limited (Computershare)
GPO Box 2975
Melbourne VIC 3001 Australia

452 Johnston Street
Abbotsford VIC 3067 Australia

Telephone: 1300 723 487 (Australia)
Telephone: +61 3 9415 4840 (International)

Web: www.computershare.com.au
Email: qbe.queries@computershare.com.au

For security purposes, you will need to quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHESS) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Please contact your stockbroker. Computershare cannot assist you with these changes.

Shareholding details online

Manage your shareholding online by visiting QBE’s share registry, Computershare. Log onto www.investorcentre.com to view your holding balance and dividend statements, to update your address (if you are registered with an SRN) or direct credit instructions, provide DRP or BSP instructions or change/add your TFN/ABN details.

You may also register to receive shareholder documentation electronically including your dividend statement, notice of meeting and proxy and annual reports.

Privacy legislation

Chapter 2C of the *Corporations Act 2001* requires information about you as a security holder (including your name, address and details of the securities you hold) to be included in QBE’s share register. These details must continue to be included in the public register even if you cease to be a security holder. A copy of the privacy policy is available on Computershare’s website.

Relevant interests register

Nasdaq OMX Pty Ltd of Level 8, 155 George Street, Sydney NSW 2000 Australia maintains QBE’s register of information about relevant interests. Shareholders and other parties can telephone Nasdaq OMX on +61 2 8076 2600 or facsimile on +61 2 8076 2601 if they wish to inspect this register.

Dividends

QBE pays cash dividends to shareholders resident in Australia and New Zealand by direct credit. Shareholders in the UK and the US also have the option to receive their cash dividends by direct credit, although it is not mandatory. The benefit to shareholders of the direct credit facility is access to cleared funds quickly and securely – reducing the risk of cheques being lost or stolen. Shareholders in other countries will receive cheque payments in Australian dollars if they have not elected to receive their payment by direct credit. Shareholders receive a dividend statement for tax records, either by post or by email depending on the selected communications option.

Eligible shareholders can participate in QBE’s Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) when the plans are active. The DRP enables shareholders to subscribe for additional shares. The BSP is a bonus share plan whereby the dividend entitlement is forgone for bonus shares in lieu of the dividend. In order to participate in either the DRP or BSP, shareholders must have a minimum shareholding of 100 shares and have a registered address in Australia or New Zealand.

Participants may change their election to participate in the DRP and BSP at any time. DRP/BSP election cut-off dates and application forms are available from QBE’s website.

1 Performance overview
2 Business review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Tax File Number (TFN), Australian Business Number (ABN) or exemption – Australian residents

You can confirm whether you have lodged your TFN, ABN or exemption by visiting Computershare's Investor Centre. If you choose not to lodge these details, QBE is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of dividends paid. Australian shareholders living abroad should advise Computershare of their resident status.

Conduit foreign income (CFI)

Shareholders will receive CFI credits in respect of the whole unfranked portion of QBE dividends. These credits exempt non-resident shareholders from Australian withholding tax.

Unpresented cheques/unclaimed money

Under the Unclaimed Moneys Act unclaimed dividends six or more years old must be given to the ACT Public Trustee. It is very important that shareholders bank outstanding dividend cheques promptly and advise Computershare immediately of changes of address or bank account details.

Recent QBE dividends

DATE PAID	TYPE	RECORD DATE	AUSTRALIAN CENTS PER SHARE	FRANKING %
28 March 2013	Final	8 March 2013	10	100
23 September 2013	Interim	2 September 2013	20	100
31 March 2014	Final	13 March 2014	12	100
23 September 2014	Interim	29 August 2014	15	100
13 April 2015	Final	6 March 2015	22	100
2 October 2015	Interim	28 August 2015	20	100
14 April 2016	Final	11 March 2016	30	100
28 September 2016	Interim	26 August 2016	21	50
13 April 2017	Final	10 March 2017	33	50
29 September 2017	Interim	25 August 2017	22	30
20 April 2018	Final	9 March 2018	4	30
5 October 2018	Interim	24 August 2018	22	30
18 April 2019	Final	8 March 2019	28	60

Annual General Meeting

The Annual General Meeting of QBE Insurance Group Limited will be held at 10.00am on Thursday, 9 May 2019 in the Ballroom 3 and 4, The Westin Sydney, No 1 Martin Place, Sydney, NSW 2000.

The Annual General Meeting will be webcast at www.group.qbe.com/investor-centre/annual-general-meeting and an archive copy uploaded for later viewing.

Voting rights of ordinary shares

The constitution provides for votes to be cast:

- on a show of hands, one vote for each shareholder; and
- on a poll, one vote for each fully paid ordinary share.

Annual Report mailing list

Amendments to the *Corporations Act 2001* have removed the obligation for companies to mail an annual report to shareholders. To improve efficiency, save costs and reduce our impact on the environment by minimising unnecessary use of paper and printing resources, the Annual Report is published on our website at www.qbe.com.

If you wish to receive a hard copy of the Annual Report, please update your communication preferences by logging into your shareholding at www.investorcentre.com.

QBE does not produce a concise financial report.

Shareholder information continued

Top 20 shareholders as at 31 January 2019

NAME	NUMBER OF SHARES	% OF TOTAL
HSBC Custody Nominees (Australia) Limited	488,951,462	36.80
J P Morgan Nominees Australia Pty Limited	274,205,581	20.64
Citicorp Nominees Pty Limited	124,837,904	9.40
National Nominees Limited	98,147,869	7.39
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	31,917,077	2.40
BNP Paribas NOMS Pty Ltd (DRP)	21,043,871	1.58
Citicorp Nominees Pty Limited (Colonial First State INV A/C)	9,924,091	0.75
HSBC Custody Nominees (Australia) Limited (NT-COMNWLTH Super Corp A/C)	9,514,337	0.72
ARGO Investments Limited	7,445,491	0.56
CPU Share Plans Pty Ltd (QBE Ves Control A/C)	4,989,806	0.38
AMP Life Limited	4,177,091	0.31
Navigator Australia Ltd (MLC Investment Sett A/C)	1,568,206	0.12
NULIS Nominees (Australia) Limited (Navigator Mast Plan Sett A/C)	1,555,971	0.12
Mutual Trust Pty Ltd	1,481,607	0.11
Milton Corporation Limited	1,449,375	0.11
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv LTD DRP	1,372,743	0.10
Netwealth Investments Limited (Wrap Services A/C)	1,334,889	0.10
BNP Paribas NOMS (NZ) Ltd (DRP)	1,322,031	0.10
Aigle Royal Superannuation Pty Ltd (A Poli Super Fund A/C)	1,250,000	0.09
IOOF Investment Management Limited (IPS Super A/C)	1,188,410	0.09
	1,087,677,812	81.87

QBE substantial shareholders as at 31 January 2019

NAME	NUMBER OF SHARES	% OF TOTAL	DATE OF NOTICE[1]
The Vanguard Group, Inc	67,814,545	5.00	21 June 2018
BlackRock Group (and its associated entities)	68,960,758	5.02	3 May 2017

1 Percentage of total at date of notice.

Distribution of shareholders and shareholdings as at 31 January 2019

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 1,000	59,139	55.18	25,138,511	1.89
1,001 to 5,000	39,243	36.62	87,704,427	6.60
5,001 to 10,000	5,587	5.21	39,281,634	2.96
10,001 to 100,000	3,087	2.88	64,248,618	4.84
100,001 and over	112	0.11	1,112,305,102	83.71
Total	107,168	100.00	1,328,678,292	100.00

Shareholdings of less than a marketable parcel as at 31 January 2019

	SHAREHOLDERS		SHARES	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Holdings of 47 or fewer shares	4,970	4.64%	101,646	0.01%

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2019	**February**	**25**	Results and dividend announcement for the full year ended 31 December 2018
	March	**7**	Shares begin trading ex dividend
		8	Record date for determining shareholders' entitlement to the 2018 final dividend
		11	DRP/BSP election close date – last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	April	**18**	Payment date for the 2018 final dividend
	May	**9**	2019 Annual General Meeting
	June	**30**	Half year end
	August	**15**[1]	Results and dividend announcement for the half year ended 30 June 2019
		22[1]	Shares begin trading ex dividend
		23[1]	Record date for determining shareholders' entitlement to the 2019 interim dividend
		26[1]	DRP/BSP election close date – last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	October	**4**[1]	Payment date for the 2019 interim dividend
	December	**31**	Full year end

1 Dates shown may be subject to change.

10 year history

FOR THE YEAR ENDED 31 DECEMBER

		2018[1]	2017[1]	2017[2]	2016[2]	2015[2]	2014[2]	2013[2]	2012[2]	2011[2]	2010[2]	2009[2]
Profit or loss information:												
Gross written premium	US$M	**13,657**	13,328	14,191	14,395	15,092	16,332	17,975	18,434	18,291	13,629	11,239
Gross earned premium	US$M	**13,601**	13,611	14,446	14,276	14,922	16,521	17,889	18,341	17,840	13,432	10,943
Net earned premium	US$M	**11,640**	11,351	12,041	11,066	12,314	14,084	15,396	15,798	15,359	11,362	9,446
Claims ratio	%	**63.6**	71.5	70.9	58.2	60.4	63.2	64.5	66.0	68.2	59.9	60.3
Commission ratio	%	**16.9**	17.1	17.6	18.4	17.2	16.8	16.8	16.2	14.9	15.5	16.2
Expense ratio	%	**15.4**	15.9	16.3	17.4	17.3	16.1	16.5	14.9	13.7	14.3	13.1
Combined operating ratio	%	**95.9**	104.5	104.8	94.0	94.9	96.1	97.8	97.1	96.8	89.7	89.6
Investment income												
before investment gains/losses	US$M	**690**	576	589	641	541	676	691	723	948	658	832
after investment gains/losses	US$M	**547**	758	812	746	665	814	772	1,227	767	657	1,153
Insurance profit (loss)	US$M	**826**	(60)	(98)	1,075	1,031	1,074	841	1,262	1,085	1,703	1,609
Insurance profit (loss) to net earned premium	%	**7.1**	(0.5)	(0.8)	9.7	8.4	7.6	5.5	8.0	7.1	15.0	17.0
Financing and other costs	US$M	**305**	302	305	294	244	297	345	324	275	222	191
Operating profit (loss)												
before income tax	US$M	**627**	(793)	(825)	1,072	953	931	(448)	941	868	1,551	1,891
after income tax and non-controlling interests	US$M	**567**	(1,212)	(1,249)	844	687	742	(254)	761	704	1,278	1,532
Balance sheet and share information:												
Number of shares on issue[3]	millions	**1,327**		1,358	1,370	1,370	1,363	1,247	1,194	1,112	1,048	1,020
Shareholders' funds	US$M	**8,381**		8,859	10,284	10,505	11,030	10,356	11,358	10,386	10,311	9,164
Total assets	US$M	**39,582**		43,862	41,583	42,176	45,000	47,271	50,748	46,737	41,386	36,723
Net tangible assets per share[3]	US$	**4.22**		4.29	4.90	5.07	5.32	4.75	4.49	3.93	4.78	4.64
Borrowings to shareholders' funds	%	**38.0**		40.8	33.8	33.6	32.5	44.1	43.4	45.8	31.5	29.1
Basic earnings (loss) per share[3]	US cents	**29.0**		(91.5)	61.6	50.3	57.4	(22.8)	65.1	64.9	123.7	152.8
Basic earnings (loss) per share – cash basis[4]	US cents	**53.1**		(18.9)	65.5	65.3	63.5	62.9	89.1	73.0	127.7	156.4
Diluted earnings (loss) per share	US cents	**28.6**		(91.5)	60.8	49.8	55.8	(22.8)	61.6	61.3	119.6	149.9
Return on average shareholders' funds	%	**4.5**		(13.0)	8.1	6.4	6.9	(2.3)	7.0	6.8	13.1	18.0
Dividend per share	Australian cents	**50**		26	54	50	37	32	50	87	128	128
Dividend payout	A$M	**669**		356	741	685	492	394	593	956	1,336	1,306
Total investments and cash[5]	US$M	**22,887**		26,141	25,235	26,708	28,583	30,619	31,525	28,024	25,328	22,448

1 Profit or loss information for the current period has been prepared on a continuing basis and excludes discontinued operations. For comparability, restated profit or loss information for the year ended 31 December 2017 has also been included above. Balance sheet and share information for both periods continues to reflect the consolidated Group unless otherwise specified.

2 As originally reported for each period.

3 Reflects shares on an accounting basis.

4 Earnings per share on a cash basis is calculated with reference to cash profit, being profit after tax adjusted for amortisation and impairment of intangibles and other non-cash items net of tax.

5 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties.

Glossary

Accident year experience	The matching of all claims occurring (regardless of when reported or paid) during a given 12 month period with all premium earned over the same period.
Acquisition cost	The total of net commission and operating expenses incurred in the generation of net earned premium and often expressed as a percentage of net earned premium.
Admitted insurance	Insurance written by an insurer that is admitted (or licensed) to do business in the (US) state in which the policy was sold.
Agent	One who negotiates contracts of insurance or reinsurance as an insurance company's representative i.e. the agent's primary responsibility is to the insurance carrier, not the insurance buyer.
Attritional claims ratio	Total of all claims with a net cost of less than $2.5 million as a percentage of net earned premium.
Broker	One who negotiates contracts of insurance or reinsurance on behalf of an insured party, receiving a commission from the insurer or reinsurer for placement and other services rendered. In contrast with an agent, the broker's primary responsibility is to the insurance buyer not the insurance carrier.
Capacity	In relation to a Lloyd's member, the maximum amount of insurance premiums (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, the aggregate of each member's capacity allocated to that syndicate.
Cash profit	Net profit after tax attributable to QBE shareholders, adjusted for the post-tax effect of amortisation and impairment of intangibles and other non-cash items. This definition is used for the purpose of the Group's dividend policy.
Casualty insurance	Insurance that is primarily concerned with the losses resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance.
Catastrophe reinsurance	A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for losses related to an accumulation of claims resulting from a catastrophe event or series of events.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims incurred	The aggregate of all claims paid during an accounting period adjusted by the change in the claims provision for that accounting period.
Claims provision	The estimate of the most likely cost of settling present and future claims and associated claims adjustment expenses plus a risk margin to cover possible fluctuation of the liability.
Claims ratio	Net claims incurred as a percentage of net earned premium.
Coefficient of variation	The measure of variability in the net discounted central estimate used in the determination of the probability of adequacy.
Combined operating ratio	The sum of the net claims ratio, commission ratio and expense ratio. A combined operating ratio below 100% indicates profitable underwriting results. A combined operating ratio over 100% indicates unprofitable underwriting results.
Commercial lines	Refers to insurance for businesses, professionals and commercial establishments.
Commission	Fee paid to an agent or broker as a percentage of the policy premium. The percentage varies widely depending on coverage, the insurer and the marketing methods.
Commission ratio	Net commission expense as a percentage of net earned premium.
Credit spread	The difference in yield between a bond and a reference yield (e.g. LIBOR, BBSW or a fixed sovereign bond yield).
Credit spread duration	The weighted average term of cash flows for a corporate bond. It is used to measure the price sensitivity of a corporate bond to changes in credit spreads.
Deductible	The amount or proportion of some or all losses arising under an insurance contract that the insured must bear.
Deferred acquisition costs	Acquisition costs relating to the unexpired period of risk of contracts in force at the balance date which are carried forward from one accounting period to subsequent accounting periods.

Glossary continued

Excess of loss reinsurance	A form of reinsurance in which, in return for a premium, the reinsurer accepts liability for claims settled by the original insurer in excess of an agreed amount, generally subject to an upper limit.
Expense ratio	Underwriting and administrative expenses as a percentage of net earned premium.
Facultative reinsurance	The reinsurance of individual risks through a transaction between the reinsurer and the cedant (usually the primary insurer) involving a specified risk.
General insurance	Generally used to describe non-life insurance business including property and casualty insurance.
Gross claims incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Gross earned premium (GEP)	The proportion of gross written premium recognised as income in the current financial year, reflecting the pattern of the incidence of risk and the expiry of that risk.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
Incurred but not reported (IBNR)	Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date.
Insurance profit	The sum of the underwriting result and investment income on assets backing policyholders' funds.
Insurance profit margin	The ratio of insurance profit to net earned premium.
Inward reinsurance	See Reinsurance.
Large individual risk and catastrophe claims ratio	The aggregate of claims each with a net cost of $2.5 million or more as a percentage of net earned premium.
Lenders' mortgage insurance (LMI)	A policy that protects the lender (e.g. a bank) against non-payment or default on the part of the borrower on a residential property loan.
Lead/non-lead underwriter	A lead underwriter operates in the subscription market and sets the terms and price of a policy. The follower or non-lead is an underwriter of a syndicate or an insurance company that agrees to accept a proportion of a given risk on terms set by the lead underwriter.
Letters of credit (LoC)	Written undertaking by a financial institution to provide funding if required.
Lloyd's	Insurance and reinsurance market in London. It is not a company but is a society of individuals and corporate underwriting members.
Lloyd's managing agent	An underwriting agent which has permission from Lloyd's to manage one or more syndicates and carry on underwriting and other functions for a member.
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Managing General Agent (MGA)	A wholesale insurance agent with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. MGAs generally provide underwriting and administrative services such as policy issuance on behalf of the insurers they represent. Some may handle claims.
Maximum event retention (MER)	An estimate of the largest claim to which an insurer will be exposed (taking into account the probability of that loss event at a return period of one in 250 years) due to a concentration of risk exposures, after netting off any potential reinsurance recoveries and inward and outward reinstatement premiums.
Modified duration	The weighted average term of cash flows in a bond. It is used to measure the price sensitivity of a bond to changes in interest rates.
Multi-peril crop scheme	US federally regulated crop insurance protecting against crop yield losses by allowing participating insurers to insure a certain percentage of historical crop production.
Net claims incurred	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
Net claims ratio	Net claims incurred as a percentage of net earned premium.
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium.
Net investment income	Gross investment income including foreign exchange gains and losses and net of investment expenses.

Net written premium (NWP)	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.
Outstanding claims liability	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Personal lines	Insurance for individuals and families, such as private motor vehicle and homeowners' insurance.
Policyholders' funds	The net insurance liabilities of the Group.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.
Premium solvency ratio	Ratio of net tangible assets to net earned premium. This is an important industry indicator in assessing the ability of general insurers to settle their existing liabilities.
Prescribed Capital Amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance concentration risk and operational risk as required by APRA. The PCA must be disclosed at least annually.
Probability of adequacy	A statistical measure of the level of confidence that the outstanding claims liability will be sufficient to pay claims as and when they fall due.
Proportional reinsurance	A type of reinsurance in which the original insurer and the reinsurer share claims in the same proportion as they share premiums.
Prudential Capital Requirement (PCR)	The sum of the Prescribed Capital Account (PCA) plus any supervisory adjustment determined by APRA. The PCR may not be disclosed.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.
Reinsurance	An agreement to indemnify a primary insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the primary insurer. The enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance. The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
Reinsurance to close	A reinsurance agreement under which members of a syndicate, for a year of account to be closed, are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate.
Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer. The term includes retrocessionaires, being insurers that assume reinsurance from a reinsurer.
Retention	That amount of liability for which an insurance company will remain responsible after it has completed its reinsurance arrangements.
Retrocession	Reinsurance of a reinsurer by another reinsurance carrier.
Return on allocated capital (RoAC)	Divisional management-basis profit as a percentage of allocated capital as determined by the Group's economic capital model.
Return on equity (ROE)	Group statutory net profit after tax as a percentage of average shareholders' funds.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Stop loss reinsurance	A form of excess of loss reinsurance which provides that the reinsurer will pay some or all of the reassured's losses in excess of a stated percentage of the reassured's premium income, subject (usually) to an overall limit of liability.
Surplus (or excess) lines insurers	In contrast to "admitted insurers", every US state also allows non-admitted (or "surplus lines" or "excess lines") carriers to transact business where there is a special need that cannot or will not be met by admitted carriers. The rates and forms of non-admitted carriers generally are not regulated in that state, nor are the policies back-stopped by the state insolvency fund covering admitted insurance. Brokers must inform insurers if their insurance has been placed with a non-admitted insurer.
Syndicate	A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent.

Glossary continued

Survival ratio	A measure of how many years it would take for dust disease claims to exhaust the current level of claims provision. It is calculated on the average level of claims payments in the last three years.
Total shareholder return (TSR)	A measure of performance of a company's shares over time. It includes share price appreciation and dividend performance.
Treaty reinsurance	Reinsurance of risks in which the reinsurer is obliged by agreement with the cedant to accept, within agreed limits, all risks to be underwritten by the cedant within specified classes of business in a given period of time.
Underwriting	The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
Underwriting expenses	The aggregate of policy acquisition costs, excluding commissions, and the portion of administrative, general and other expenses attributable to underwriting operations.
Underwriting result	The amount of profit or loss from insurance activities exclusive of net investment income and capital gains or losses.
Underwriting year	The year in which the contract of insurance commenced or was underwritten.
Unearned premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
Volume weighted average price (VWAP)	A methodology used for determining the share price applicable to dividend and other share related transactions.
Written premium	Premiums written, whether or not earned, during a given period.