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14 April 2020

The Manager
Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam,

**QBE ANNOUNCES 1Q20 TRADING UPDATE AND COMPREHENSIVE CAPITAL
PLAN TO LIFT REGULATORY CAPITAL TO ABOVE THE TOP END OF ITS TARGET
RANGE**

Please find attached an announcement for release to the market.

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

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Carolyn Scobie', is written over the typed name.

Carolyn Scobie
Company Secretary

Attachment

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QBE

MARKET RELEASE

14 April 2020

QBE ANNOUNCES 1Q20 TRADING UPDATE AND COMPREHENSIVE CAPITAL PLAN TO LIFT REGULATORY CAPITAL TO ABOVE THE TOP END OF ITS TARGET RANGE

Key points

- The COVID-19 pandemic has created unprecedented economic and investment market uncertainty
- QBE is taking pre-emptive and decisive action to lift regulatory capital from 1.6x PCA currently to around 1.9x (which will also lift capital above S&P 'AA' levels) through a set of capital actions, which include raising ~US\$750M of equity via an underwritten institutional placement and a non-underwritten share purchase plan for retail shareholders
- The equity raising is prudent and positions QBE with demonstrable capital strength to navigate a broad range of severe economic scenarios
- Despite this disruption, premium rate momentum and underlying premium growth accelerated during 1Q20

A demonstrably stronger capital base will also position QBE to capture organic growth opportunities in the future.

1Q20 insurance trading update

Despite disruption caused by the COVID-19 pandemic, insurance trading conditions across the Group strengthened further during 1Q20:

- Group-wide premium rate increases averaged 8%, up from 4% in 1Q19, including a continuation of strong premium rate momentum across all divisions but especially in North America and International
- Gross written premium increased by more than 9%¹ to US\$4,533M, reflecting premium rate increases coupled with solid volume growth assisted by improved retention in every division

Capital plan rationale and use of proceeds

QBE today announces the launch of a comprehensive capital plan which includes:

- A fully underwritten ~US\$750M institutional placement ("Placement"); and
- A non-underwritten share purchase plan ("SPP"), to raise up to ~US\$75M², (together, the "Offer").

¹ Constant currency basis excluding disposals. Headline GWP is up 5%.

² QBE may accept applications (in whole or in part) that result in the SPP raising more or less than this amount in its absolute discretion.

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The Offer forms part of a comprehensive capital plan to bolster the Group's capital, reduce gearing and improve earnings resilience including:

Initiatives completed

- Materially de-risked the investment book including exiting all equities, emerging market and high yield debt;
- Additional reinsurance to cede 90% of Crop hail exposure; and
- More targeted corn price hedging to counter the potential impact of oil price weakness on the price of ethanol and thus corn prices.

Initiatives underway

- Planned issuance of around US\$400M of Additional Tier 1 capital;
- Additional catastrophe reinsurance to reduce the Group's North American peak peril catastrophe retention to US\$150M from US\$275M¹ – this additional cover significantly reduces the likelihood of QBE materially exceeding its US\$550M annual catastrophe allowance;
- A portfolio transfer with respect to around US\$300M of North American excess & surplus lines reserves; and
- Other non-dilutive initiatives.

Execution of the capital plan will lift the Group's PCA multiple to around 1.9x and head office liquidity to around US\$1.8BN while also providing flexibility to return gearing to within the Group's internal 25-35% benchmark over the next 12 months.

The Group's PCA multiple is currently estimated to be around 1.6x, down from 1.71x at 31 December 2019, primarily reflecting:

- Payment of the 2019 final dividend; and
- A negative first quarter investment return of around 2% or nearly US\$500M (including a risk-free rate benefit of around US\$330M) due to extreme volatility across all asset classes including a material increase in global fixed income credit spreads and significant declines in equity markets.

These impacts were partially offset by de-risking initiatives already completed.

The current PCA multiple includes ~US\$350M of unrealised credit spread losses that are expected to unwind as markets stabilise and/or our high-quality credit matures. None of the Group's retained credit is trading distressed.

Importantly, the comprehensive capital plan will position QBE to withstand a range of severe economic and investment market downside scenarios while continuing to support customers, business partners, staff, shareholders and the community more broadly.

QBE CEO, Pat Regan said: *"Despite the extraordinarily difficult landscape, QBE commenced the year with strong pricing momentum and underlying premium growth. The capital plan we have outlined positions us to navigate this period of extreme uncertainty with demonstrable strength and gives us the flexibility to pursue organic growth opportunities that may arise over the medium term."*

¹ The North American division currently retains US\$150M of the US\$400M peak zone retention under the Group's catastrophe XOL program with US\$250M retained by Equator Re that is protected by a 50% whole account quota share.

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Details of the Placement

QBE is undertaking a fully underwritten Placement of new fully paid ordinary shares in QBE (“New Shares”) to eligible institutional investors to raise approximately ~US\$750M.

The Placement will be conducted at A\$8.25 per New Share (“Placement Price”) which represents a 9.4% discount to the last closing price of A\$9.11 on Thursday, 9 April 2020.

The Placement will result in approximately 145.5 million New Shares being issued, representing approximately 11.1% of QBE’s existing issued capital.

New Shares issued as a result of the Placement will rank equally with existing QBE shares and are expected to settle on Friday, 17 April 2020 and be issued and commence trading on the following business day, Monday, 20 April 2020.

Details of the Share Purchase Plan

Following completion of the Placement, QBE will offer existing eligible shareholders the opportunity to participate in a non-underwritten SPP, to raise up to ~US\$75M.

Under the SPP, eligible QBE shareholders, being shareholders with a registered address in Australia or New Zealand on QBE’s register as at 7.00PM (Sydney time) on Thursday, 9 April 2020 (and who are not in the United States or acting for the account or benefit of any person in the United States), will have the opportunity to apply for up to A\$30,000 of New Shares without incurring brokerage or transaction costs.

The issue price of the New Shares under the SPP will be the lesser of:

- the Placement Price; and
- 5-day VWAP of QBE shares up to, and including, the closing date of the SPP (currently scheduled for 11 May 2020) less a 2% discount, rounded to the nearest cent.

New Shares issued under the SPP will rank equally with existing QBE shares from the date of issue.

QBE may accept applications (in whole or in part) that result in the SPP raising more or less than ~US\$75M in its absolute discretion.

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to the ASX and dispatched to eligible shareholders on Tuesday, 21 April 2020.

Key dates

Event	Date ¹
Record date for the SPP	7pm (Syd time) Thu-9-Apr
Trading halt, announcement of the Placement and SPP	Tue-14-Apr
Placement bookbuild	Tue-14-Apr
Placement completion announcement	Wed-15-Apr
Trading halt lifted	Wed-15-Apr
Settlement of New Shares issued under the Placement	Fri-17-Apr
Allotment and normal trading of New Shares issued under the Placement	Mon-20-Apr
SPP offer opening date; dispatch of SPP booklet	Tue-21-Apr
SPP offer closing date	5pm (Syd time) Mon-11-May
Issue date for SPP Shares	Wed-20-May
New Shares issued under the SPP commence trading on ASX	Thu-21-May
Holding statements for SPP shares dispatched	Fri-22-May

Additional information

Further details of the Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement.

- ENDS -

For further information, please contact:

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IMPORTANT DISCLAIMER

This announcement contains certain “forward-looking statements” that are based on management’s beliefs, assumptions and expectations and on information currently available to management. These statements can generally be identified by the use of forward-looking words, such as ‘expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” or “guidance”. Indications of, and guidance or outlook on, future earnings or financial or capital position and distributions are also forward-looking statements. Any forward-looking statements assume; large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no overall reduction in renewal premium rates in

¹ The above timetable is indicative only and subject to change. The commencement and quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, QBE, reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.

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excess of business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our reinsurance panel; no significant asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this market release. **You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19.**

This document may not be distributed or released in the United States. This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The securities referred to in this document have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares to be offered and sold in the Placement may not be offered or sold, directly or indirectly, in the United States, unless such shares have been registered under the U.S. Securities Act (which the Company has no obligation to do) or are offered or sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction of the United States. The securities to be offered and sold in the SPP may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act.

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