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22 March 2016

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

Dear Sir/Madam

**Credit Investor Update**

We refer to the attached presentation for release to the market.

Yours faithfully,

A handwritten signature in blue ink that reads 'Peter Smiles'.

Peter Smiles  
**Deputy Company Secretary**

Encl.

# QBE Insurance Group

## Credit Investor Update

March - April 2016

All figures in US\$ unless otherwise stated



# Presenter



**Paul Byrne**  
Group Chief Capital Officer

Responsible for:

- Global Treasury
- Group Capital Management &
- Ratings Agencies

# Group Organisation & Overview

# Company overview

- QBE is one of the world's top 20 insurance and reinsurance companies, with operations in 37 countries in all the major insurance markets
- Market capitalisation ~A\$15 billion
- Net assets ~\$11 billion<sup>(1)</sup>
- QBE is regulated on a consolidated basis by APRA
- Current credit ratings for our main insurance subsidiaries and holding company:

	<b>S&amp;P</b>	<b>Fitch</b>	<b>Moody's</b>
Financial strength rating	A+ <sup>(2)</sup>	A+ <sup>(2)</sup>	n/a
Issuer credit rating	A-	A- <sup>(3)</sup>	Baa1
Issuer credit rating – Subordinated	BBB/BBB- <sup>(4)</sup>	BBB	n/a
Rating last affirmed	May 2015	January 2016	November 2015 <sup>(5)</sup>

<sup>(1)</sup> 31 December 2015

<sup>(2)</sup> Core general insurance entities

<sup>(3)</sup> Long term issuer default rating

<sup>(4)</sup> Legacy subordinated instruments rated BBB / 2044 6.75% subordinated instrument rated BBB - given the inclusion of NVLA

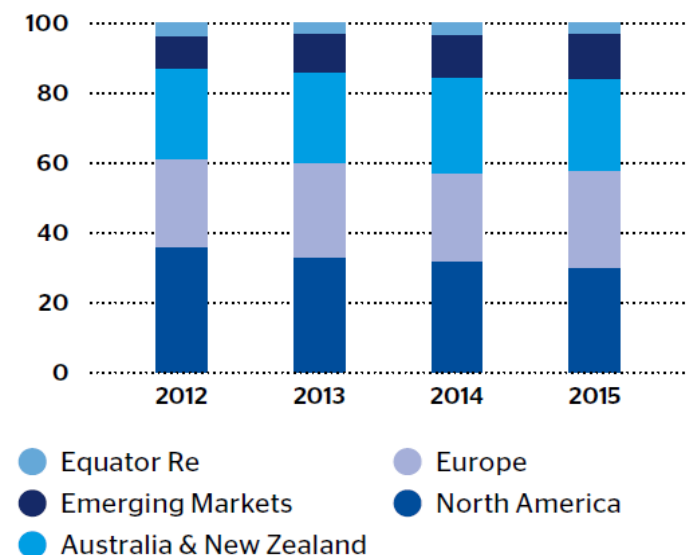
<sup>(5)</sup> Upgrade from Baa2

## Company overview (cont'd)

QBE is split into different divisions as follows:

- North American Operations - general insurance and reinsurance
- European Operations - general insurance principally in the UK, mainland Europe and Canada. Our Lloyd's syndicate writes both general insurance and worldwide reinsurance
- Australian & New Zealand Operations - primarily underwrites general insurance throughout Australia and New Zealand, providing all major lines of insurance for personal and commercial risks
- Emerging Markets - writes general insurance in North, Central and South America and provides personal, commercial and specialist and general insurance covers throughout the Asia Pacific region
- Equator Re - is our Bermuda based captive reinsurer

### Divisional analysis of net earned premium (%)



# FY 15 Earnings

# 2015 financial results summary

For the year ended 31 December 2015		2014 <sup>(1)</sup>	2015 <sup>(2)</sup>	Change
GWP	\$M	16,332	14,782	↓ 10%
NEP	\$M	14,084	12,213	↓ 13%
Underwriting profit	\$M	547	731	↑ 34%
COR	%	96.1	94.0	↓ 2.1ppt
Insurance profit	\$M	1,074	1,099	↑ 2%
Insurance profit to NEP	%	7.6	9.0	↑ 1.4ppt
Profit before tax	\$M	931	999	↑ 7%
Net profit after income tax	\$M	742	807	↑ 9%
ROE	%	6.5	7.5	↑ 1.0ppt
Cash profit after tax	\$M	821	893	↑ 9%
Dividend per share	AU cents	37.0	50.0	↑ 35%

(1) 2014 refers to our previously reported statutory results

(2) 2015 adjusted results exclude Argentine workers' compensation, Mortgage & Lender Services (M&LS) deferred acquisition cost write-down as well as agency and other asset sales



## 2015 achievements – *stability and predictability*

### Underwriting excellence

- Executed on our plans and met our financial targets
- Best COR since 2010
- All divisions achieved an underwriting profit
- A return to profitable growth

### North America

- Engineered a significant turnaround in our North American business
- Actions taken contributed to a highly profitable crop year
- Re-set as a valued US commercial and specialty insurer
- Underwriting expenses right-sized and platform positioned for growth

### Operational improvement

- Significant operating cost savings – nearly \$400M since 2012
- Further actions planned for 2016 and beyond
- Significant claims transformation program underway
- Contributing to positive prior accident year claims development

## 2015 achievements – *quality balance sheet*

### Financial strength

- Restructured and strengthened balance sheet
- Improved capital strength recognised by rating agencies
- S&P capital comfortably AA equivalent (currently A+ stable)

### Reinsurance

- Large risk and catastrophe claims < 9% of NEP
- Significant reinsurance purchased to protect our crop book
- Downside protection bought for LMI new business

### Investments

- Growth assets delivered 5.7% return
- Outperformed comparable benchmarks for all asset classes
- Overall return of 2.2% impacted by bond market volatility

## 2015 divisional results - *adjusted*

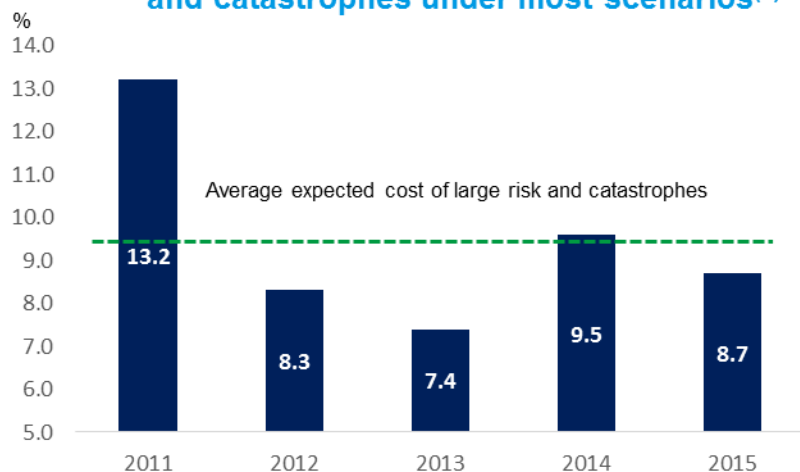
2015	North America	Europe	Australia & New Zealand	Emerging Markets	Equator Re	(1) Group
GWP (\$M)	4,961	4,386	3,787	1,728	1,007	14,782
GEP (\$M)	4,930	4,338	3,753	1,687	994	14,606
NEP (\$M)	3,666	3,454	3,282	1,436	367	12,213
Net claims ratio (%)	63.4	53.4	62.6	54.8	80.9	59.8
Net commission ratio (%)	17.3	18.4	14.7	23.4	4.6	17.3
Expense ratio (%)	18.5	17.3	14.0	21.0	3.5	16.9
<b>COR (%)</b>	<b>99.2</b>	<b>89.1</b>	<b>91.3</b>	<b>99.2</b>	<b>89.0</b>	<b>94.0</b>
<b>Insurance profit margin (%)</b>	<b>2.5</b>	<b>13.4</b>	<b>14.2</b>	<b>4.9</b>	<b>28.1</b>	<b>9.0</b>
<b>2014<sup>(2)</sup></b>						
COR (%)	100.8	93.8	87.0	112.7	79.9	96.1
Insurance profit margin (%)	0.2	9.7	17.7	(6.4)	27.7	7.6

(1) Refer to slide 27 for reconciliation between statutory result and adjusted result

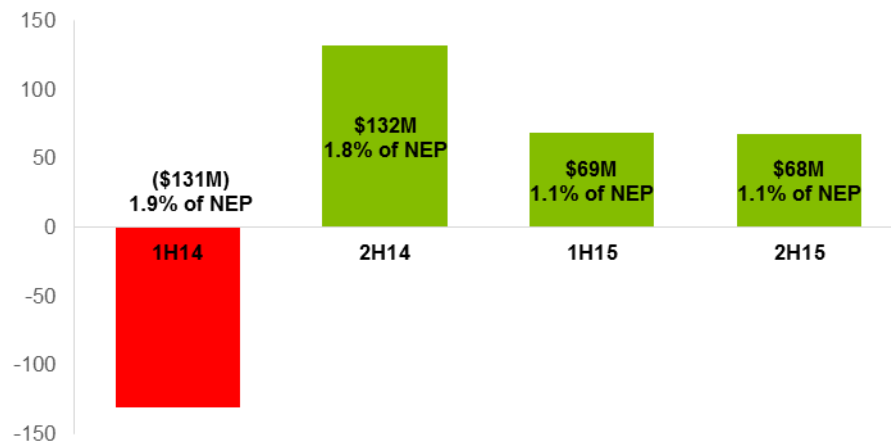
(2) 2014 ratios relate to our previously reported statutory results

# Delivering on our promises

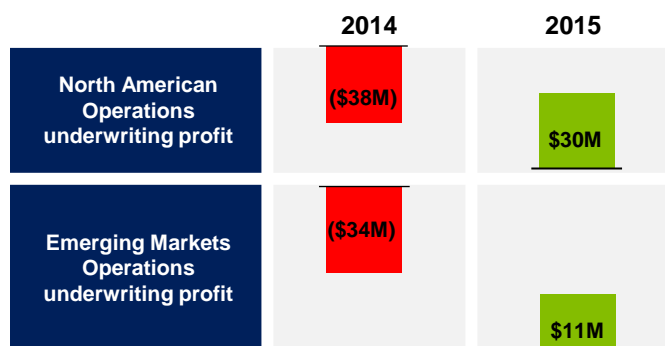
## Reinsurance program limits the net cost of large risk and catastrophes under most scenarios<sup>(1)</sup>



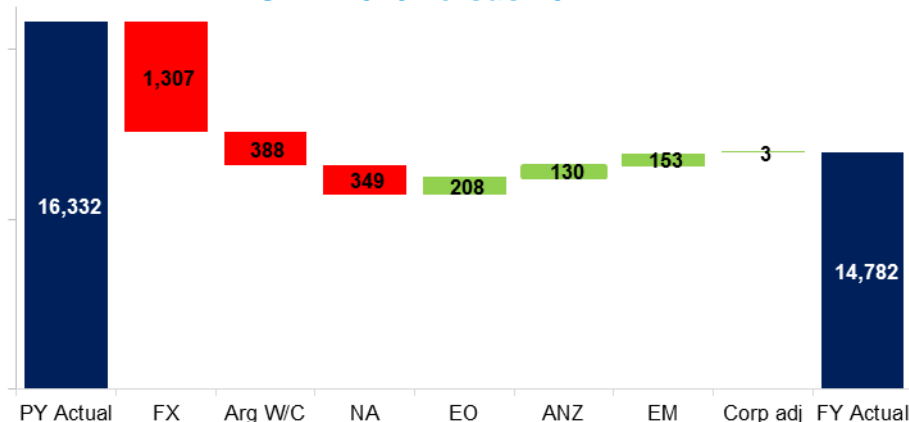
## Central estimate stability<sup>(1)</sup>



## Returned North America and Emerging Markets to underwriting profit<sup>(2)</sup>



## GWP 2015 versus 2014<sup>(2)</sup>



(1) Refers to statutory numbers

(2) Adjusted results exclude Argentine workers' compensation, M&LS deferred acquisition cost write-down and one-off impact of agency and other asset sales

# FY 15 Balance Sheet

# Financial strength and flexibility

As at 31 December	2014	2015
Summary balance sheet	\$M	\$M
Investments and cash	28,583	26,708
Trade and other receivables	4,748	4,950
Intangibles	3,831	3,604
Other assets	2,343	1,172
<b>Assets</b>	<b>39,505</b>	<b>36,434</b>
Insurance liabilities, net	22,283	19,847
Borrowings	3,581	3,529
Other liabilities	2,559	2,498
<b>Liabilities</b>	<b>28,423</b>	<b>25,874</b>
Net assets	11,082	10,560
Non-controlling interests	52	55
<b>Shareholders' funds</b>	<b>11,030</b>	<b>10,505</b>

## Reserving

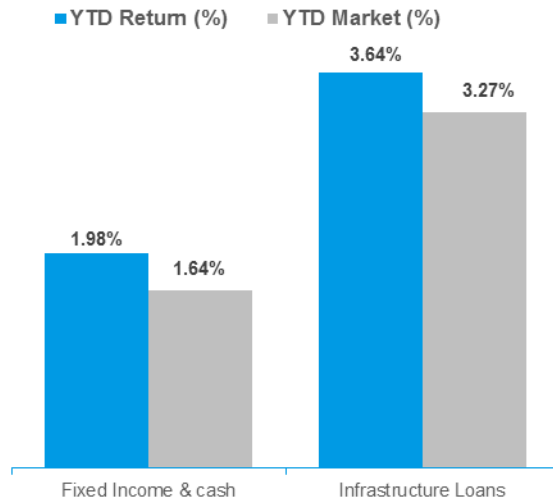
- Favourable prior accident year claims development of \$147M on an adjusted basis (\$137M on a statutory basis)
- \$38M favourable discount rate impact (excluding Argentine peso)
- PoA of 89.0% (FY14 88.7%)

## Borrowings

- Broadly unchanged from FY14
- Debt to equity 33.6% (FY14 32.5%)
- Debt to tangible equity 51.1% (FY14 49.7%)
- Gearing lower again in 2015 but for the impact of the stronger US dollar

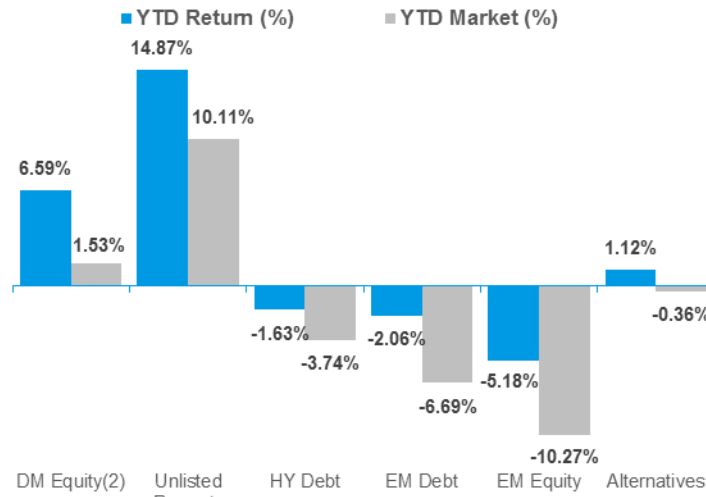
# Investment performance by asset class

## Fixed income, cash, infrastructure loans



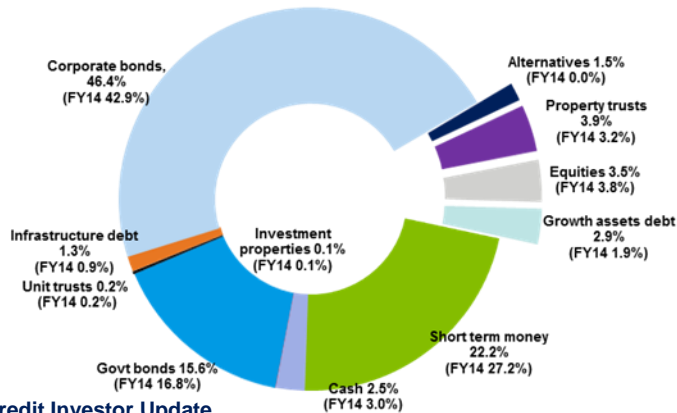
Asset composition	86.8%	1.3%
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## Growth assets

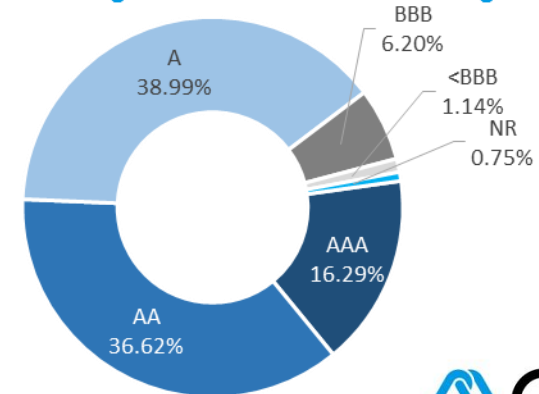


Asset Class	2.5%	3.9%	1.7%	1.3%	0.9%	1.6%
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## Total investments & cash at 31 Dec - \$26.7Bn



## Interest bearing financial assets – S&P rating<sup>(1)</sup>



(1) Pertains to cash and fixed income assets only

# Cash remittances

	2014 \$M	2015 \$M
<b>Group head office cash flow at 31 Dec</b>		
<b>Opening head office cash balance</b>	<b>164</b>	<b>369</b>
Total divisional dividend remittances	770	715
Interest on parent entity borrowings	(135)	(89)
<b>Gross organic cash flow</b>	<b>635</b>	<b>626</b>
Dividends paid – net of DRP	(216)	(359)
<b>Net organic cash flows</b>	<b>419</b>	<b>267</b>
Other (including asset sales)	(214)	209
<b>Closing head office cash balance</b>	<b>369</b>	<b>845</b>

- Final dividend 30 Australian cents per share
- FY15 dividend of 50 Australian cents per share, representing a 56% payout ratio on cash profit
- DRP to be neutralised by on-market purchases

## Divisional dividend remittances at 31 Dec

	2014 (\$M)	2015 (\$M)
North America	-	125
Europe	91	-
Australia & New Zealand	416	287
Emerging Markets	13	53
Equator Re	250	250
<b>Group total</b>	<b>770</b>	<b>715</b>

- Targeting internal cash flow of greater than \$700M in 2016

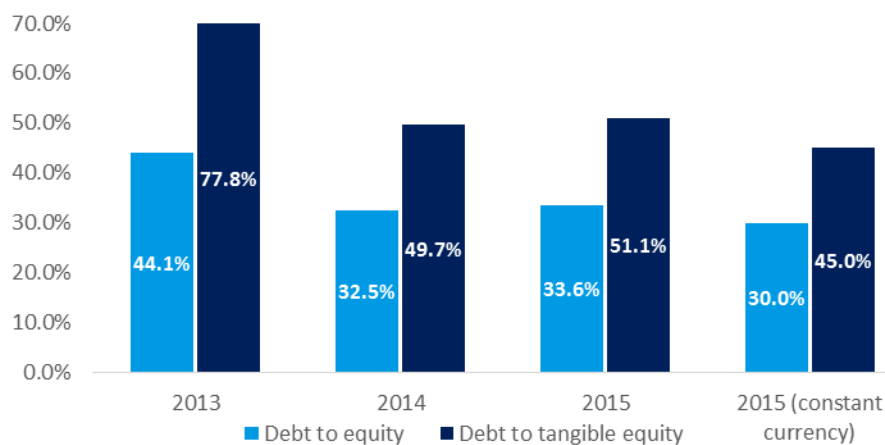
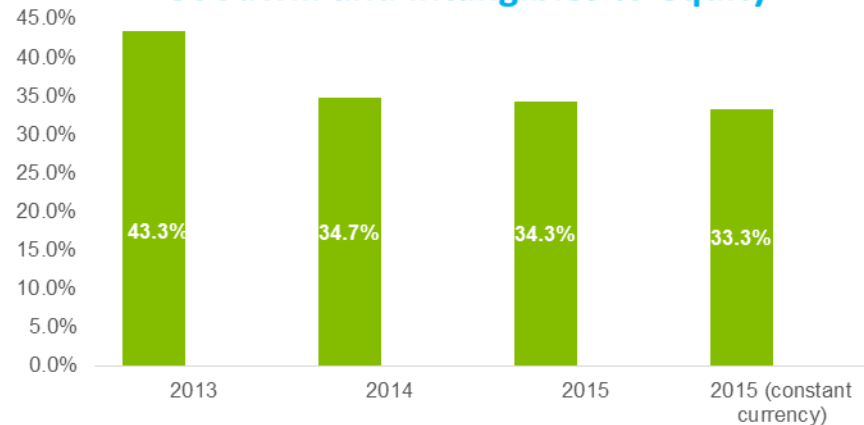


# Financial strength

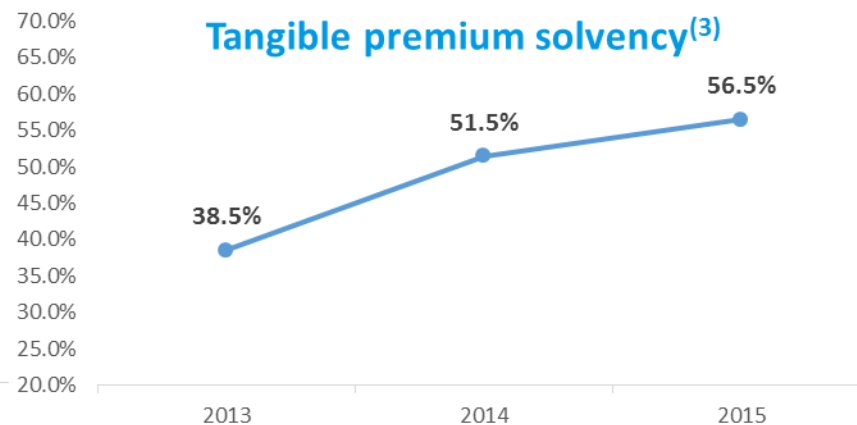
	2013 \$M	2014 \$M	2015 \$M
Borrowings	4,571	3,581	3,529
PoA	88.7%	88.7%	89.0%
PCA Multiple	1.67x	(1)1.67x	(2)1.72x

- S&P capital in excess of AA minimum
- Benchmark PCA multiple reduced to 1.6x – 1.8x

## Goodwill and intangibles to equity



## Tangible premium solvency<sup>(3)</sup>



(1) Indicative APRA PCA calculation at 31 December 2014 updated to be consistent with subsequently finalised APRA returns

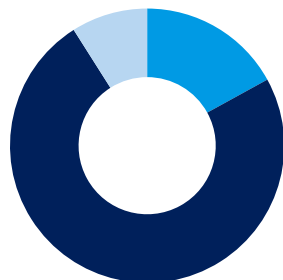
(2) Indicative APRA PCA multiple

(3) Calculated as the ratio of net tangible assets to net earned premium

# Borrowings

## Borrowings profile

- Subordinated debt
- Senior debt
- Capital securities



% 2014 2015

61	74
30	17
9	9

## Repayment profile

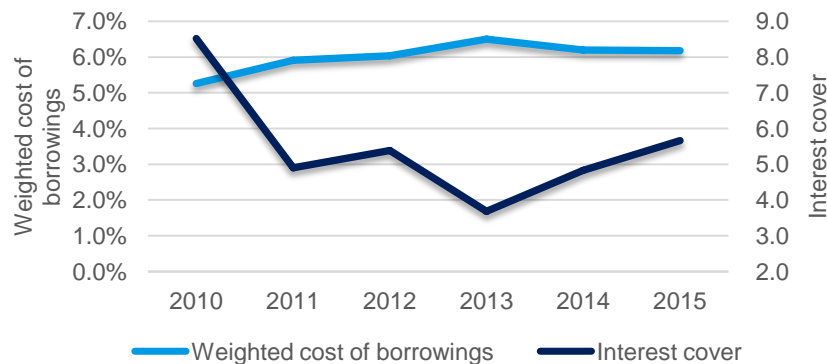
- Less than 1 year
- 1 – 5 years
- More than 5 years

2014 2015

13	-
26	30
61	70

Debt to equity ratio

32.5 33.6



## Borrowings of \$3,529M at 31 Dec 2015

- Weighted average cost of borrowings unchanged at 6.2%

## Debt to equity ratio within benchmark range of 25% - 35%

- Gearing slightly above 2014 level due to adverse impact of a stronger USD on closing equity
- Debt to tangible equity up slightly to 51.1%

## Borrowings profile significantly enhanced

- Term structure extended
- Capital qualifying tier 2 subordinated debt weighting increased to 74% from 61% at FY14

# APRA PCA calculation

	\$M	2014	2015
Ordinary share capital and reserves		11,082	10,560
Net surplus relating to insurance liabilities		1,199	711
Regulatory adjustments to Common Equity Tier 1 Capital		(5,029)	(4,424)
<b>Common Equity Tier 1 Capital</b>		<b>7,252</b>	<b>6,847</b>
Additional Tier 1 Capital - Capital securities		254	218
<b>Total Tier 1 Capital</b>		<b>7,506</b>	<b>7,065</b>
Tier 2 Capital - Subordinated debt and hybrid securities		2,198	2,619
<b>Total capital base</b>		<b>9,704</b>	<b>9,684</b>
Insurance risk charge		3,197	2,892
Insurance concentration risk charge		1,429	1,364
Asset risk charge		1,681	2,065
Operational risk charge		574	513
Less: Aggregation benefit		(1,066)	(1,220)
<b>APRA's Prescribed Capital Amount (PCA)</b>		<b>5,815</b>	<b>5,614</b>
<b>PCA multiple</b>		<b>1.67</b>	<b>1.72</b>
<b>CET1<sup>(1)</sup> ratio (APRA requirement &gt;60%)</b>		<b>125%</b>	<b>122%</b>

(1) Common Equity Tier 1

# 2016 Outlook

# Our priorities for 2016

## Performance management

- Maintain underwriting discipline as challenging markets continue
- Meet or beat our performance targets

## North American Operations

- Further improve profitability in North America
- Medium term COR target of 95% or better

## Cost management

- \$150M<sup>(1)</sup> of cost savings in 2016
- Improve our expense ratio by 1%

## Claims transformation

- Improve cost of claims indemnity and handling
- Improve customer service
- Maintain attritional claims ratio as premium rate challenges continue

## Profitable growth

- Invest \$150M in 2016 for growth and operational transformation
- Organic growth at or better than global GDP growth

## 2016 targets

**Gross written premium**

**\$14.2 – \$14.6Bn<sup>(1)(2)</sup>**  
(\$14.6 - \$15.0Bn at constant currency)

**Net earned premium**

**\$11.6 – \$12.0Bn<sup>(1)</sup>**  
(\$11.9 - \$12.3Bn at constant currency)

**Combined operating ratio**

**94% - 95%<sup>(3)(4)</sup>**

**Insurance profit margin**

**8.5% - 10%<sup>(3)(4)(5)</sup>**

- (1) Premium targets are based on assumed FX rates which are below 2015 FX rates (refer slide 46)
- (2) Excludes an estimated \$460M of M&LS gross written premium that is 100% reinsured to National General. Nil impact on net earned premium
- (3) Assumes no prior accident year claims development
- (4) Assumes risk-free rates as of 31 December 2015
- (5) Assumes a 2.4% net investment yield

# 2016 premium outlook

	2015 actual GWP	2016 target GWP <sup>(1)</sup>	2015 actual NEP	2016 target NEP <sup>(1)</sup>
North America	5.0	4.8	3.7	3.6
Europe	4.4	4.3	3.5	3.4
Australia & New Zealand	3.8	3.5	3.3	3.1
Emerging Markets	1.7	1.8	1.4	1.4
Equator Re	1.0	-	0.4	0.3
Equator Re elimination	(1.0)	-	-	-
Corporate adjustments	(0.1)	-	(0.1)	-
<b>Group total</b>	<b>\$14.8Bn</b>	<b>\$14.2 - \$14.6Bn</b>	<b>\$12.2Bn</b>	<b>\$11.6 - \$12.0Bn</b>

(1) Assumed foreign exchange rates outlined on slide 46

# Questions & Answers



# Contacts

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# Appendices

# Appendix 1:

# FY 15 Earnings

## 2015 adjusted profit reconciliation

	ADJUSTED			REPORTED	
	2015 (\$M)	31 DEC 2015 ARGENTINE WORKERS' COMP	31 DEC 2015 DISPOSALS	2015 (\$M)	2014 (\$M)
Gross written premium	14,782	179	131	15,092	16,332
Net earned premium	12,213	178	(77)	12,314	14,084
Underwriting result	731	(61)	(41)	629	547
Net investment income on policyholders' funds	368	40	(6)	402	527
Insurance profit	1,099	(21)	(47)	1,031	1,074
Profit before tax	999	3	(49)	953	931
Tax expense	(186)	(1)	(73)	(260)	(182)
Profit after tax	813	2	(122)	693	749
Profit attributable to non-controlling interests	(6)	-	-	(6)	(7)
Net profit after income tax	807	2	(122)	687	742

# North America

		2014	2015
Gross written premium	\$M	5,310	4,961
Gross earned premium	\$M	5,457	4,930
Net earned premium	\$M	4,471	3,666
Claims ratio	%	67.6	63.4
Commission ratio	%	15.6	17.3
Expense ratio	%	17.6	18.5
<b>Combined operating ratio</b>	<b>%</b>	<b>100.8</b>	<b>99.2</b>
<b>Insurance profit margin</b>	<b>%</b>	<b>0.2</b>	<b>2.5</b>

- First underwriting profit since 2011
- Premium rate increase of 0.4% on average, reflecting increased market competition, particularly in property
- Excluding \$383M of M&LS GWP, top-line fell due to:
  - Increased competition in Standard Lines
  - Corrective action on underperforming portfolios, particularly commercial motor
- COR of 99.2% includes crop performance of 83.6%
- Despite \$80M reduction in costs, total acquisition cost ratio increased 2.6% due to lower NEP
- Claims ratio improved to 63.4% from 67.6% in FY14, benefiting from the strong crop performance and lower catastrophe claims, partially offset by \$85M of adverse prior accident year claims development
- Excluding crop, attritional claims ratio increased to 49.8% (FY14 48.3%) due to increased competitive pressure and average claims costs in Standard Lines

# Europe

		2014 <sup>(1)</sup>	2015
Gross written premium	\$M	4,526	4,386
Gross earned premium	\$M	4,805	4,338
Net earned premium	\$M	3,929	3,454
Claims ratio	%	60.1	53.4
Commission ratio	%	18.3	18.4
Expense ratio	%	15.9	17.3
<b>Combined operating ratio</b>	<b>%</b>	<b>94.3</b>	<b>89.1</b>
<b>Insurance profit margin</b>	<b>%</b>	<b>8.8</b>	<b>13.4</b>

- Premium rates down 3.2% on average as market pressures continue
- GWP up 5% on a constant currency basis, despite competitive market headwinds
- NEP down 5% on a constant currency basis, mainly impacted by additional reinsurance purchased at a Group and local level
- Higher commission and expense ratio due to broker demands coupled with lower NEP
- COR improved to 89.1% compared with 94.3% in FY14 largely due to:
  - Ongoing strong underwriting performance
  - Favourable prior accident year claims development of \$254M
  - \$21M discount rate benefit

<sup>(1)</sup> Excludes medical malpractice

# Australia & New Zealand

		2014	2015
Gross written premium	\$M	4,392	3,787
Gross earned premium	\$M	4,386	3,753
Net earned premium	\$M	3,834	3,282
Claims ratio	%	58.4	62.6
Commission ratio	%	13.9	14.7
Expense ratio	%	14.7	14.0
<b>Combined operating ratio</b>	<b>%</b>	<b>87.0</b>	<b>91.3</b>
<b>Insurance profit margin</b>	<b>%</b>	<b>17.7</b>	<b>14.2</b>

- Premium rates fell by ~2.4%, with a decrease of 2% in Australia and 7.3% in New Zealand
- GWP down 14% in USD but up 3% on a constant currency basis
- Traditional commercial portfolio grew by 5% due to heightened focus on customer service
- Policy count retention ratio improved to 81.7% for renewable portfolios
- Solid result in light of catastrophe experience; COR of 91.3% and insurance margin of 14.2%
- Increase in net claims ratio to 62.6% due to:
  - catastrophe experience (7.8% of NEP)
  - higher attritional claims ratio, largely driven by increased NSW CTP claims frequency
  - partially offset by \$120M of prior accident year claims development



## Asia Pacific<sup>(1)</sup>

		2014	2015	
Gross written premium	\$M	785	759	<ul style="list-style-type: none"> <li>• Heightened competition across the region; premium rate reductions averaged 3.4%</li> <li>• GWP up 3% on a constant currency basis, with double-digit growth in Indonesia, Macau, Malaysia, Philippines and Vietnam</li> <li>• Hong Kong and Singapore impacted by China's slowdown, especially demand for marine and construction insurance</li> <li>• Net claims ratio improved reflecting remediation, mainly in property and marine</li> <li>• Commission ratio up due to Singapore and Indonesia, driven by increased competition and a business mix shift towards fire, marine and engineering</li> </ul>
Gross earned premium	\$M	720	737	
Net earned premium	\$M	593	599	
Net claims ratio	%	51.5	49.8	
Net commission ratio	%	20.6	21.7	
Expense ratio	%	21.4	21.7	
<b>Combined operating ratio</b>	<b>%</b>	<b>93.5</b>	<b>93.2</b>	
<b>Insurance profit margin</b>	<b>%</b>	<b>7.1</b>	<b>8.0</b>	

<sup>1</sup> Hereafter results for Asia Pacific will no longer be reported standalone

# Latin America<sup>(1)</sup>

		(2)2014	2015
Gross written premium	\$M	1,394	969
Gross earned premium	\$M	1,222	950
Net earned premium	\$M	1,112	837
Claims ratio	%	84.4	58.6
Commission ratio	%	22.1	24.6
Expense ratio	%	16.4	20.4
<b>Combined operating ratio</b>	<b>%</b>	<b>122.9</b>	<b>103.6</b>
<b>Insurance profit margin</b>	<b>%</b>	<b>(13.6)</b>	<b>2.7</b>

- GWP and NEP grew by 13% and 12% respectively on a constant currency basis
- Focus shifted to corporate, specialty and SME post sale of Argentine workers' compensation
- Colombian SOAT remediation continues with 1,320 unprofitable points of sale closed
- Claims ratio improved due to remediation and non-recurrence of prior year development
- Total acquisition cost ratio increased due to:
  - set up of Miami office to strengthen the governance and management framework;
  - higher commissions in Argentine extended warranty business;
  - inflationary pressures in Argentina; and
  - one-off costs due to the sale of the Argentine workers' compensation business

1 Hereafter results for Latin America will no longer be reported standalone

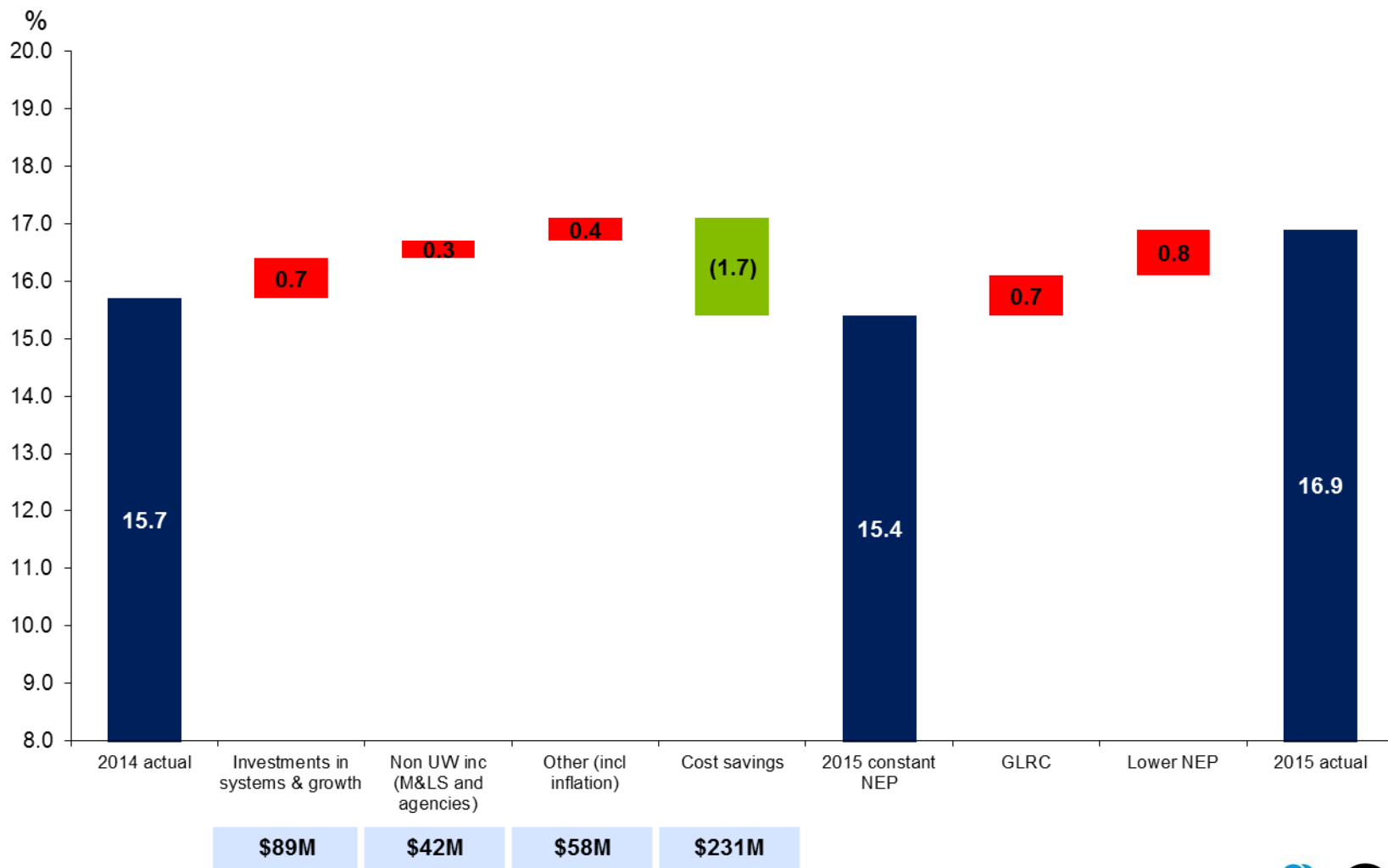
2 Comparative 2014 figures include Argentine workers' compensation

# Equator Re

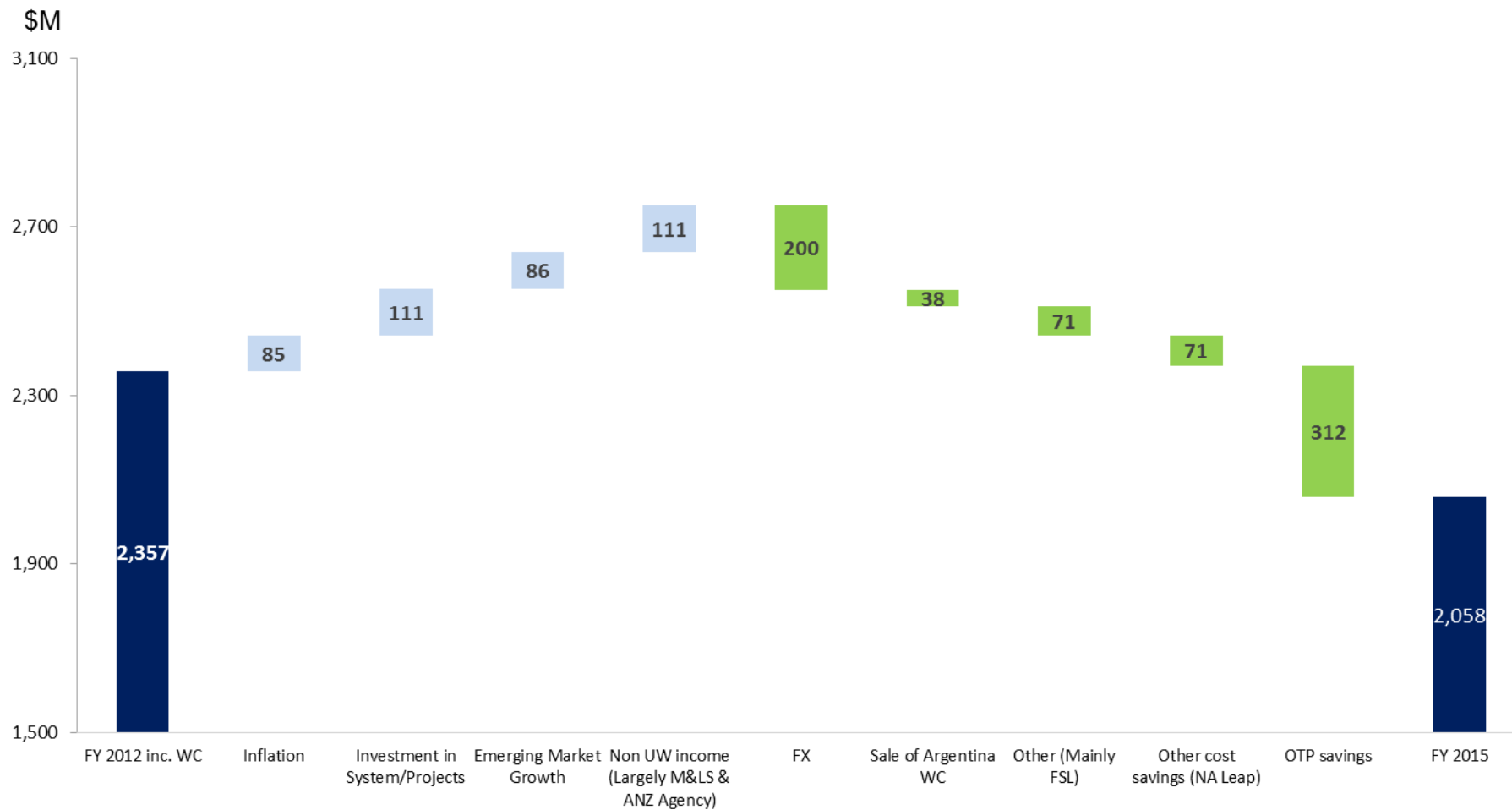
		2014	2015
Gross written premium	\$M	642	1,007
Gross earned premium	\$M	764	994
Net earned premium	\$M	525	367
Claims ratio	%	74.2	80.9
Commission ratio	%	3.3	4.6
Expense ratio	%	2.4	3.5
<b>Combined operating ratio</b>	<b>%</b>	<b>79.9</b>	<b>89.0</b>
<b>Insurance profit margin</b>	<b>%</b>	<b>27.7</b>	<b>28.1</b>

- GWP up 57% due to Equator Re providing higher limits on divisional treaties with Equator Re now purchasing the Group's per risk and catastrophe treaties for its own account
- NEP down due to reduction in underlying divisional exposures coupled with increased reinsurance spend
- Net claims ratio increased due to adverse prior accident year claims development of \$120M:
  - Brisbane storms in late 2014; and
  - an FX related fall in assumed recoveries under prior year aggregate risk reinsurance.
- Commission ratio deteriorated due to changes in business mix and profit commissions
- Expense ratio increased due to continued build-out of capabilities in Bermuda and reduction in NEP

# 2015 expense ratio versus 2014



# Financial performance – underwriting expenses



# 2015 statutory claims ratio analysis

		2014			2015		
		1H14	<sup>(1)</sup> 2H14	<sup>(1)</sup> FY14	1H15	2H15	FY15
NEP	\$M	6,947	7,499	14,446	6,229	6,085	12,314
Attritional	%	<sup>(2)</sup> 49.8	<sup>(2)</sup> 51.6	<sup>(2)</sup> 50.7	54.2	49.5	51.9
Large individual risk and catastrophes	%	<sup>(3)</sup> 9.9	<sup>(3)</sup> 12.3	<sup>(3)</sup> 11.2	8.9	8.5	8.7
Claims settlement costs	%	2.5	2.9	2.7	2.8	3.2	3.0
Discount	%	(4.6)	(3.1)	(3.8)	(6.6)	(1.1)	(3.9)
Accident year claims ratio	%	57.6	63.7	60.8	59.3	60.1	59.7
PY central estimate development	%	1.9	(1.8)	-	(1.1)	(1.1)	(1.1)
Changes in discount rates	%	1.7	2.7	2.2	(0.7)	0.1	(0.3)
Other (including unwind of discount)	%	2.7	2.2	2.4	2.5	2.1	2.3
Movement in risk margins	%	(0.8)	(1.7)	(1.3)	(0.2)	0.2	(0.2)
Financial year claims ratio	%	63.1	65.1	64.1	59.8	61.0	60.4

<sup>(1)</sup> Excludes one-off \$362M medical malpractice reinsurance expense

<sup>(2)</sup> Assumes attritional claims ratio of 67% for US crop

<sup>(3)</sup> Includes crop claims in excess of 67% attritional claims ratio

## 2015 adjusted attritional claims ratio analysis

	2014		2015	
	NEP US\$M	Attritional %	NEP US\$M	Attritional %
Rest of world	12,701	47.0	11,571	48.1
Group large individual & catastrophe risk aggregate <sup>(1)</sup>	-	-	(289)	-
US multi-peril crop insurance <sup>(2)</sup>	965	93.6	556	69.0
Lender-placed insurance <sup>(3)</sup>	544	43.6	375	38.3
<b>QBE Group adjusted</b>	<b>14,210</b>	<b>50.1</b>	<b>12,213</b>	<b>49.9</b>

1. Incremental cost of the Group's enhanced large individual risk and catastrophe aggregate reinsurance protection.
2. Crop attritional claims ratio is no longer assumed constant at 67.0%. All crop claims were deemed attritional in 2015 and 2014 analysis has been restated on a similar basis.
3. The M&LS business was sold effective 1 October 2015.

# 10 year annual history

YEAR ENDED 31 DEC	GROSS WRITTEN PREMIUM \$M	NET EARNED PREMIUM \$M	UNDERWRITING PROFIT \$M	COMBINED OPERATING RATIO %	OPERATING PROFIT (LOSS) AFTER TAX AND MINORITIES (AASB 1023) \$M	CASH PROFIT (BEFORE AMORTISATION OF INTANGIBLES AND GOODWILL) \$M	TOTAL ASSETS \$M	S/H FUNDS \$M
2004	6,484	5,016	441	91.2	634	635	19,592	3,155
2005	7,171	5,630	614	89.1	832	833	21,753	3,735
2006	7,839	6,166	906	85.3	1,121	1,127	25,079	4,962
2007	10,391	8,552	1,206	85.9	1,612	1,625	34,737	7,435
2008	11,015	9,293	1,069	88.5	1,558	1,577	33,967	7,834
2009	11,239	9,446	981	89.6	1,532	1,568	36,723	9,164
2010	13,629	11,362	1,168	89.7	1,278	1,319	41,386	10,311
2011	18,291	15,359	494	96.8	704	791	46,737	10,386
2012	18,434	15,798	453	97.1	761	1,042	50,748	11,358
2013	17,975	15,396	341	97.8	(254)	761	47,271	10,356
2014	16,332	14,084	547	96.1	742	821	45,000	11,030
2015*	15,092	12,314	629	94.9	687	893	42,176	10,505

\*As reported and unadjusted



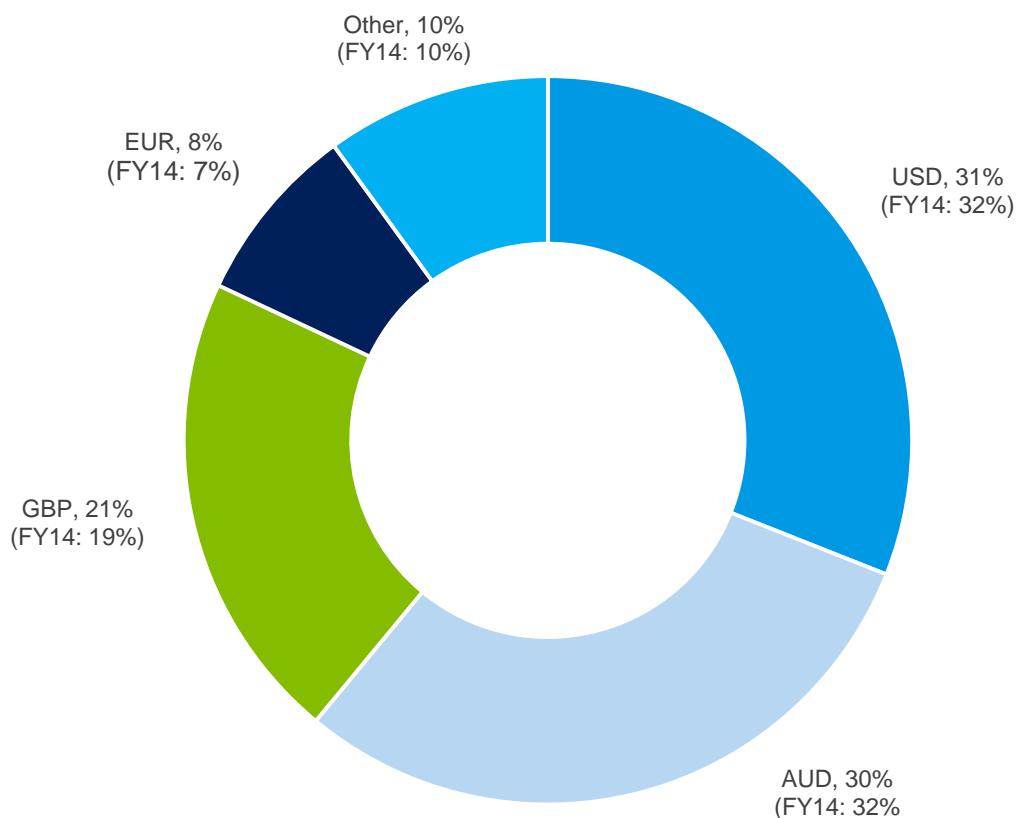
# Appendix 2:

# FY 15 Balance Sheet

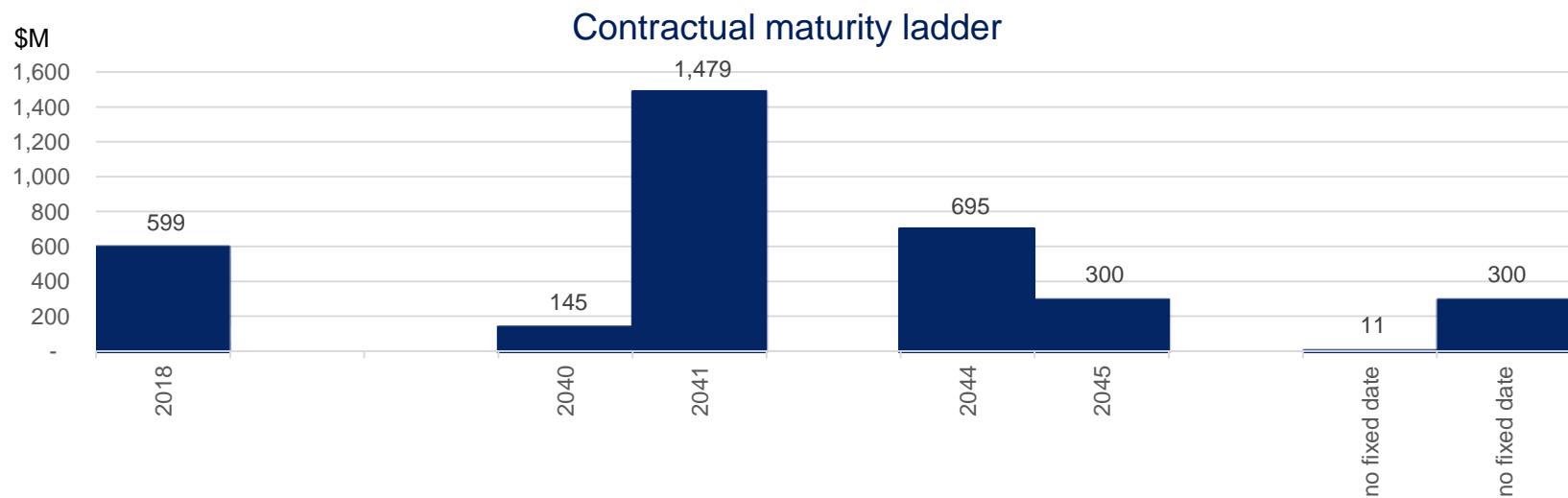
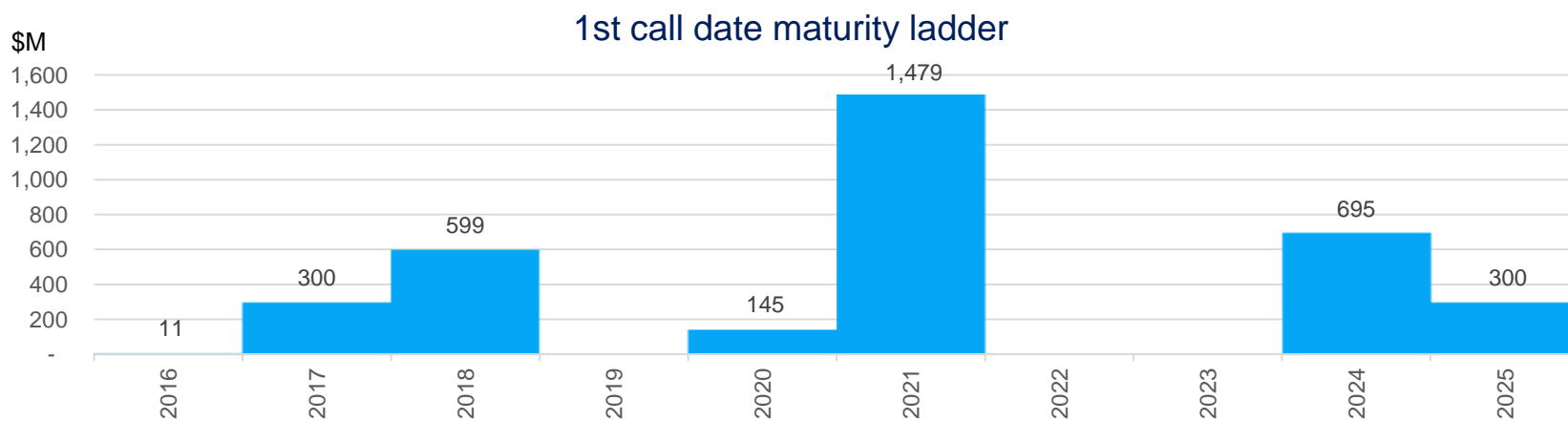
# Currency mix of investments

## Currency breakdown by market value of total investments and cash

- Currency mix matches policyholder funds
- Diverse currency exposure creating a natural hedge against currency fluctuation



# Borrowings maturity



# APRA capital requirements

## APRA Prudential Standard – Capital Adequacy

- Institutions must have in place a documented Internal Capital Adequacy Assessment process 'ICAAP'
- CET1 must be > 60% of PCA
- Tier 1 must be > 80% of PCA
- Compulsory annual disclosure of CET1, Additional Tier 1 and Tier 2 capital as well as any regulatory adjustments

## Prescribed Capital Amount 'PCA'

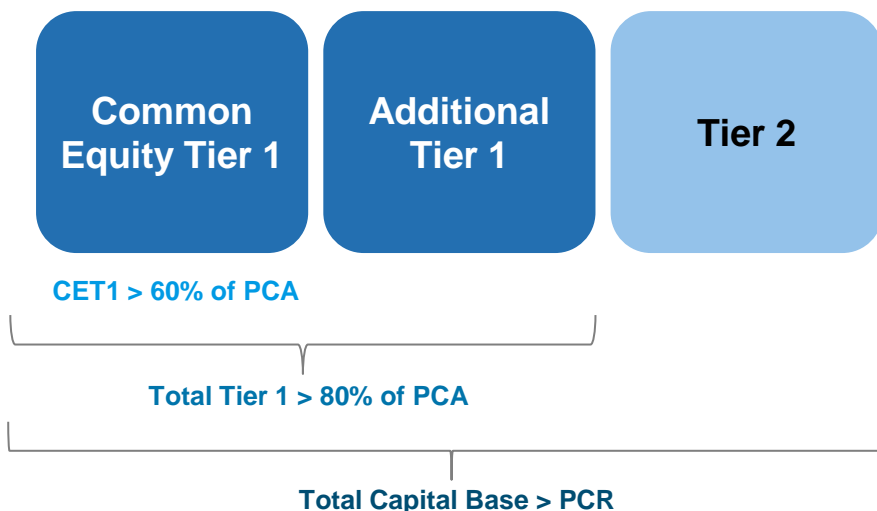
- Comprises the sum of capital charges for asset risk, asset concentration risk, insurance risk, insurance concentration risk and operational risk less an aggregation benefit
- Compulsory annual disclosure of components of PCA

## Prescribed Capital Requirement 'PCR'

- The sum of the PCA plus any supervisory adjustment determined by APRA
- Supervisory adjustment must not be disclosed

# Australian insurance regulatory requirement

## Capital Base / Tiers of Capital



Source: Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", January 2013

**QBE's 2015 Capital Base: \$9,684M**  
**QBE's 2015 PCA: \$5,614M**  
**QBE's 2015 PCA Multiple: 1.72x**

## Point of Non-Viability Loss Absorption

- All Additional Tier 1 and Tier 2 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:

*"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", January 2013*

- APRA has stated that it is of the view that it is **less likely for insurers (compared to banks) to trigger non-viability** in Australia:

*"A decision by APRA that it is necessary to trigger write off or conversion in circumstances where an insurer would otherwise become non-viable is expected to be less likely for insurers than may be expected to be the case for ADIs. This reflects the different nature of the circumstances that may lead to an insurer becoming non-viable and the options available to APRA and the insurer to address such situations." - APRA Response to Submissions – Review of capital standards for general insurers and life insurers, December 2011*

# Appendix 3:

# Rates

# FX rates versus US\$

	December 2014		June 2015		December 2015		2016 forecast
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate	Average rate
AUD	0.82	0.90	0.77	0.78	0.73	0.75	0.70
GBP	1.56	1.65	1.57	1.53	1.47	1.53	1.44
EUR	1.21	1.32	1.11	1.12	1.09	1.11	1.09
ARS	0.12	0.12	0.11	0.11	0.11	0.11	0.07

# 2015 movement in weighted average discount rates

## Weighted average risk-free discount rates on outstanding claims %

Currency	31 Dec 2014	30 June 2015	31 Dec 2015
Australian dollar	2.46	2.43	2.37
US dollar	1.33	1.59	1.80
Sterling	1.30	1.53	1.47
Euro	0.58	0.75	0.59
<b>Group weighted average (ex Argentine peso)</b>	<b>1.45</b>	<b>1.60</b>	<b>1.62</b>
<b>Estimated impact of discount rate movement<sup>(1)</sup> \$M</b>	<b>(324)</b>	<b>45</b>	<b>38</b>

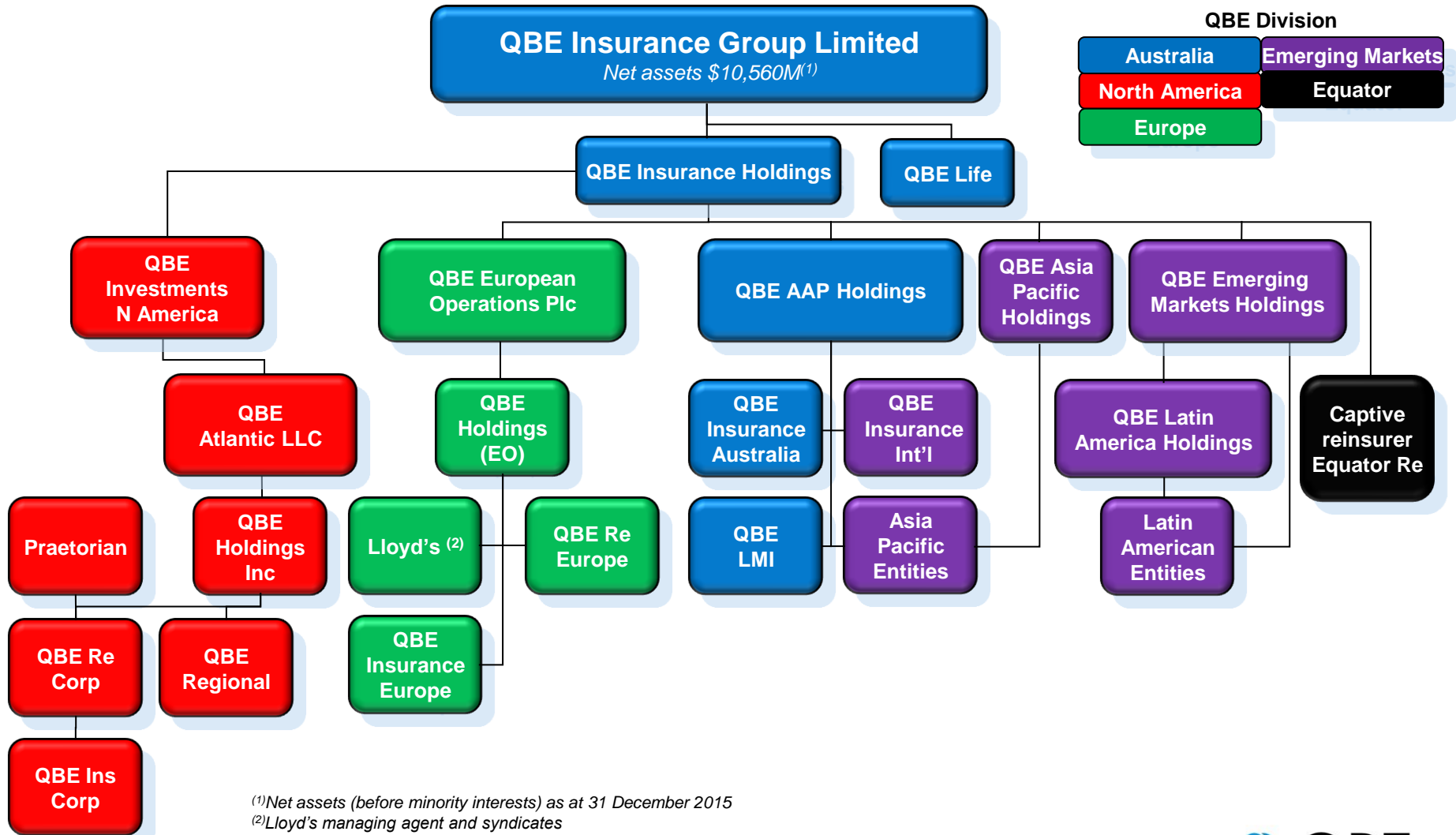
(1) Excludes movement in Argentine peso risk-free rate as the impact was explicitly offset by higher projected claims inflation



# Appendix 4:

# Other

# Overview of QBE entities

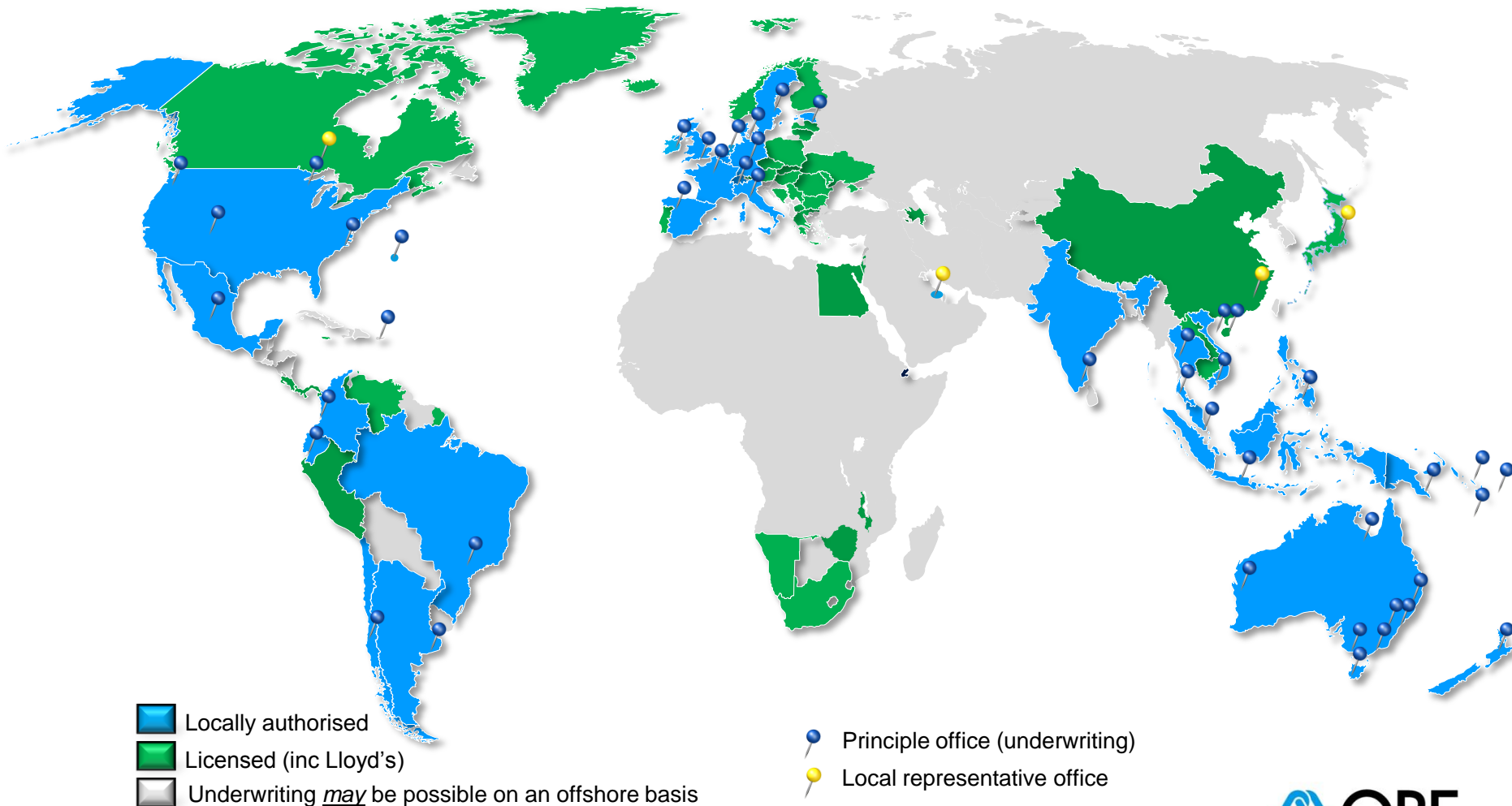


<sup>(1)</sup>Net assets (before minority interests) as at 31 December 2015

<sup>(2)</sup>Lloyd's managing agent and syndicates

# Global regulatory environment

QBE is directly regulated in over 40 jurisdictions, including 30 with differing capital requirements and is regulated on a Group basis by APRA



# Glossary of common terms

- APRA: Australian Prudential & Regulatory Authority
- COR: Combined operating ratio
- DRP: Dividend reinvestment plan
- EPS: Earning per share
- GEP: Gross earned premium
- GLRC: Group large risk and catastrophe programme
- GSSC: Global Shared Service Centre
- GWP: Gross written premium
- LMI: Lenders' mortgage insurance
- M&LS: Mortgage & Lender Services
- NA: North America
- NEP: Net earned premium
- PCA: Prescribed Capital Amount
- PCR: Prescribed Capital Requirement
- PoA: Probability of adequacy
- RI: Reinsurance
- XOL: Excess of loss