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30 March 2017

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

Dear Sir/Madam

**2016 Credit Investor Update**

We refer the market to QBE's attached 2016 Credit Investor Update

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Carolyn Scobie', followed by a period.

Carolyn Scobie  
**Company Secretary**

Encl.

# QBE Insurance Group

## 2016 Credit Investor Update

April 2017

All figures in US\$ unless otherwise stated



# PRESENTER

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**Paul Byrne**  
Group Treasurer

Responsible for:

- Global Treasury & Markets
- Group Capital Management &
- Ratings Agencies

# Group Organisation & Overview

# COMPANY OVERVIEW

- QBE is one of the world’s largest insurance and reinsurance companies, with operations in 37 countries in all the major insurance markets
- Market capitalisation           ~A\$17.3 billion
- Net assets                           ~A\$14 billion<sup>(1)</sup>
- QBE is regulated on a consolidated basis by the Australian Prudential Regulatory Authority
- Current credit ratings for our main insurance subsidiaries and holding company:

Financial strength rating	A+/ positive <sup>(2)</sup>	A+ <sup>(2)</sup>	n/a
Issuer credit rating	A-/ positive	A- <sup>(3)</sup>	Baa1
Issuer credit rating – Subordinated	BBB/BBB- <sup>(4)</sup>	BBB	n/a
Rating last affirmed	May 2016	August 2016	November 2015 <sup>(5)</sup>

<sup>(1)</sup> 31 December 2016

<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 organised into 5 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 syndicates 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 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

Source: QBE 2016 Annual Report

# 2016 Earnings

# 2016 ACHIEVEMENTS

## UNDERWRITING PERFORMANCE

- 93.2% combined operating ratio<sup>(1)</sup> (2015 94.3%)<sup>(2)</sup>
- 9.7% insurance profit margin (2015 9.0%)<sup>(2)</sup>
- Continued track record of positive prior year development
- ROE 8.1% (2015 7.5%)<sup>(2)</sup>

## OPERATIONAL PROGRESS

- ANZO 2H16 attritional claims ratio improves by 340bps vs 1H16
- North America COR 97.7%<sup>(1)</sup> (2015 99.8%)
- \$158M<sup>(3)</sup> reduction in Group expenses
- 2018 financial targets on track (GWP growth more limited)

## FINANCIAL STRENGTH

- Cash remittances in excess of \$1.0Bn
- Further increase in capital ratios – PCA 1.79x
- FY16 dividends up 8%
- Share buyback announced

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

(2) Excludes Argentine workers' compensation business and M&S deferred acquisition cost write down

(3) Excludes a one-off \$22M legal provision



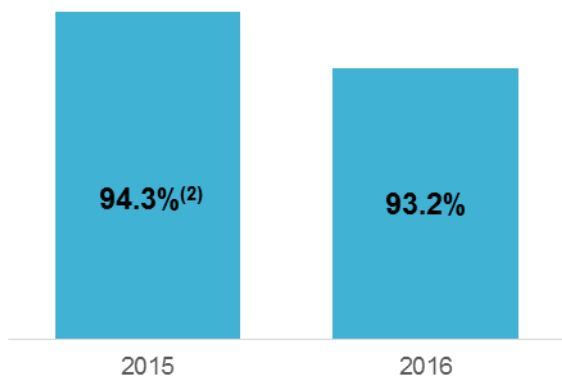
# 2016 FINANCIAL RESULTS SUMMARY

For the year ended 31 December		2015 <sup>(1)</sup>	2016
GWP	\$M	14,782	14,395
NEP	\$M	12,213	11,066
COR	%	94.0	94.0
COR (ex discount rate)	%	94.3	93.2
Insurance profit	\$M	1,099	1,075
Insurance profit to NEP	%	9.0	9.7
Net profit after income tax	\$M	807	844
Cash profit after tax	\$M	893	898
ROE	%	7.5	8.1
Dividend per share	AU cents	50.0	54.0

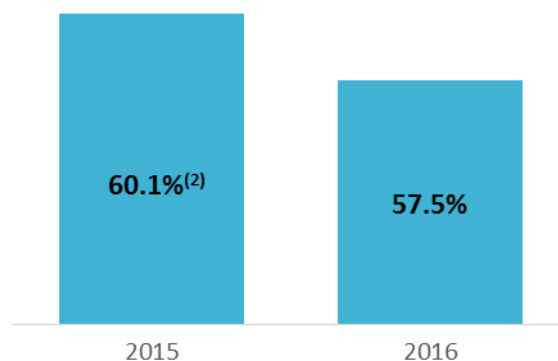
(1) Excludes Argentine workers' compensation business and M&LS deferred acquisition cost write down

# 2016 RESULTS SNAPSHOT

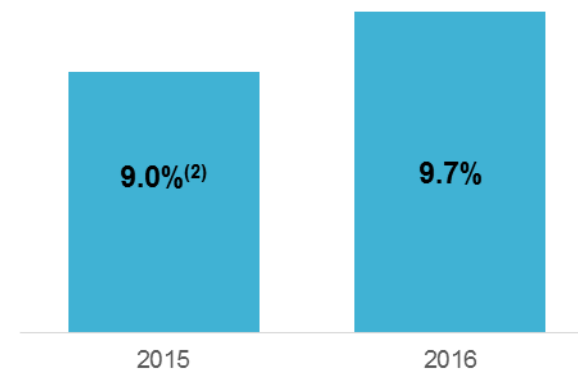
## COR<sup>(1)</sup>



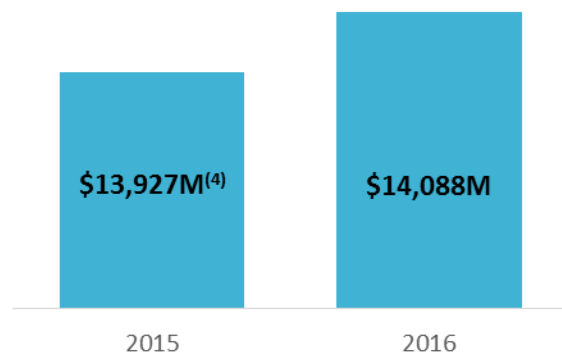
## CLAIMS RATIO<sup>(1)</sup>



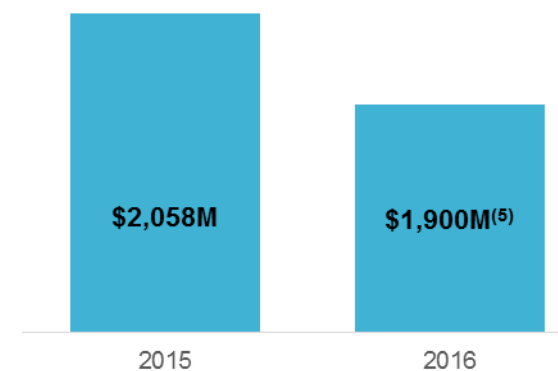
## INSURANCE MARGIN



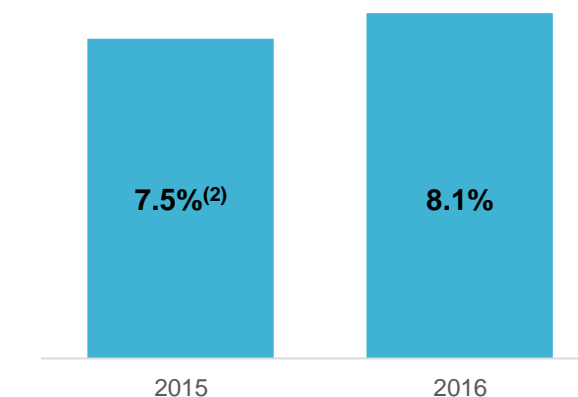
## GWP<sup>(3)</sup>



## EXPENSES



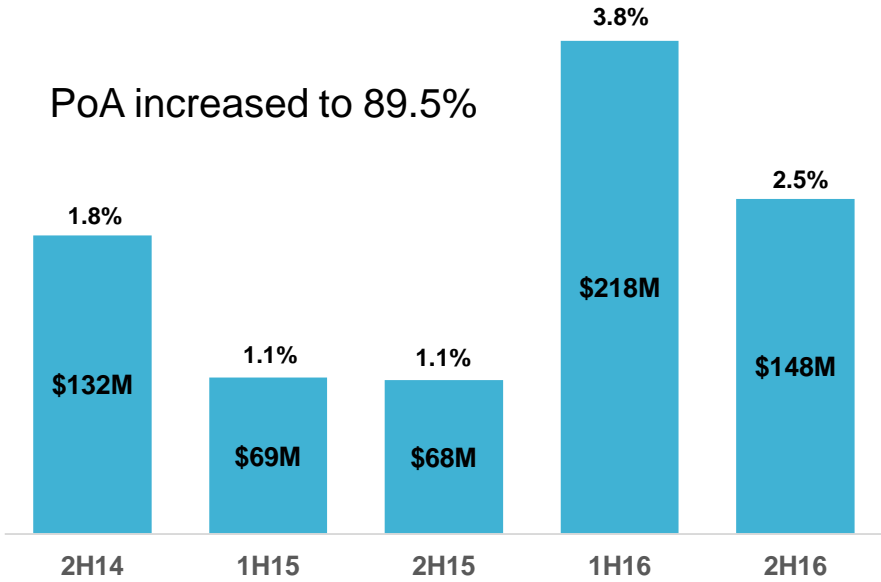
## ROE



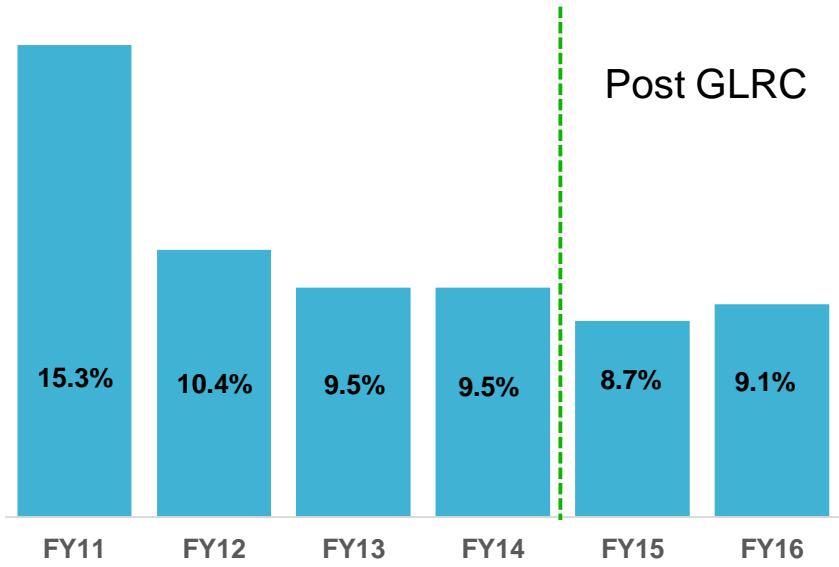
- (1) Excludes the impact of changes in risk-free rates used to discount net outstanding claims
- (2) Excludes Argentine workers' compensation business and M&LS deferred acquisition cost write down
- (3) Excludes Argentine workers' compensation and M&LS underwritten and fronted business
- (4) Constant currency basis – 2015 restated at 2016 FX rates
- (5) Excludes a one-off \$22M legal provision

# KEY PERFORMANCE DRIVERS

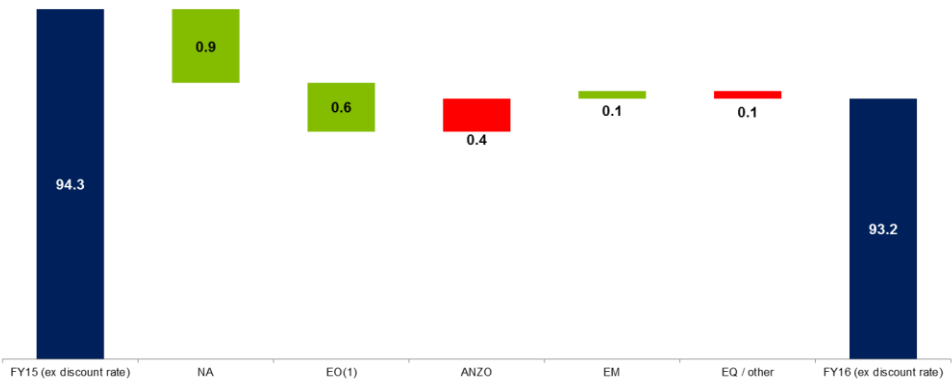
## Positive prior accident year development



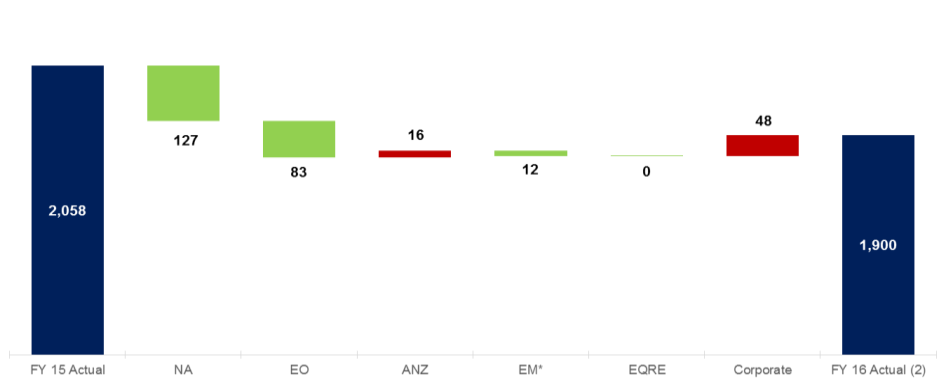
## Large risk & catastrophe claims stable



## Solid underwriting performance



## Further expenses savings achieved



(1) Includes sterling FX impact – refer page 18 of 2016 annual report  
 (2) Excludes a one-off \$22M legal provision



# 2016 Balance Sheet

# FINANCIAL STRENGTH & FLEXIBILITY

As at	31 Dec 2015	31 Dec 2016
<b>Summary balance sheet</b>	<b>\$M</b>	<b>\$M</b>
Investments and cash	26,708	25,235
Trade and other receivables	4,950	4,831
Intangibles	3,604	3,627
Other assets	1,172	1,385
<b>Assets</b>	<b>36,434</b>	<b>35,078</b>
Insurance liabilities, net	19,847	18,579
Borrowings	3,529	3,474
Other liabilities	2,498	2,691
<b>Liabilities</b>	<b>25,874</b>	<b>24,744</b>
Net assets	10,560	10,334
Non-controlling interests	55	50
<b>Shareholders' funds</b>	<b>10,505</b>	<b>10,284</b>

## Reserving

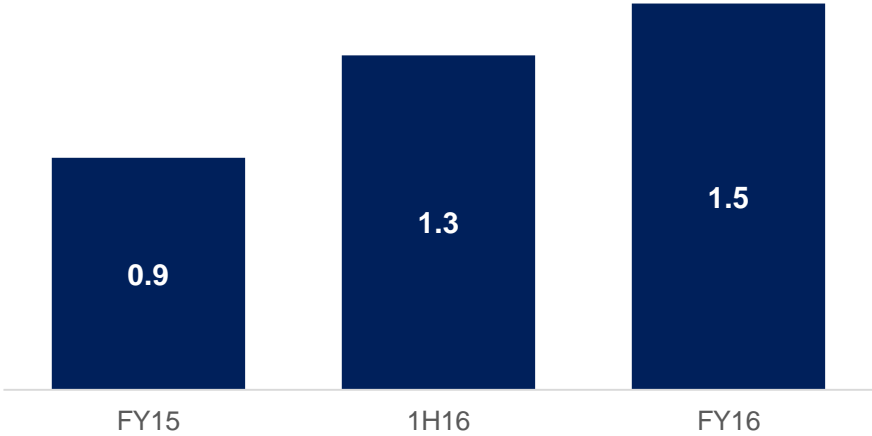
- Favourable PYD of \$366M
- \$80M adverse discount rate impact
- PoA of 89.5% (FY15 89.0%)

## Borrowings

- Broadly unchanged from FY15
- Debt to equity 33.8% (FY15 33.6%)
- Debt to tangible equity 52.2% (FY15 51.1%)

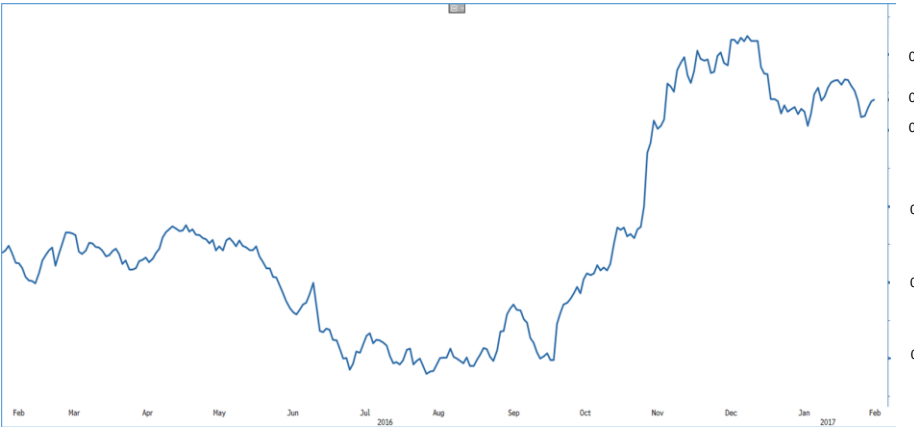
# INVESTMENT PERFORMANCE

## FIXED INCOME DURATION (YEARS)

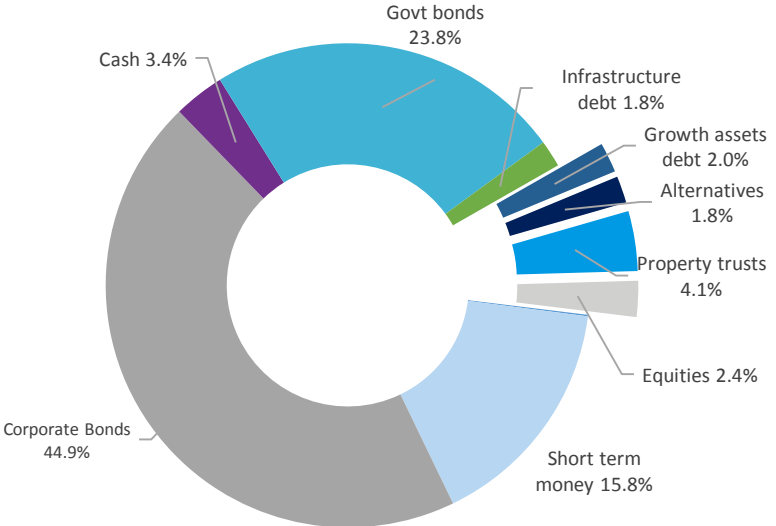


## YIELD CURVES

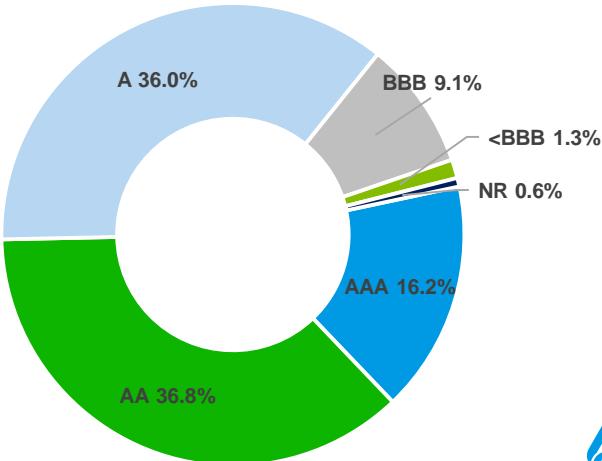
Yield curve steepening (5 year less 2 year) over past 12 months (QBE currency weighted)



## INVESTMENTS & CASH - \$25.2BN



## INTEREST BEARING FINANCIAL ASSETS<sup>(1)</sup>



(1) S&P rating - pertains to cash & income assets only



# FINANCIAL STRENGTH

## S&P CAPITAL



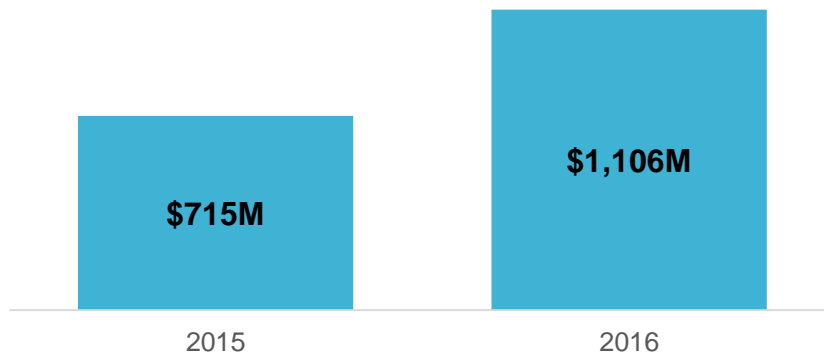
2016 APRA PCA: 1.79x

## DIVIDEND

**Final dividend  
33 Australian cents per share**

**FY16 total dividend 54 Australian cents  
per share (up 8% from 2015)**

## CASH REMITTANCES



## SHARE BUYBACK

**Up to A\$1 billion cumulative three year  
on-market buyback facility announced**

# CASH REMITTANCES

Group head office cash flow at 31 Dec	2015 \$M	2016 \$M
<b>Opening head office cash balance</b>	<b>369</b>	<b>845</b>
Total divisional dividend remittances	715	1,106
<u>Interest on parent entity borrowings</u>	<u>(89)</u>	<u>(81)</u>
<b>Gross organic cash flow</b>	<b>626</b>	<b>1,025</b>
<u>Dividends paid – net of DRP</u>	<u>(359)</u>	<u>(535)</u>
<b>Net organic cash flows</b>	<b>267</b>	<b>490</b>
<u>Other (including asset sales)</u>	<u>209</u>	<u>(328)</u>
<b><u>Closing head office cash balance</u></b>	<b><u>845</u></b>	<b><u>1,007</u></b>

- Final dividend 33 Australian cents per share
- FY16 dividend of 54 Australian cents per share, representing a 61% payout ratio on cash profit
- DRP to be neutralised by on-market purchases

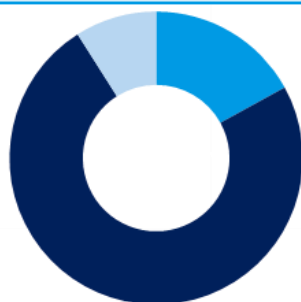
- Targeting internal cash flow of greater than \$1bn again for 2017



# BORROWINGS

## Borrowings profile

- Subordinated debt
- Senior debt
- Capital securities



%	FY15	FY16
Subordinated debt	74	74
Senior debt	17	17
Capital securities	9	9

## Maturity profile<sup>(1)</sup>

- Less than 1 year
- 1 – 5 years
- More than 5 years
- Debt to equity ratio

%	FY15	FY16
Less than 1 year	-	-
1 – 5 years	30	38
More than 5 years	70	53
Debt to equity ratio	33.6	33.8

## Borrowings

- \$3,474M at 31 December 2016
- Weighted average cost of borrowings 5.9%

## Debt to equity

- Ratio within 25% - 35% benchmark range
- Debt to tangible equity up slightly to 52.1%

## Market Activity

- Established debt shelf
- 3 tender exchanges in May/June/ November
- Term structure extended / profile normalised
- GBP capital securities called (July 16)

(1) Based on first call date

# APRA PCA CALCULATION

	\$M	2015 <sup>(2)</sup>	2016 <sup>(1)</sup>
Ordinary share capital and reserves		10,560	10,333
Net surplus relating to insurance liabilities		764	674
Regulatory adjustments to Common Equity Tier 1 Capital		(4,424)	(4,440)
<b>Common Equity Tier 1 Capital</b>		<b>6,900</b>	<b>6,567</b>
Additional Tier 1 Capital - Capital securities		218	180
<b>Total Tier 1 Capital</b>		<b>7,118</b>	<b>6,747</b>
Tier 2 Capital - Subordinated debt and hybrid securities		2,619	2,530
<b>Total capital base</b>		<b>9,737</b>	<b>9,277</b>
Insurance risk charge		2,892	2,693
Insurance concentration risk charge		1,364	1,219
Asset risk charge		2,104	1,935
Operational risk charge		513	479
Less: Aggregation benefit		(1,236)	(1,140)
<b>APRA's Prescribed Capital Amount (PCA)</b>		<b>5,637</b>	<b>5,186</b>
<b>PCA multiple</b>		<b>1.73</b>	<b>1.79</b>
<b>CET1 ratio (APRA requirement &gt;60%)</b>		<b>122%</b>	<b>127%</b>

(1) Indicative APRA PCA calculation at 31 December 2016.

(2) Prior year APRA PCA calculation has been restated to be consistent with APRA returns finalised subsequent to year end.

# 2017 Priorities & Outlook

# KEY PRIORITIES

## UNDERWRITING EXCELLENCE

- Underwriting excellence remains our #1 priority
- Areas to improve – ANZO attritional, NA P&C and LatAm
- Selective organic premium growth

## OPERATIONAL INITIATIVES

- Reinsurance savings of \$350M+ achieved from 1 Jan 2017
- Execute on further \$150M expense savings by 2018
- Claims savings of \$200M by 2018

## EVOLVING QBE

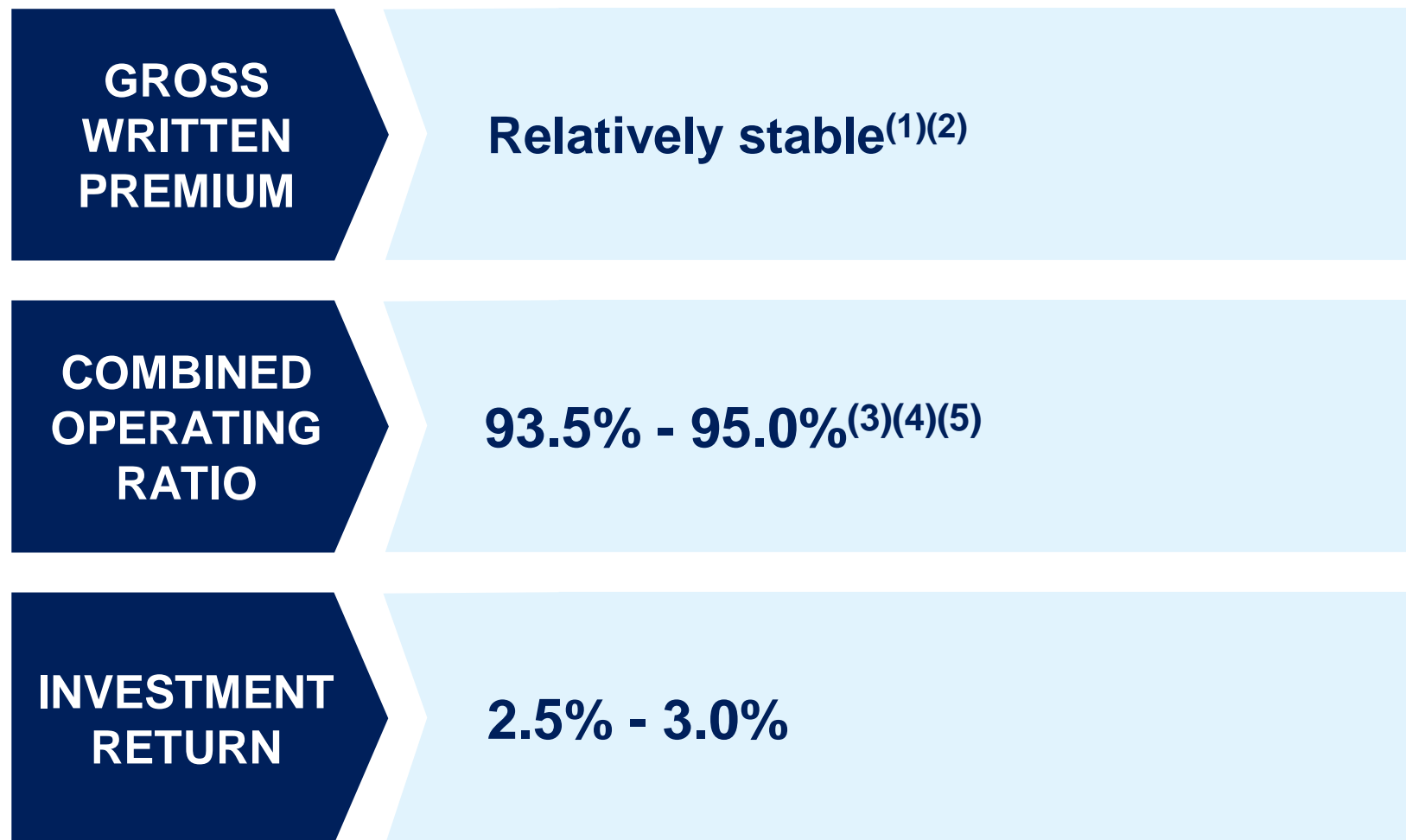
- Refresh technology strategy and plan
- 150+ dedicated onshore / offshore data analytics team
- Partner fund with Insurtech companies being established
- Further development of GSSC

## FINANCIAL RETURNS

- Maintain high-quality balance sheet
- Growing dividends
- Efficient management of capital
- Long-term return on tangible equity 13 – 15%<sup>(1)</sup>

(1) Mid-point equates to ROE of ~10%

# 2017 FINANCIAL TARGETS



(1) Premium target is based on assumed average foreign exchange rates relative to the US dollar as follows: AUD 0.73; GBP 1.25; and EUR 1.10.

(2) Net earned premium growth will likely exceed gross written premium growth due to in excess of \$350M of reinsurance cost savings achieved from 1 January 2017

(3) Assumes risk-free rates as at 31 December 2016

(4) Assumes positive prior accident year claims development

(5) Other than the 0.5% explicit increase in the probability of adequacy of the net central estimate for potential changes to the Ogden tables (refer p24 of the 2016 Annual Report for further details), the target range does not allow for a potentially more extreme legislative outcome.

# INVESTOR THESIS

## FRANCHISE STRENGTH



- Attractive market positions
- Deep distribution and customer relationships
- Retention
- Organic growth

## PERFORMANCE IMPROVEMENT



- Underwriting excellence
- Operational efficiency
- Claims transformation
- Optimising reinsurance
- Data and analytics
- Investment returns

## GROWING DIVIDENDS



- Established cash remittance framework
- Significant free cash flow
- Potential for strong dividend growth

## WELL CAPITALISED



- S&P 'A+' rated or better
- Resilient to downside scenarios
- *A\$1Bn on-market share buyback*

## ACHIEVING CLEAR FINANCIAL TARGETS

# Questions & Answers

# CONTACTS

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# DISCLAIMER

The information in this presentation provides an overview of the results for the year ended 31 December 2016.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange ("ASX"). Copies of those lodgements are available from either the ASX website [www.asx.com.au](http://www.asx.com.au) or QBE's website [www.qbe.com](http://www.qbe.com).

Prior to making a decision in relation to QBE's securities, products or services, investors, potential investors and customers must undertake their own due diligence as to the merits and risks associated with that decision, which includes obtaining independent financial, legal and tax advice on their personal circumstances.

This presentation contains certain "forward-looking statements" for the purposes of the U.S. Private Securities Litigation Reform Act of 1995. The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "outlook" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and QBE assumes no obligation to update such information.

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no reduction in premium rates in excess of our business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our strong reinsurance panel; no unplanned asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this presentation.

# Appendices

# Appendix 1:

# 2016 Earnings

# NORTH AMERICA

		2015	(1)2016
Gross written premium	\$M	4,961	4,647
Gross earned premium	\$M	4,930	4,657
Net earned premium	\$M	3,666	3,318
Claims ratio	%	63.4	64.2
Commission ratio	%	17.3	17.0
Expense ratio	%	18.5	16.6
<b>Combined operating ratio</b>	%	<b>99.2</b>	<b>97.8</b>
<b>Combined operating ratio (ex discount rate)</b>	%	<b>99.8</b>	<b>98.5</b>
<b>Insurance profit margin</b>	%	<b>2.5</b>	<b>4.7</b>

(1) Adjusted for transactions to reinsure run-off liabilities

- Premium rates broadly flat overall
- Excluding M&LS, GWP grew 2% due to continued strong growth in Specialty partially offset by reductions in Crop and Property & Casualty
- Net claims ratio of 64.2%, reflecting:
  - outstanding crop COR
  - \$121m adverse prior year development largely relating to now terminated mono-line commercial auto
  - increased large risk and catastrophe claims (including Hurricane Matthew and Texas hail added 2.1% to the net claims ratio)
- Significant improvement in expense ratio due to eliminating the loss associated with the sale of M&LS coupled with additional savings, albeit partially offset by lower than budgeted net earned premium, particularly crop
- COR (ex-discount rate) improved to 98.5% from 99.8% in FY15

# EUROPE

		2015	(1)2016
Gross written premium	\$M	4,386	4,076
Gross earned premium	\$M	4,338	3,878
Net earned premium	\$M	3,454	3,115
Claims ratio	%	53.4	58.6
Commission ratio	%	18.4	18.4
Expense ratio	%	17.3	16.6
<b>Combined operating ratio</b>	%	89.1	93.6
<b>Combined operating ratio (ex discount rate)</b>	%	89.7	90.7
<b>Insurance profit margin</b>	%	13.4	10.1

(1) Adjusted for transactions to reinsure UK long tail liabilities

- Premium rates down 2.4% on average, reflecting a slight improvement from a 3.2% decline in 2015
- GWP and NEP down 3% and 6% respectively on a constant currency basis
- Despite the decision not to renew a number of significant underperforming accounts and facilities, retention levels improved 2%
- Whilst positive prior accident year claims development increased to \$273M from \$253M in 2015, this was more than offset by an adverse impact from lower risk-free rates, the impact of the devaluation of sterling on the attritional claims ratio and increased large risk and catastrophe claims
- Expense ratio improved to 16.6% from 17.3% in the prior year, reflecting ongoing expense management and efficiency initiatives
- COR (ex-discount rate) increased slightly to 90.7% from 89.7% in the prior year, due to the weaker sterling and heightened catastrophe experience

# AUSTRALIA & NEW ZEALAND

		2015	2016
Gross written premium	\$M	3,787	3,933
Gross earned premium	\$M	3,753	3,924
Net earned premium	\$M	3,282	3,410
Claims ratio	%	62.6	63.7
Commission ratio	%	14.7	15.0
Expense ratio	%	14.0	14.0
<b>Combined operating ratio</b>	%	91.3	92.7
<b>Combined operating ratio (ex discount rate)</b>	%	91.1	92.4
<b>Insurance profit margin</b>	%	14.2	12.3

- Premium rates up 1.7% in Australia due to implementation of pricing initiatives during 2H16
- GWP up 5% on a constant currency basis, largely due to strong rate-driven premium growth NSW CTP, entry into the SA CTP market, modest growth across NZ, Elders and Intermediary
- Despite strong premium rate increases, retention improved to 83.1% from 81.7% in 2015
- Net claims ratio increased to 63.7% due to:
  - the substantial deterioration in the attritional claims ratio as reported in the 1H16 result
  - largely offset by an increase in positive prior accident year claims development to \$147M from \$120M in the prior year
- Attritional claims ratio improved significantly during 2H16 on the back of remediation strategy with further improvement expected during 2017
- COR (ex-discount rate) increased slightly to 92.4% from 91.1% in FY15 reflecting increased attritional claims ratio and normalisation of LMI margins

# EMERGING MARKETS

		2015 <sup>(1)</sup>	2016
Gross written premium	\$M	1,728	1,632
Gross earned premium	\$M	1,687	1,588
Net earned premium	\$M	1,436	1,328
Claims ratio	%	54.8	54.3
Commission ratio	%	23.4	23.5
Expense ratio	%	21.0	21.8
<b>Combined operating ratio</b>	%	99.2	99.5
<b>Combined operating ratio (ex discount rate)</b>	%	99.2	99.5
<b>Insurance profit margin</b>	%	4.9	5.5

- GWP up 10% on a constant currency basis, reflecting 3% growth in Asia Pacific and 16% growth in Latin America with strong growth across specialty, commercial, SME and personal lines (with strategic partners)
- NEP up 8% on the same basis
- Despite increased large risk and catastrophe claims, net claims ratio fell slightly reflecting improved 2016 reinsurance structure and reduced Latin American attritional claims ratio
- Commission ratio remained relatively stable
- Expense ratio deteriorated due to continued investment as part of the ongoing implementation of the profitable growth strategy coupled with increased costs associated with the establishment of a more robust Latin American governance framework in Miami
- COR relatively stable at 99.5%

(1) Excludes Argentine workers' compensation business sold in 2015

# EQUATOR RE

		2015	(1)2016
Gross written premium	\$M	1,007	1,349
Gross earned premium	\$M	994	1,246
Net earned premium	\$M	367	468
Claims ratio	%	80.9	57.3
Commission ratio	%	4.6	10.7
Expense ratio	%	3.5	2.8
<b>Combined operating ratio</b>	%	89.0	70.7
<b>Combined operating ratio (ex discount rate)</b>	%	89.9	70.2
<b>Insurance profit margin</b>	%	28.1	35.0

- GWP up 34% due to Equator Re providing higher limits on divisional treaties, and growth in the proportional book
- NEP up 28% from the prior period
- Net claims ratio substantially improved to 57.3%:
  - \$56M positive prior accident year development compared with \$120M adverse development in 2015
  - partly offset by an increase in large risk and catastrophe claims relative to a benign 2015
- Completed a loss portfolio transfer transaction with North American Operations with respect to their now closed mono-line commercial auto portfolio
- Increase in commission ratio due to growth in proportional business which incurs higher commissions relative to excess of loss portfolio
- COR (ex discount rate) substantially improved to 70.2%

(1) Adjusted for North American Operations loss portfolio transfer (LPT) transaction



# 2016 CLAIMS RATIO ANALYSIS

		2015			2016		
		1H15	2H15	FY15	1H16	2H16	FY16
NEP	\$M	6,229	6,085	12,314	5,615	5,451	11,066
Attritional claims	%	54.2	49.5	51.9	54.5	55.5	54.9
Large individual risk and catastrophes	%	8.9	8.5	8.7	9.8	9.3	9.6
Claims settlement costs	%	2.8	3.2	3.0	3.0	2.8	2.9
Claims discount	%	(6.6)	(1.1)	(3.9)	(1.3)	(2.5)	(1.9)
Accident year claims ratio	%	59.3	60.1	59.7	66.0	65.1	65.5
PY central estimate development	%	(1.1)	(1.1)	<sup>(1)</sup> (1.1)	(3.9)	(2.7)	<sup>(2)</sup> (3.3)
Impact of reinsurance transactions <sup>(3)</sup>	%	-	-	-	(3.2)	(7.3)	(5.2)
Change in discount rates	%	(0.7)	0.1	(0.3)	5.0	(3.7)	0.7
Other (including unwind of discount)	%	2.3	1.9	2.1	0.9	0.1	0.5
Financial year claims ratio	%	59.8	61.0	60.4	64.8	51.5	58.2

(1) Net of discount movement (\$214 million release) due to long-tail classes including dust disease in Australia and motor third party bodily injury and workers' compensation in Argentina, where the level of assumed claims inflation is directly linked to the discount rate.

(2) Net of discount movement (\$8 million cost) due to long-tail classes including dust disease in Australia and our retained Argentine business, where the level of assumed claims inflation is directly linked to the discount rate.

(3) Impact of transactions to reinsure legacy US multi-line property and casualty (program) run-off liabilities and UK long-tail liabilities.

# 2016 ATTRITIONAL CLAIMS RATIO ANALYSIS

	2015 <sup>(1)</sup>		2016	
	NEP Attritional US\$M	%	NEP Attritional US\$M	%
<b>Rest of world</b>	<b>11,282</b>	<b>49.3</b>	<b>11,093</b>	<b>51.9</b>
US multi-peril crop insurance	556	69.0	543	59.0
M&LS <sup>(2)</sup>	375	38.3	-	-
<b>QBE Group adjusted</b>	<b>12,213</b>	<b>49.9</b>	<b>11,636</b>	<b>52.2</b>

(1) Prior year analysis included an adjustment for \$289 million of incremental group large individual risk and catastrophe (GLRC) aggregate reinsurance premium expense reflecting the purchase of the GLRC effective 1 January 2015. This adjustment is no longer relevant since both periods now include GLRC premium expense.

(2) M&LS was sold effective 1 October 2015.

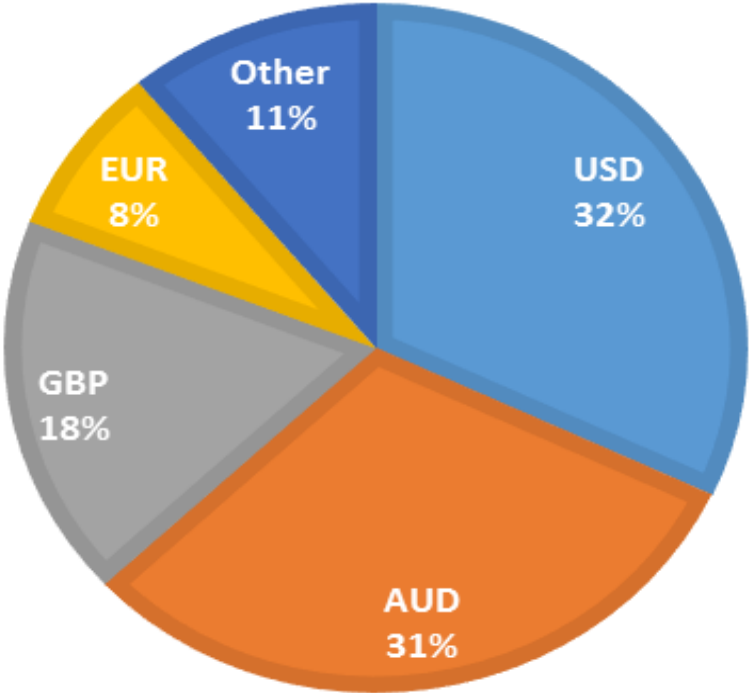
# Appendix 2:

# 2016 Balance Sheet

# CURRENCY MIX OF INVESTMENTS

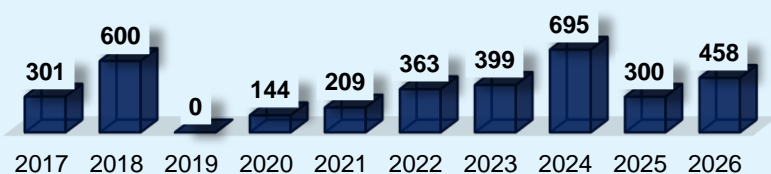
## Currency breakdown by market value of total investments and cash

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

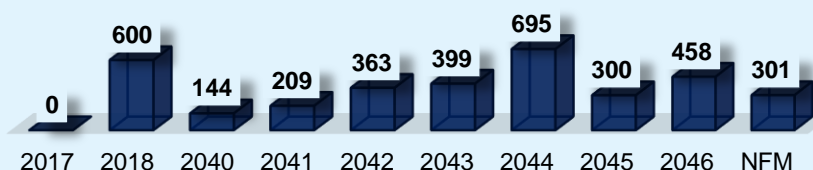


# BORROWINGS MATURITY

## 1ST CALL DATE MATURITY LADDER



## CONTRACTUAL MATURITY LADDER



ISN/CUSIP	Currency	Issued Amount mm's	Outstanding Amount mm's	USD Equivalent mm's	Interest Rate	First Call Date	Maturity Date
<b>Senior debt</b>							
EJ6514693	USD	600	600	600	2.400%	N/A	1 May 2018
<b>Subordinated debt</b>							
UV9260125	AUD	200	200	144	FRN	29 September 2020	29 September 2040
EI683052	USD	1,000	167	167	7.250%	24 May 2021	24 May 2041
EI6835454	GBP	325	34	42	7.500%	24 May 2021	24 May 2041
LW1703666	GBP	327	327	403	6.115%	24 May 2022	24 May 2042
AL3171470	USD	399	399	399	7.500%	24 November 2023	24 November 2043
EK6047337	USD	700	700	700	6.750%	02 December 2024	02 December 2044
QJ7139901	USD	300	300	300	6.100%	12 November 2025	12 November 2045
LW3771158	USD	524	524	524	5.875%	17 June 2026	17 June 2046
<b>Capital securities</b>							
EG4040945		550	301	301	6.797%	01 June 2017	No fixed date

# APRA CAPITAL REQUIREMENTS

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## 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

## Point of Non-Viability Loss Absorption

Common  
Equity Tier 1

Additional  
Tier 1

Tier 2

CET1 > 60% of PCA

Total Tier 1 > 80% of PCA

Total Capital Base > PCR

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

QBE's FY 16 Capital Base: \$9,277M  
 QBE's FY 16 PCA: \$5,186M  
 QBE's FY 16 PCA Multiple: 1.79x

- 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 2015		June 2016		December 2016		2017 assumed
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate	Average rate
AUD	0.73	0.75	0.75	0.73	0.72	0.74	0.73
GBP	1.47	1.53	1.33	1.43	1.23	1.35	1.25
EUR	1.09	1.11	1.11	1.12	1.05	1.11	1.10
ARS	0.08	0.11	0.07	0.07	0.06	0.07	0.06

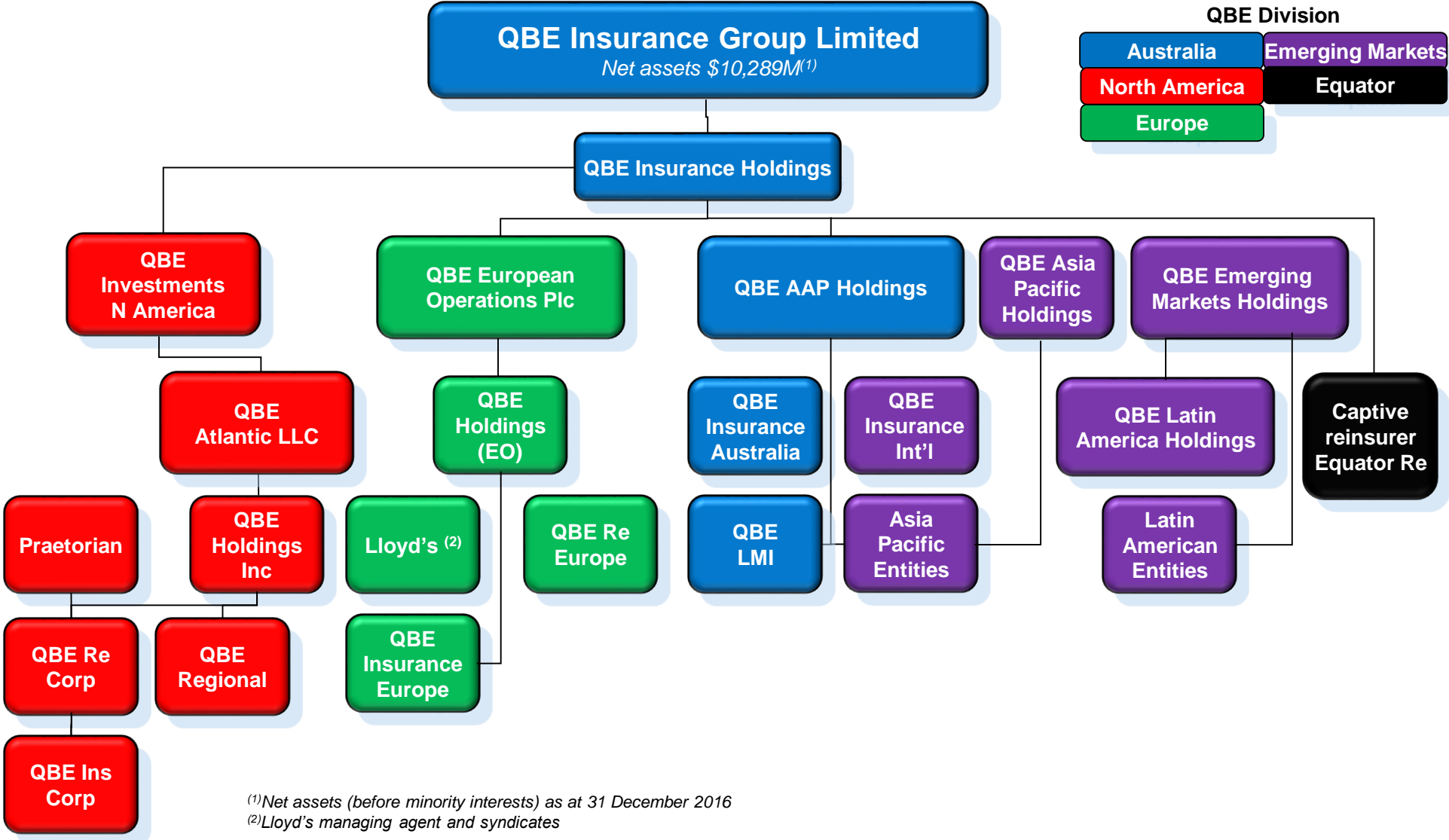
# 2016 MOVEMENT IN WEIGHTED AVERAGE DISCOUNT RATE

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

Currency	31 Dec 2015	30 June 2016	31 Dec 2016
Australian dollar	2.37	1.77	2.26
US dollar	1.80	1.20	2.04
Sterling	1.47	0.56	0.68
Euro	0.59	(0.16)	0.19
<b>Group weighted average (ex Argentine peso)</b>	<b>1.62</b>	<b>0.92</b>	<b>1.33</b>
<b>Estimated impact of discount rate movement<sup>(1)</sup> \$M</b>	<b>38</b>	<b>(283)</b>	<b>(80)</b>

(1) Excludes discount movement due to changes in yields for our Australian dust disease and Argentine peso denominated liabilities, where the level of assumed inflation is directly linked to the discount rate.

# OVERVIEW OF QBE ENTITIES



<sup>(1)</sup>Net assets (before minority interests) as at 31 December 2016  
<sup>(2)</sup>Lloyd's managing agent and syndicates

# GLOSSARY OF COMMON TERMS

APRA: Australian Prudential & Regulatory Authority

COR: Combined operating ratio

CTP: Compulsory Third Party

DM: Developed Markets

EM: Emerging Markets

FI: Fixed Income

GLRC: Group large risk and catastrophe programme

GWP: Gross written premium

HY: High Yield

LMI: Lenders' mortgage insurance

M&LS: Mortgage & Lender Services

NEP: Net earned premium

PAY: Prior accident year

PCA: Prescribed Capital Amount

PCR: Prescribed Capital Requirement

PoA: Probability of adequacy

PY: Prior year

PYD: Prior year development