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17 November 2015

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

Dear Sir/Madam,

**UBS Australasian Investment Conference Presentation**

Please find attached a copy of QBE's presentation to be delivered today.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'P Horton'.

Peter Horton  
**Company Secretary**

Attachment

# QBE Insurance Group

UBS Australasian investment conference

Pat Regan • Group Chief Financial Officer

Tuesday 17 November 2015

All figures in US\$ unless otherwise stated



# Agenda

- About QBE
- The QBE journey so far
- Recap of 1H15 results
- Divisional update
- Lenders' mortgage insurance update
- Investment update
- 3Q15 trading update
- Our focus over the next 12 months

# About QBE

## Pure P&C play

- Top 20 global P&C insurer
- Big enough to lead the market but small enough to flex with market cycles
- Specialty and commercial focus (minimal personal lines)
- Intermediary distribution: global and regional brokers, agents and banks
- No life insurance or external asset management distractions/complexities

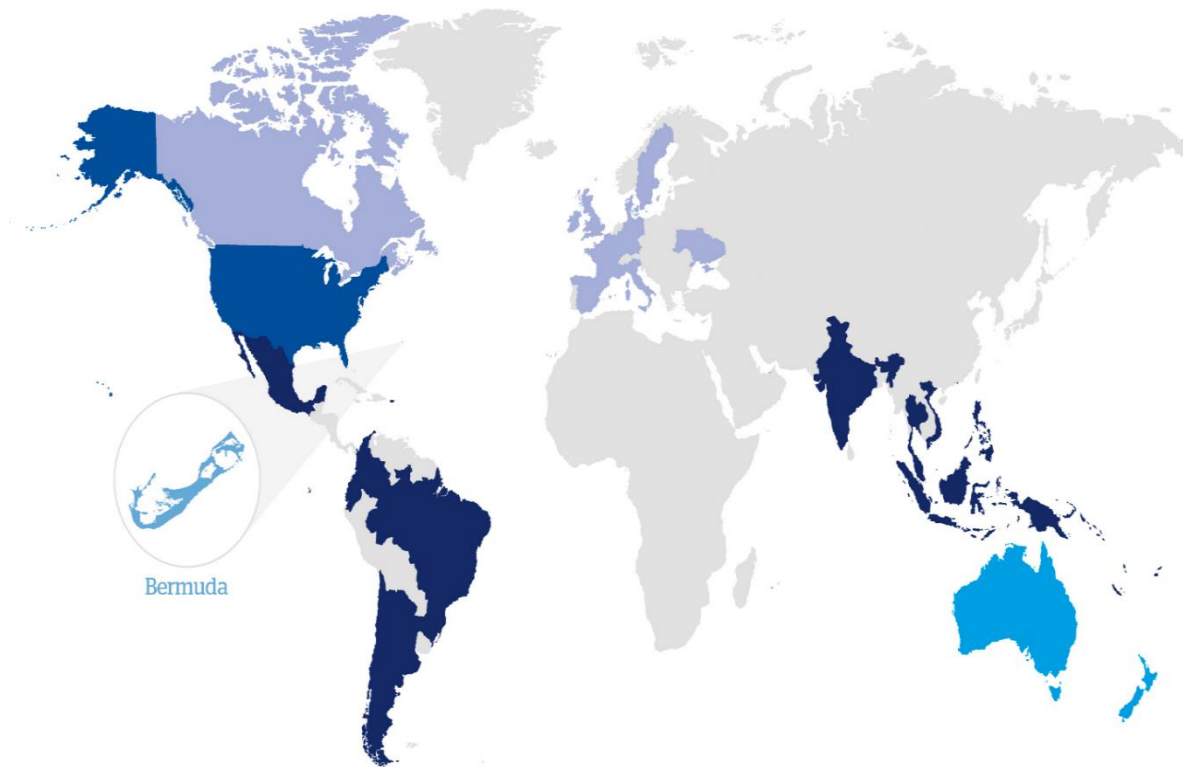
## Unique global footprint

- Operations in 38 territories
- Leading industry positions in Australia and London/UK markets
- Increasingly relevant in US commercial/specialty markets
- Strongly growing Emerging Markets footprint: 13% of Group GWP

## Underwriting and ROE discipline

- Underwriting and claims management DNA
- Improving insurance profit margin and ROE

# About QBE (continued)



## Countries in which QBE has operations

	2014 GWP(\$M)	
● North American Operations	5,310	32%
● European Operations	4,526	28%
● Australian & New Zealand Operations	4,392	27%
● Emerging Markets	2,179	13%
● Equator Re		

# The QBE journey so far

## Transform

- Portfolio remediation and asset sales – QBE returned to “core”
- GSSC established to drive operational efficiency and consistency of process
- Head office control framework and governance strengthened
- Cultural reset – federated model to OneQBE
- Remuneration reconstructed to drive behaviour aligned to shareholders’ interests
- Board and Group Executive renewed

## Stabilise

- Balance sheet quality substantially upgraded:
  - capital raising and debt restructure: > \$1.5Bn capital added
  - gearing normalised to <35%
  - reserving adequacy restored via ~\$1.5Bn strengthening
  - rating agencies acknowledge changes
- Earnings volatility reduced:
  - favourable reserve development
  - comprehensive reinsurance
  - portfolio remediation and de-risking e.g. Argentine workers’ compensation
  - crop quota share and derivative protection

## Grow

- Investment portfolio optimised – attractive incremental ROIC
- Targeting modest organic growth of 3-4% pa
- Revised payout ratio will more than fund organic growth

# 1H15 financial results summary

For the half year ended 30 June 2015		2014 <sup>(1)</sup>	2015 <sup>(2)</sup>	Change
GWP	\$M	8,491	8,557	↑ 1%
NEP	\$M	6,947	6,084	↓ 12%
Underwriting profit	\$M	244	401	↑ 64%
COR	%	96.5	93.4	↓ 3.1ppt
Insurance profit	\$M	530	610	↑ 15%
Insurance profit to NEP	%	7.6	10.0	↑ 2.4ppt
Profit before tax	\$M	487	595	↑ 22%
Net profit after income tax	\$M	392	455	↑ 16%
Cash profit after tax	\$M	416	471	↑ 13%
EPS diluted	US cents	30.5	35.5	↑ 16%
Dividend per share	AU cents	15.0	20.0	↑ 33%

(1) 1H14 refers to our previously reported statutory results

(2) 1H15 adjusted results exclude Argentine workers' compensation, Mortgage & Lender Services (M&LS) deferred acquisition cost write-down as well as agency and other asset sales

# 1H15 divisional management results

1H15	North America	Europe	Australia & New Zealand	Emerging Markets <sup>(1)</sup>	Equator Re	<sup>(2)</sup> Group (adjusted)	Group (statutory)
GWP (\$M)	3,109	2,659	1,928	929	976	8,557	8,692
<i>Contribution to Group GWP</i>	36%	31%	22%	11%	-	100%	-
GEP (\$M)	2,309	2,112	1,913	864	485	7,148	7,293
NEP (\$M)	1,832	1,660	1,668	741	182	6,084	6,229
Net claims ratio (%)	62.5	49.1	62.9	56.4	58.2	58.6	59.8
Net commission ratio (%)	18.0	18.8	14.1	22.9	7.1	17.5	17.3
Expense ratio (%)	19.7	17.9	13.8	20.2	3.3	17.3	18.2
<b>COR (%)</b>	<b>100.2</b>	<b>85.8</b>	<b>90.8</b>	<b>99.5</b>	<b>68.6</b>	<b>93.4</b>	<b>95.3</b>
<b>Insurance profit margin (%)</b>	<b>1.6</b>	<b>16.7</b>	<b>14.8</b>	<b>4.6</b>	<b>47.8</b>	<b>10.0</b>	<b>8.6</b>
<b>FY14</b>							
COR (%)	100.8	93.8	87.0	112.7	79.9	n/a	96.1
Insurance profit margin (%)	0.2	9.7	17.7	(6.4)	27.7	n/a	7.6
<b>1H14</b>							
COR (%)	98.4	94.2	87.4	102.4	98.6	94.4	96.5
Insurance profit margin (%)	2.9	8.9	17.2	1.5	9.0	9.3	7.6

(1) Excludes Argentine workers' compensation

(2) Refer to slide 7 of QBE's HY15 results presentation for reconciliation between statutory result and adjusted result



# Divisional update

## North America

- Pricing competitive but rate movements still positive overall
- Pressure on attritional claims due to industry-wide commercial auto claims inflation
- Key leadership roles filled, including CUO and head of standard lines
- Crop pricing versus expected yields supportive of “normal” crop result

## Europe

- Pricing extremely competitive, particularly in international markets and reinsurance
- New client engagement model has increased new business and retention levels
- Positive prior year development

## Australia & New Zealand

- Pricing competitive, though signs of stabilisation in commercial
- Investing in new policy and claims administration system (Guidewire)
- Positive prior year development

## Emerging Markets

- New governance model and legal structure established
- Latin America strategy focusing on Corporate, Specialty, SME and personal lines with strategic partners
- Asia Pacific has moved first 45 roles to GSSC in Philippines and efforts to be accelerated in 2016
- Sale of Argentine workers’ compensation business completed on 10 August

# Lenders' mortgage insurance update

## Capital & risk

- Investigated partial IPO and trade sale but pricing currently prohibitive
- Capital usage is naturally declining - GWP likely to fall 30% in 2015 largely reflecting changes to lending policies as a result of APRA requirements
- GWP reduction biased to high LVR and investor loans so new business quality is high
- Back book (2014 and prior) highly profitable and “deep in the money” with estimated effective LVR of 62% versus 81% at loan origination

## Reinsurance

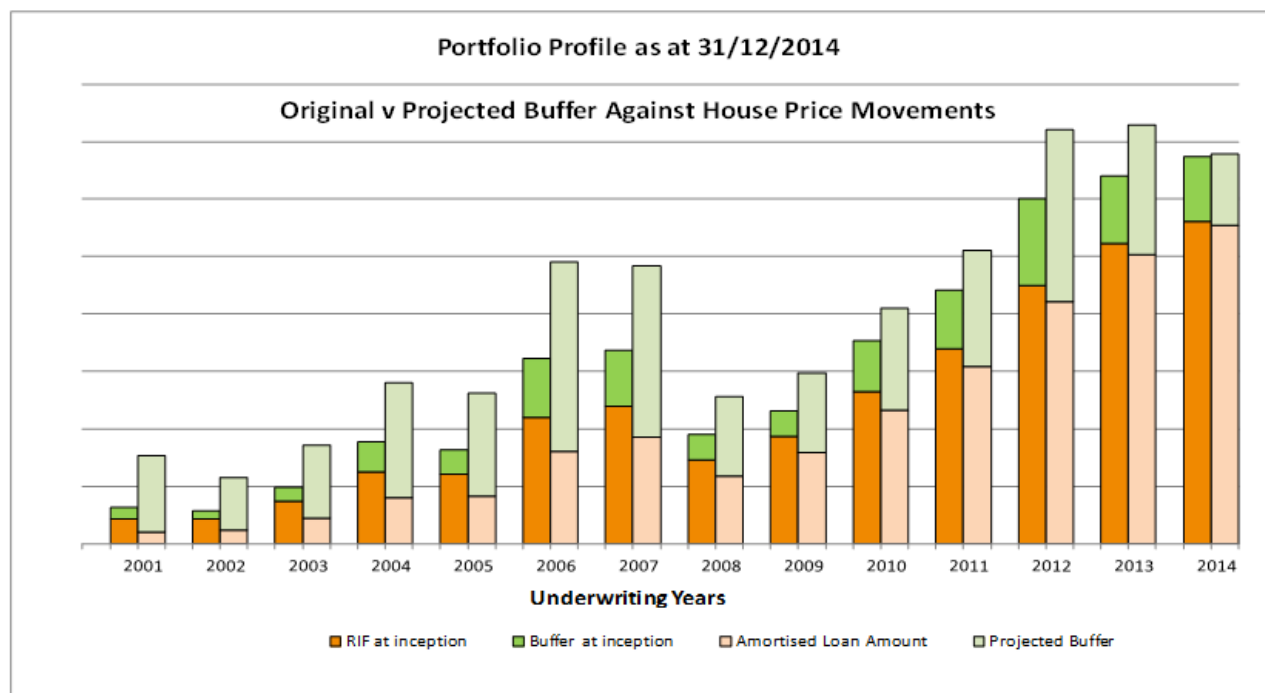
- More targeted reinsurance to limit tail risk on front book
- Catastrophe stop loss reinsurance purchased for 2016 and 2017 underwriting years:
  - attaches at a 70% loss ratio
  - provides A\$300M of cover
  - protects against estimated 1:20-1:250 year economic events
- External 25% quota share will not be renewed with beneficial impact on NEP, NCOR and underwriting income over time

## Profitability

- Profitability and margin outlook remains strong:
  - delinquencies stable at very low levels
  - new business quality is high
  - combined operating ratio expected to be <30%

# Lenders' mortgage insurance update (continued)

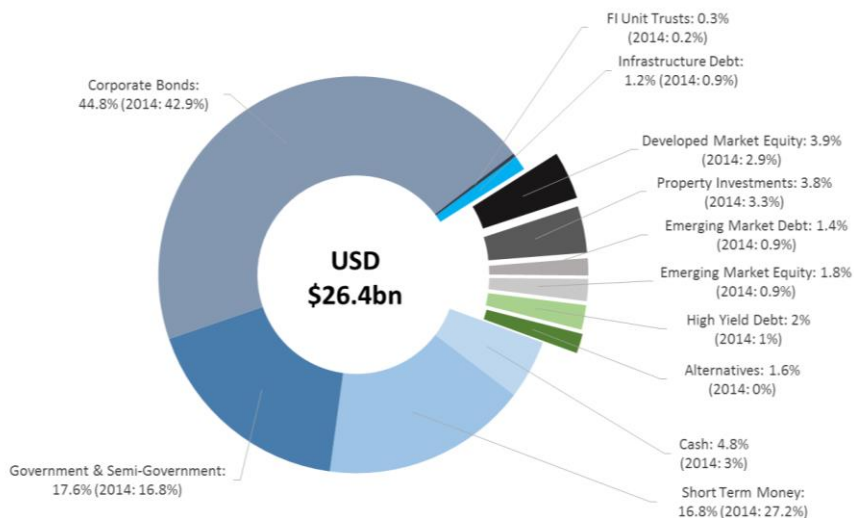
Over time, the portfolio develops a significant buffer against a property shock



- The buffer at loan origination is a product of the “risk-in-force” and LVR. These are static values, captured at the time of underwriting. Only active policies are shown.
- The increased buffer shown in the graph reflects Australian median house price movements since underwriting and assumes that on average, loans amortise over 20 years on a yield to maturity basis

# Investment update

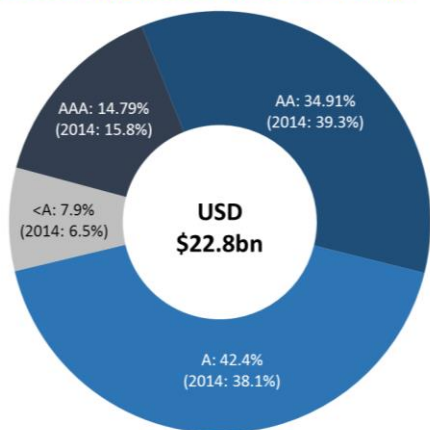
Total Investments & Cash - Q3 2015



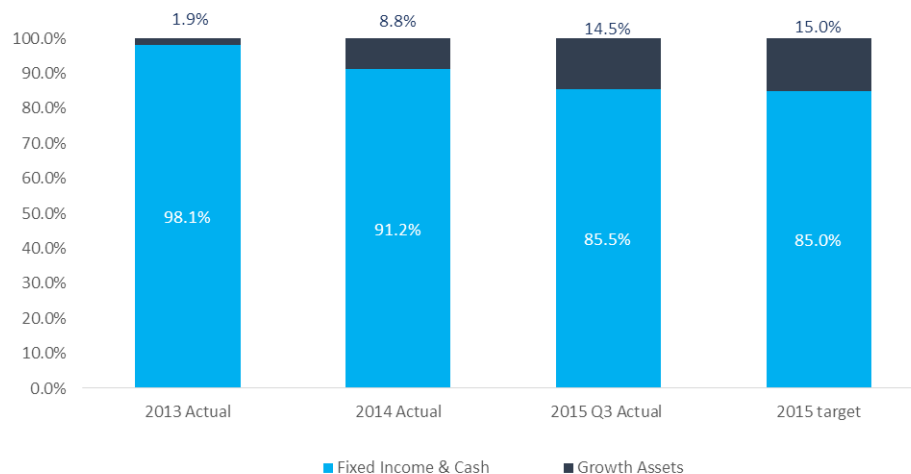
## Investment performance Q315

- Growth/risk assets of 14.5% at 30 September
- FY15 insurance margin target inferred net investment return of around 2.65%
- Our central estimate for FY15 (at current market levels) is a net investment return of 2.6%, even after significant market volatility

Interest bearing financial assets - S&P ratings - Q3



Investment Portfolio Mix



# 3Q15 trading update

## FY15 margin targets reaffirmed

- Combined operating ratio unchanged at 94-95% (towards the top end)
- Insurance profit margin unchanged at 8.5-10.0% (towards the bottom end)

## Premiums

- Pricing remains competitive in all markets, slightly tougher than 1H15
- GWP under pressure due to pricing and specific areas of weakness - LMI, NA program

## Claims

- Attritional claims ratio under some pressure in ANZ & NA as premium rates lag inflation
- Large individual risk and catastrophe experience relatively benign since 30 June but will exceed \$1.1bn aggregate attachment point
- Significant focus on claims management including supply-chain management (TPA's, legal panels, salvage, subrogation), exporting best practice, enhanced fraud detection measures

## Other

- Investment returns on-track with expectations but markets remain volatile
- Debt restructure – £300M senior debt swapped for Basel 3 compliant Tier 2 capital
- Strong balance sheet

# Our focus over the next 12 months

## Earnings stability & predictability

- Demonstrate ongoing reserve stability
- Cost of large individual risk and catastrophe claims more predictable
- Optimise asset allocation to enhance investment returns

## Growing dividend

- Target strongly growing dividends
- Dividends expected to be fully franked in 2015 and 2016
- Payout policy increased to 'up to 65% of cash profit' for interim 2016 and beyond
- Cash remittances >\$700M

## Underwriting performance & claims

- Overarching focus on underwriting and claims management excellence
- Manage attritional claims ratio in a competitive environment
- Improve profitability in North America and Latin America
- Claims management efficiency/expertise

## Our focus over the next 12 months (continued)

### Operational efficiency

- Expense ratio currently 2-3% above global peers
- Further cost savings targeted – minimum \$100M
- Leverage scalable operating platform created in the Philippines
- Investment in analytics and systems
- Enhance IT and processing efficiency

### Platform to drive longer term organic premium growth of 3 – 4% pa

- Structured approach to retention
- Global distribution - streamline interaction with global brokers
- Bancassurance strategy
- Products per customer
- Industry verticals
- Multinationals
- Emerging Markets

# Questions & answers



# Disclaimer

The information in this presentation provides an overview of the results for the half year ended 30 June 2015.

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.

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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 overall reduction in premium rates; 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; 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.

# Thank you