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26 February 2018

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

Dear Sir/Madam,

QBE Presentation on the 2017 results

Further to the Company's announcement to the market today on its results for the year ended 31 December 2017, please find attached the presentation to be delivered to investors and analysts this morning.

Yours faithfully

Carolyn Scobie
Company Secretary

Encl.

QBE Insurance Group

2017 full year results presentation

Pat Regan I Group Chief Executive Officer

Michael Ford I Group Chief Financial Officer

All figures in US$ unless otherwise stated

Monday 26 February 2018

Pat Regan

Group Chief Executive Officer

2017 In Review

Catastrophe Impact

Combined operating ratio 104.1%[1,2,3] (2016 93.7%[2,3,4])

"Excess" catastrophe claims[5] impacted COR by ~6pts

North America and Equator Re especially impacted

Operational Performance

Asia Pacific result unacceptable

North American reserves strengthened: PYD and LPTs

Solid performances from Europe and Australia & New Zealand

Balance Sheet

Strong investment return of 3.2%

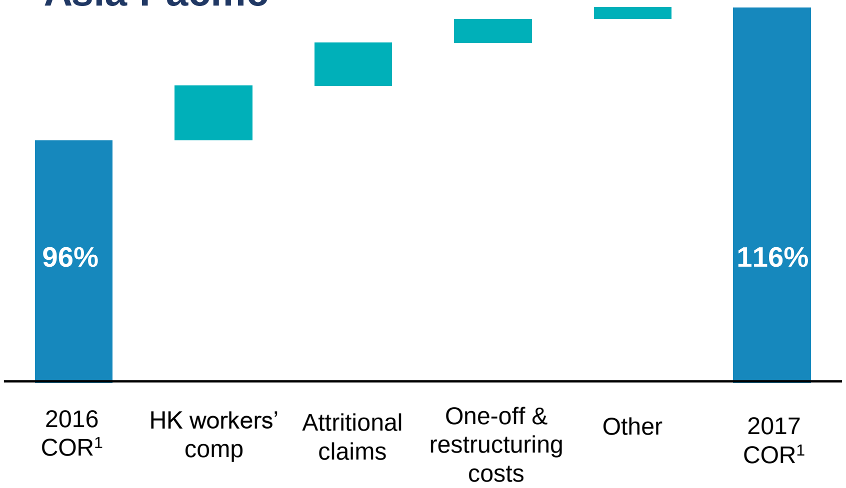
Capital position strong – PCA at 1.64x

PoA strengthened to 90.0% from 89.5% previously

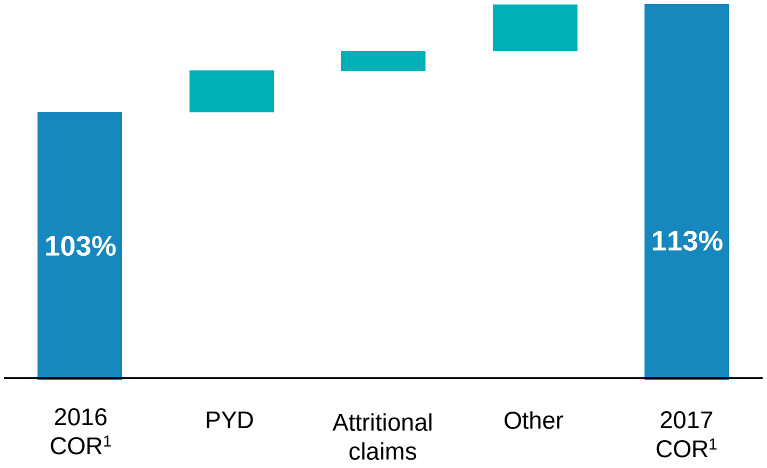
1 Excludes one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK
2 Excludes the impact of changes in risk-free rates used to discount net outstanding claims liabilities
3 Excludes transactions to reinsure US liabilities
4 Excludes transactions to reinsure UK liabilities
5 Risk and catastrophe claims in excess of the Group's aggregate reinsurance limit

Asia Pacific and Latin America

Asia Pacific



Latin America



- **Significant items impacting FY17**
  - HK WC contributed half of underwriting loss
  - Higher marine and property attritional claims
- **One-off restructuring costs**
- **Profit improvement program in place**

- **Announced sale of Latin American operations to Zurich Insurance Group**
- **Estimated aggregate consideration is $409M** (subject to closing adjustments)
- **Profit on sale before tax is estimated at around $100M[2]**

1 Excludes the impact of changes in risk-free rates used to discount net outstanding claims liabilities
2 Excludes a foreign currency translation reserve reclassification charge of around $210M (out of equity and into the income statement). This is a non-cash item and will not impact shareholders' funds or QBE's regulatory or ratings agency capital base

Our Strategic Agenda:

A stronger and simpler QBE

Our Focus

1. Simplify QBE
2. Brilliant Basics
3. Drive Performance Improvement
4. Further Reposition North America
5. Remediate Asia
6. Talent and Culture
7. Build for the Future

1 Simplify QBE

Our Focus

- Core markets and products:
  - Attractive market
  - Solid market position with a competitive advantage
  - Realistic plan to generate an acceptable return
- Narrow the focus and simplify back to core
- Improve quality and consistency of results

Simplification Initiatives

- Latin America
- Hong Kong workers' comp - construction
- Thailand sale agreement signed
- North American portfolio:
  - Monoline commercial auto exited
  - Narrowed program focus
  - Personal lines

2 Brilliant Basics

Underwriting

Re-set and refine common standards and practices

Consistent, best practice underwriting standards

Strengthen governance

Pricing

Develop best in class pricing models

Deploy consistently across the Group as appropriate

Invest in data & analytics and machine learning

Invest in support systems and talent

Claims

Implement global claims standards

Drive further claims indemnity savings initiatives

Further invest in data & analytics

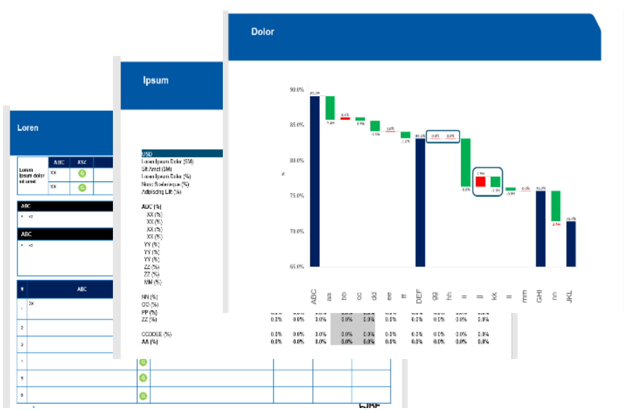
3 Drive Performance Improvement: Cell Review Process

Cell reviews are being rolled out across QBE to drive a higher degree of accountability and execution

- Instilling **consistent operating routines** across **60 global cells**
- **Highly interactive** regular sessions between **Global, Local and Cell leadership**
- Financial and operational **KPIs linked to driving Brilliant Basics**

Fact based reviews

Results oriented outcomes



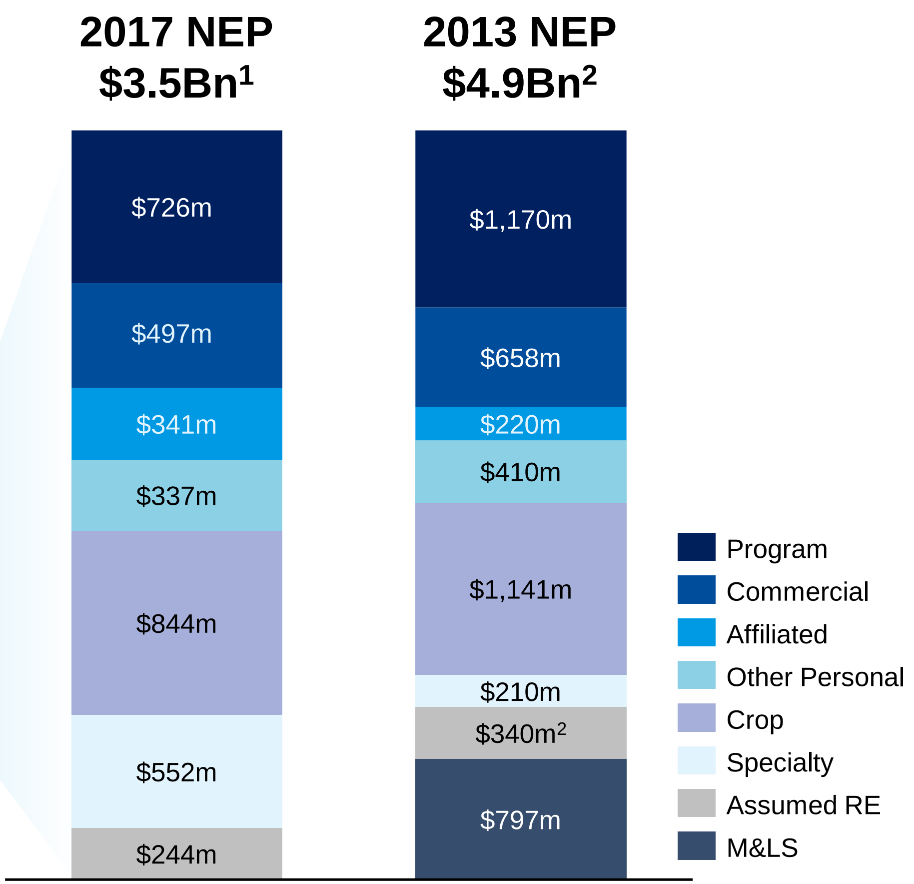
- **Clear action plans** for cells in remediation or growth
- **Quicker decisions** as issues arise
- Optimise **capital efficiency**

Driving a culture of accountability

4 Further Reposition North America

Key Priorities

1. **Deliver 2018 plan**
2. **Establish Brilliant Basics fundamentals**
3. **Refine operating model -** refine core P&C portfolio and simplify the operating platform
4. **Refocus portfolio:**
   - **refine** industry verticals and underwriting appetite in “middle market” commercial and Specialty
   - Crop and Specialty growth adds portfolio **diversification** and lowers cat exposure



1 Excludes transactions to reinsure US liabilities
2 Adjusted to exclude non-North America premium related to global reinsurance portfolio

5 Remediate Asia: Execute Profit Improvement Program

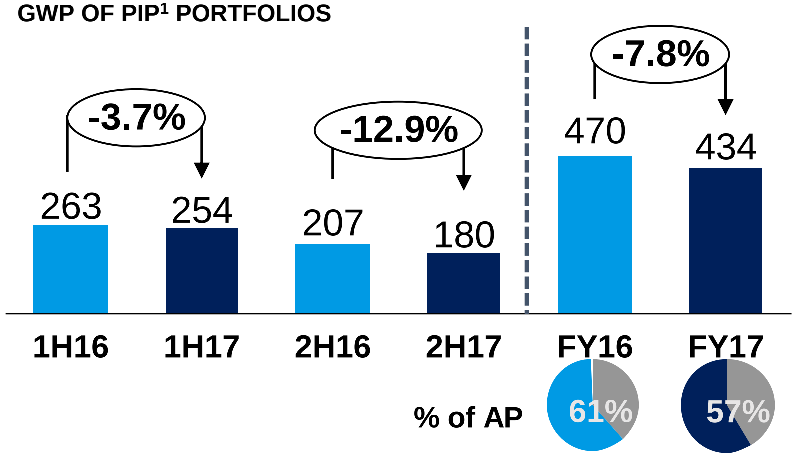
Remediation activities

1 Targeted performance improvement plans

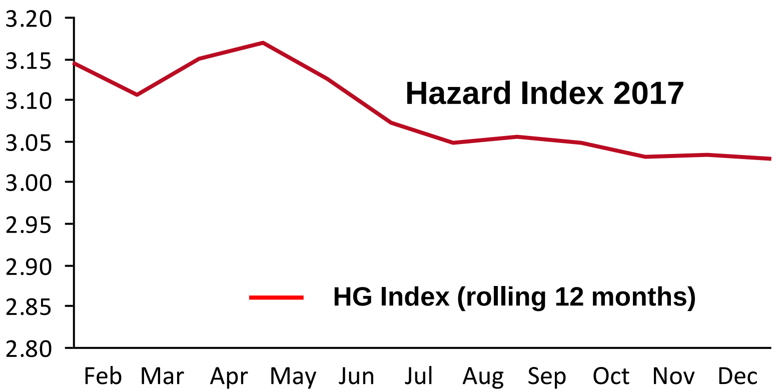
2 Implement Brilliant Basics: Underwriting, pricing and claims

3 Rationalise regional costs and simplify operating model

Reduction in poor performing segments



Property hazard grade improving



1 Performance improvement plans

6 Talent and Culture

7 Build For The Future

Talent & culture

- Continue to build talent and capability
- Culture centred around:
  - Fast-paced
  - Accountable
  - Technically excellent
  - Decisive
  - Diverse
  - Customer-led
  - Team

Innovation & Technology

- Focus on building internal data science capability
- Investment in Insurtech companies
- Digital

Customer Focus

- Focus on retention and quality of new business
- Sales excellence

Operational Excellence

- Simplify operating model
- Process excellence and automation
- Tactical cost efficiencies

Michael Ford

Group Chief Financial Officer

2017 Financial Results Summary

For the year ended 31 December		2016[1,2]	2017[2,3]
GWP	$M	14,088	14,191
NEP	$M	11,636	12,458
COR	%	94.4	103.6
COR (ex discount rate)	%	93.7	104.1
Insurance profit	$M	1,064	24
Insurance profit to NEP	%	9.1	0.2

Statutory net profit (loss) after tax	$M	844	(1,249)
Cash profit (loss) after tax	$M	898	(258)
Dividend per share	AU cents	54.0	26.0

1 Excludes transactions to reinsure UK liabilities
2 Excludes transactions to reinsure US liabilities
3 Excludes one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK

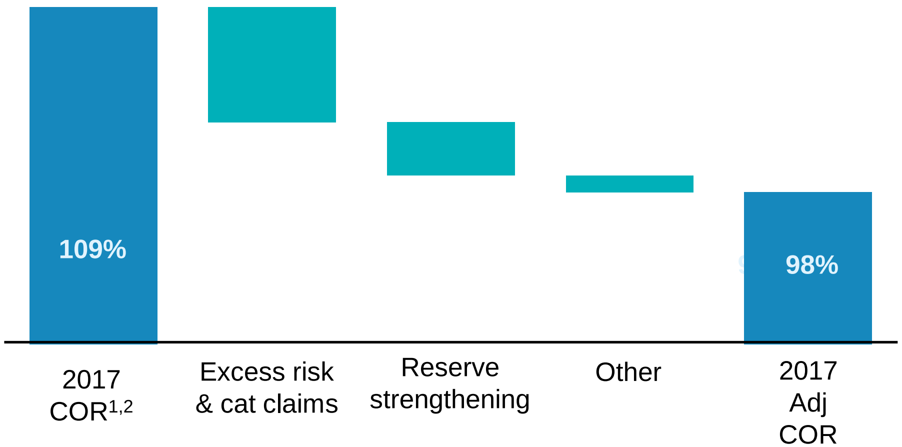
2017 Divisional Results - Adjusted

2017	North America[1]	Europe[2]	Australia & New Zealand	Asia Pacific	Latin America[3]	Equator Re	Group[1,2]
GWP ($M)	4,556	4,049	4,024	740	863	1,580	14,191
GEP ($M)	4,622	4,010	4,135	779	835	1,614	14,446
NEP ($M)	3,541	3,212	3,480	653	715	847	12,458
Net claims ratio (%)	77.7	58.7	62.3	67.2	64.5	130.7	70.9
Net commission ratio (%)	15.6	19.2	15.1	22.2	26.0	8.7	17.0
Expense ratio (%)	15.5	15.5	14.5	25.9	22.7	1.9	15.7
COR (%)	108.8	93.4	91.9	115.3	113.2	141.3	103.6
COR (%) ex discount rate	**109.1**	**95.2**	**92.0**	**115.5**	**113.1**	**140.9**	**104.1**
2016							
COR (%) ex discount rate	98.5	90.7	92.4	95.6	102.9	70.2	93.7
COR (%)	97.8	93.6	92.7	95.6	102.9	70.7	94.4

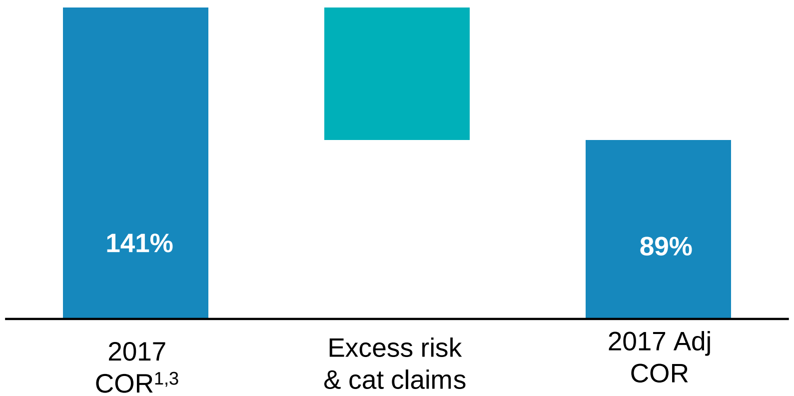
1 Excludes transactions to reinsure US liabilities
2 Excludes one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK
3 Latin American Operations sold subsequent to year-end – refer ASX Release of 26 February 2018

North America and Equator Re – Heavily Cat Impacted

North America: Catastrophes and reserve strengthening



Equator Re: Catastrophes



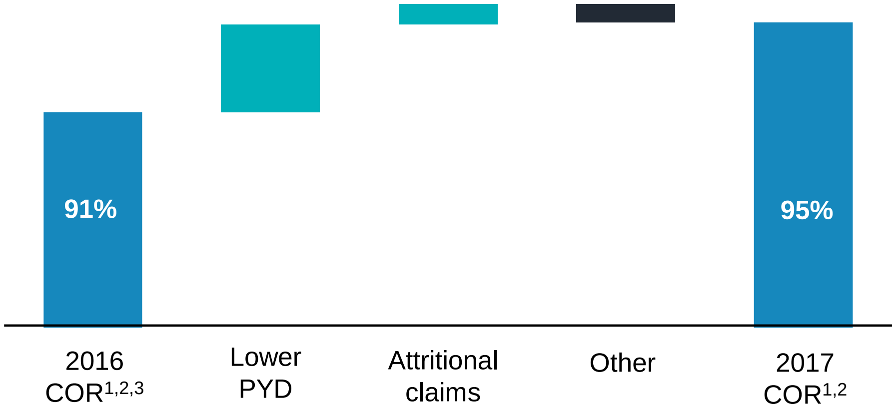
- **Strong foundation established**
  - ~$850M of LPTs over the last 2 years
  - Claims reserves strengthened
- **Impacted by Hurricanes Harvey, Irma and Maria as well as the Californian wildfires and heightened first half storm activity**

- **Equator Re bridges the gap between the Group's risk appetite and that of the divisions**
- **Not surprisingly, Equator Re retained significant "excess" risk and catastrophe claims**

1 Excludes the impact of changes in risk-free rates used to discount net outstanding claims
2 Excludes transactions to reinsure US liabilities
3 Adjusted for LPT transaction with North American Operations and related external LPT of same portfolio

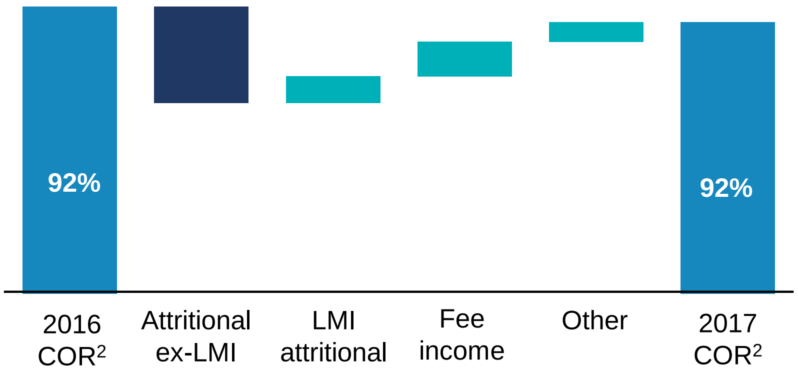
Europe and Australia & New Zealand

Europe: Prior accident year reserve releases moderating



- **Positive prior accident year claims development moderating**
- **Attritional claims ratio also impacted by**
  - One-off reinsurance costs
  - Weaker sterling
- **Focus remains on pricing discipline and further efficiency gains**

ANZO: Performance management driving underwriting improvement

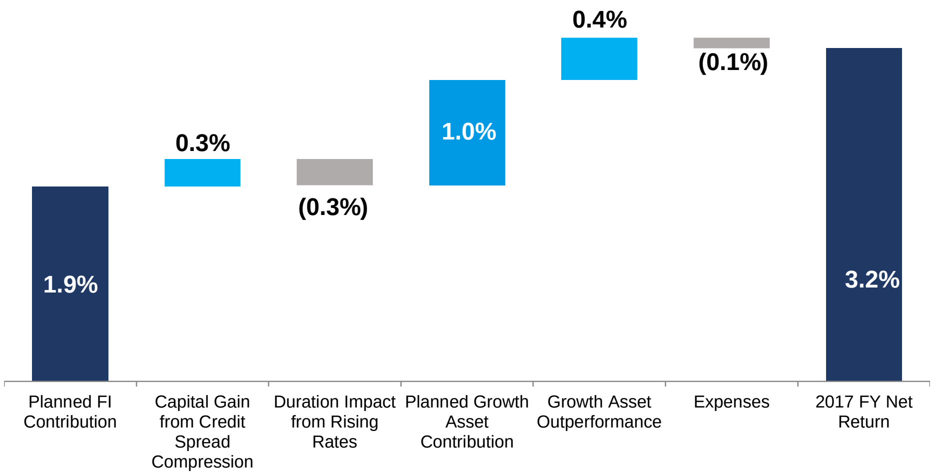


- **Improvement in attritional (ex LMI) ~3%**
  - ~6% rate increases (ex CTP)
  - Premium retention stable at around 82%
- **Expense base flat (excluding fee income)**
- **LMI COR ~50%**

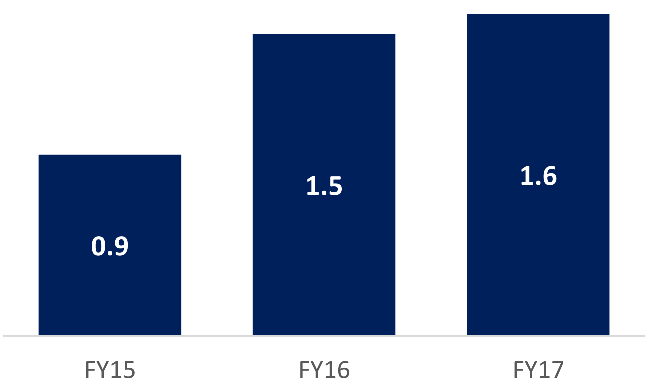
1 Excludes one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK
2 Excludes the impact of changes in risk-free rates used to discount net outstanding claims
3 Excludes transactions to reinsure UK liabilities

Investment Performance

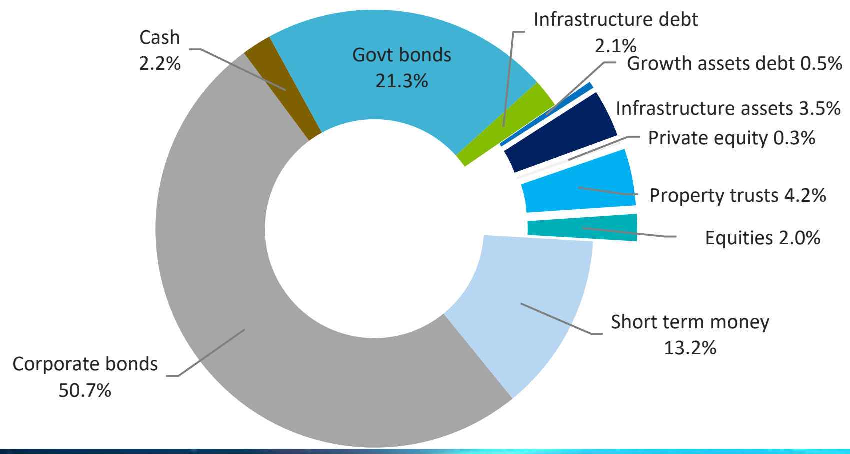
2017 return above plan



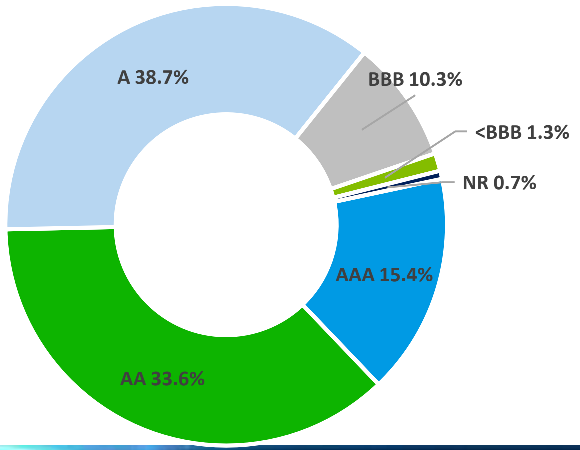
Fixed income duration (years)



Investments & cash - $26.1Bn

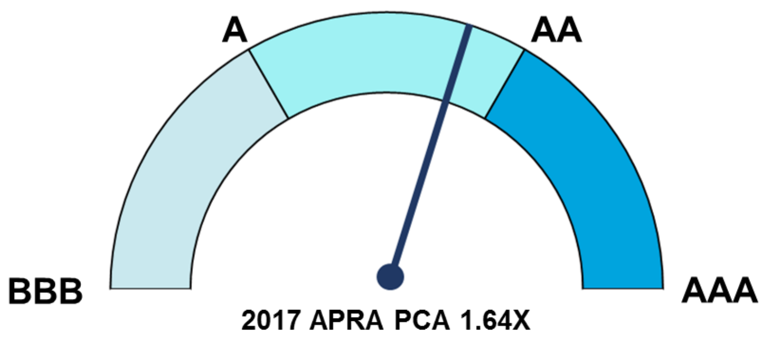


Fixed income portfolio rating (S&P)



Financial Strength

S&P Outlook ‘Stable’



Cash remittances

Dividend

- Final dividend 4 Australian cents per share
- FY17 total dividend 26 Australian cents per share
- Total FY17 payout (including share buyback) of $495M
- Dividend policy unchanged

Share buyback

- A$139M purchased resulting in the cancellation of 13M shares (0.9% of issued capital)
- Committed to 3 year share buyback

Outlook

Pat Regan
Group Chief Executive Officer

Our Focus

1. Simplify QBE
2. Brilliant Basics
3. Drive Performance Improvement
4. Further Reposition North America
5. Remediate Asia
6. Talent and Culture
7. Build For The Future

2018 Targets

COMBINED OPERATING RATIO	95.0% - 97.5%[1,2]
INVESTMENT RETURN	2.5% - 3.0%[2]

1 Assumes risk-free rates as at 31 December 2017
2 Includes the results of operations in Latin America which will be presented as discontinued operations in the 2018 statement of comprehensive income

Questions & Answers

Disclaimer

The information in this presentation provides an overview of the results for the year ended 31 December 2017.

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 or QBE’s website 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

2017 Attritional Claims Ratio Analysis

	2016[2,3] NEP US$M	2016[2,3] Attritional %	2017[1,2] NEP US$M	2017[1,2] Attritional %
Rest of portfolio	**11,093**	**51.9**	**11,507**	**52.4**
Crop insurance	543	59.0	951	77.5
QBE Group	**11,636**	**52.2**	**12,458**	**54.3**

1 Excludes one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK
2 Excludes transactions to reinsure US liabilities
3 Excludes transactions to reinsure UK liabilities

2017 Adjusted Claims Ratio Analysis

		2016[2,3]			2017[1,2]		
		1H16	2H16	FY16	1H17	2H17	FY17
NEP	**$M**	**5,791**	**5,845**	**11,636**	**6,045**	**6,413**	**12,458**
Attritional claims	%	52.8	51.7	52.2	53.3	55.3	54.3
Large individual risk and catastrophes	%	9.5	8.7	9.1	9.7	19.3	14.6
Claims settlement costs	%	2.9	2.6	2.8	3.0	3.3	3.2
Claims discount	%	(1.3)	(2.3)	(1.9)	(1.8)	(3.2)	(2.5)
Accident year claims ratio	**%**	**63.9**	**60.7**	**62.2**	**64.2**	**74.7**	**69.6**
PY central estimate development	%	(3.9)	(2.5)	(3.1)	(2.4)	1.7	(0.3)
Change in discount rates	%	4.6	(3.2)	0.7	(0.5)	(0.6)	(0.5)
Movement in risk margins	%	(0.2)	(1.5)	(0.8)	0.2	1.4	0.8
Other (including unwind of discount)	%	1.5	1.7	1.4	1.2	1.3	1.3
Financial year claims ratio	**%**	**65.9**	**55.2**	**60.4**	**62.7**	**78.6**	**70.9**

1 Excludes one-off adverse impact on the Group's underwriting result due to the Ogden decision in the UK
2 Excludes transactions to reinsure US liabilities
3 Excludes transactions to reinsure UK liabilities

2017 Statutory Claims Ratio Analysis

		2016			2017		
		1H16	2H16	FY16	1H17	2H17	FY17
NEP	**$M**	**5,615**	**5,451**	**11,066**	**6,043**	**5,998**	**12,041**
Attritional claims	%	54.5	55.5	54.9	53.3	59.1	56.2
Large individual risk and catastrophes	%	9.8	9.3	9.6	9.7	20.7	15.2
Impact of reinsurance transactions[1]	%	-	-	-	-	(1.3)	(0.7)
Claims settlement costs	%	3.0	2.8	2.9	3.1	3.3	3.2
Claims discount	%	(1.3)	(2.5)	(1.9)	(1.8)	(3.2)	(2.5)
Accident year claims ratio	**%**	**66.0**	**65.1**	**65.5**	**64.3**	**78.6**	**71.4**
PY central estimate development	%	(3.9)	(2.7)	(3.3)	(2.4)	1.8	(0.3)
Impact of reinsurance transactions[1]	%	(3.2)	(7.3)	(5.2)	-	(5.7)	(2.9)
Impact of Ogden	%	-	-	-	2.5	(0.3)	1.2
Change in discount rates	%	5.0	(3.7)	0.7	(0.5)	(0.6)	(0.6)
Movement in risk margins	%	(0.2)	(2.2)	(1.2)	0.2	1.1	0.7
Other (including unwind of discount)	%	1.1	2.3	1.7	1.2	1.5	1.4
Financial year claims ratio	**%**	**64.8**	**51.5**	**58.2**	**65.3**	**76.4**	**70.9**

1 Impact of transactions to reinsure US and UK liabilities

Currency Mix

Interest bearing financial assets	31 December 2016 US$M	31 December 2016 %	31 December 2017 US$M	31 December 2017 %
Australian dollar	7,993	32	8,104	31
US dollar	7,786	31	7,623	29
Sterling	4,473	17	4,628	18
Euro	2,104	8	2,705	10
Canadian dollar	941	4	1,092	4
Hong Kong dollar	497	2	536	2
New Zealand dollar	410	2	421	2
Argentine peso	236	1	223	1
Singapore dollar	221	1	203	1
Other	574	2	606	2
Total	25,235	100	26,141	100
GWP currency mix	**US$M**	**%**	**US$M**	**%**
US dollar	6,310	44	6,003	42
Australian dollar	3,751	26	3,816	27
Sterling	1,445	10	1,355	10
Euro	876	6	944	7
Argentine peso	374	3	394	3
New Zealand dollar	264	2	304	2
Hong Kong dollar	291	2	274	2
Canadian dollar	239	2	259	2
Singapore dollar	163	1	174	1
Other	682	4	668	4
Total	14,395	100	14,191	100

Movement in Weighted Average Discount Rate

Currency		31 Dec 2016	30 June 2017	31 Dec 2017
		Weighted average risk-free discount rates on outstanding claims %		
Australian dollar		2.26	2.17	2.31
US dollar		2.04	2.15	2.36
Sterling		0.68	0.89	0.92
Euro		0.19	0.45	0.42
Group weighted average (ex Argentine peso)		**1.33**	**1.42**	**1.53**
Estimated impact of discount rate movement[1]	**$M**	**(80)**	**29**	**67**

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

FX Rates versus US$

	December 2016		June 2017		December 2017	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
AUD	0.72	0.74	0.77	0.75	0.78	0.77
GBP	1.23	1.35	1.30	1.26	1.35	1.29
EUR	1.05	1.11	1.14	1.08	1.20	1.13
ARS	0.06	0.07	0.06	0.07	0.05	0.06

North American Operations

		2016[1]	2017[1]
Gross written premium	$M	4,647	4,556
Gross earned premium	$M	4,657	4,622
Net earned premium	$M	3,318	3,541
Claims ratio	%	64.2	77.7
Commission ratio	%	17.0	15.6
Expense ratio	%	16.6	15.5
Combined operating ratio	%	97.8	108.8
Combined operating ratio (ex discount rate)	%	98.5	109.1
Insurance profit (loss) margin	%	4.7	(6.7)

- GWP up 1%[2] as Specialty and Crop experienced strong growth, partially offset by declines in P&C
- Average premium rate up 0.7% compared with flat in 2016
- Net claims ratio increased to 77.7% due to:
  - significant catastrophe claims (Hurricanes Harvey, Irma, Maria and the California wildfires)
  - deterioration in the attritional ratio primarily due to an average Crop result after an outstanding 2016 coupled with weather-related claims
- Commission ratio improved due to business mix, including growth in Specialty and Crop
- Expense ratio improved further due to cost initiatives coupled with NEP growth
- COR (ex-discount rate) deteriorated to 109.1% from 98.5% in 2016 due to ~7% catastrophe claim impact and an average Crop result after an outstanding 2016

1 Adjusted for transactions to reinsure US liabilities
2 Excludes $142 million of Latin American premium income fronted on behalf of Equator Re in 2016

European Operations

		2016[1]	2017[2]
Gross written premium	$M	4,076	4,049
Gross earned premium	$M	3,878	4,010
Net earned premium	$M	3,115	3,212
Claims ratio	%	58.6	58.7
Commission ratio	%	18.4	19.2
Expense ratio	%	16.6	15.5
Combined operating ratio	**%**	93.6	93.4
Combined operating ratio (ex discount rate)	**%**	90.7	95.2
Insurance profit margin	**%**	10.1	10.4

- GWP up marginally on a constant currency basis
- Premium rates (ex Ogden) were broadly flat compared with an overall reduction of 2.4% in 2016
- NEP up 4% on a constant currency basis
- Net claims ratio of 58.7%, in line with prior year:
  - positive risk-free rate impact of 1.8% compared with adverse impact of 2.9% in 2016; offset by
  - positive prior accident year claims development of $141M (4.4%) which was lower than the $273M (8.8%) reported in 2016
  - catastrophes (including Hurricanes Harvey, Irma, Maria and Californian wildfires)
- Expense ratio improved to 15.5% from 16.6% in the prior year, reflecting ongoing cost management and efficiency initiatives
- COR (ex-discount rate) increased to 95.2% from 90.7% in the prior year, primarily due to reduced positive prior accident year claims releases

1 Adjusted for transactions to reinsure UK liabilities
2 Excludes one-off adverse impact on the underwriting result due to the Ogden decision in the UK

Australian & New Zealand Operations

		2016	2017
Gross written premium	$M	3,933	4,024
Gross earned premium	$M	3,924	4,135
Net earned premium	$M	3,410	3,480
Claims ratio	%	63.7	62.3
Commission ratio	%	15.0	15.1
Expense ratio	%	14.0	14.5
Combined operating ratio	%	92.7	91.9
Combined operating ratio (ex discount rate)	%	92.4	92.0
Insurance profit margin	%	12.3	12.6

- GWP down 1% on a constant currency basis[1]
- Premium rates up 6.1% (excluding CTP) due to on-going pricing initiatives since 2016
- Premium retention broadly stable around 82% despite rate increases and remediation actions
- Net claims ratio improved to 62.3% as pricing and remediation initiatives impacted:
  - the attritional claims ratio improved by 1.8% (2.5% excluding LMI)
  - positive prior accident year claims development of 4.5% was consistent with 4.3% in 2016
- Expense ratio increased due to reduced managed fund fee income
- COR (ex discount rate) improved to 92.0% from 92.4% in 2016 despite the increase in the LMI COR to 50.7% from 34.9% in the prior year

1 Up 1% excluding the impact of regulatory changes to NSW CTP and the Emergency Services Levy

Asia Pacific Operations

		2016	2017
Gross written premium	$M	765	740
Gross earned premium	$M	748	779
Net earned premium	$M	615	653
Claims ratio	%	52.2	67.2
Commission ratio	%	21.4	22.2
Expense ratio	%	22.0	25.9
Combined operating ratio	%	95.6	115.3
Combined operating ratio (ex discount rate)	%	95.6	115.5
Insurance profit (loss) margin	%	5.5	(14.2)

- GWP down 3% on a constant currency basis, reflecting remediation actions, actively lapsing poorly performing and high hazard accounts
- Premium rates fell 2.3% compared with 0.1% in 2016 (but pricing conditions improved in the second half after falling 3.9% in the first half)
- Net claims ratio increased significantly to 67.2%:
  - the attritional claims ratio deteriorated to 56.0% from 46.9% in 2016, mainly due to HK workers' compensation and medium sized claims in property and marine classes
  - adverse prior accident year claims development of 5.4% (largely HK workers' compensation) from positive 0.9% in 2016
- The commission ratio increased due to growth in the HK agency channel
- The higher expense ratio was largely driven by restructuring and one-off charges
- COR deteriorated to 115.5%: more than half of the underwriting loss was due to the HK workers' compensation business

Latin American Operations

		2016	2017
Gross written premium	$M	867	863
Gross earned premium	$M	840	835
Net earned premium	$M	713	715
Claims ratio	%	56.1	64.5
Commission ratio	%	25.2	26.0
Expense ratio	%	21.6	22.7
Combined operating ratio	%	102.9	113.2
Combined operating ratio (ex discount rate)	%	102.9	113.1
Insurance profit (loss) margin	%	5.5	(6.9)

- GWP up 4% on a constant currency basis reflecting strong growth in Argentinean and Brazilian motor portfolios
- NEP up 5% on the same basis
- Net claims ratio increased to 64.5%
    - the attritional claims ratio deteriorated by 1.7% to 53.6% compared to the FY16 result
    - 2H catastrophe activity, specifically the Mexico Earthquake and Typhoon Hato have increased cat claims by 1.3% to 4.5%
    - adverse prior accident year claims development increased to 2.0% of NEP from positive 1.6% in 2016
- Commission ratio has increased due to business mix changes
- Expense ratio deterioration caused by inflationary pressure on expenses and restructuring costs
- COR deteriorated to 113.1%, primarily due to a higher claims ratio

Equator Re

		2016[1]	2017[1]
Gross written premium	$M	1,349	1,580
Gross earned premium	$M	1,246	1,614
Net earned premium	$M	468	847
Claims ratio	%	57.3	130.7
Commission ratio	%	10.7	8.7
Expense ratio	%	2.8	1.9
Combined operating ratio	%	70.7	141.3
Combined operating ratio (ex discount rate)	%	70.2	140.9
Insurance profit (loss) margin	%	35.0	(38.1)

- GWP up 17% due to an increase in proportional business
- Net claims ratio increased to 130.7% due to:
  - significant global catastrophe activity which exceeded the Group aggregate limit
  - adverse PYD reflecting reduced recoveries on prior year aggregate reinsurance treaties
- Decrease in commission ratio notwithstanding growth in proportional business which incurs higher commissions relative to non-proportional business
- COR (ex-discount) increased to 140.9% primarily reflecting extreme catastrophe activity
- Excluding large individual risk and catastrophe claims retained in excess of the Group's aggregate reinsurance protections, Equator Re's COR would have been around 89%.

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

Financial Strength and Flexibility

As at	31 Dec 2016	31 Dec 2017
Summary balance sheet	**$M**	**$M**
Investments and cash	25,235	26,141
Trade and other receivables	4,831	4,906
Intangibles	3,627	3,079
Other assets	1,385	1,168
Assets	**35,078**	**35,294**
Insurance liabilities, net	18,579	19,898
Borrowings	3,474	3,616
Other liabilities	2,691	2,879
Liabilities	**24,744**	**26,393**
Net assets	10,334	8,901
Non-controlling interests	50	42
Shareholders' funds	**10,284**	**8,859**

Reserving

- Favourable PYD of $37M (FY16 $366M)
- $67M positive discount rate impact (FY16 $80M adverse)
- PoA increased to 90.0% (FY16 89.5%)

Borrowings

- Debt to equity 40.8% (FY16 33.8%)
- Debt to tangible equity 62.6% (FY16 52.2%)

APRA PCA Calculation

$M	2016[1]	2017[2]
Ordinary share capital and reserves	10,334	8,901
Net surplus relating to insurance liabilities	674	712
Regulatory adjustments to Common Equity Tier 1 Capital	(4,441)	(3,642)
Common Equity Tier 1 Capital	**6,567**	**5,971**
Additional Tier 1 Capital - Capital securities	180	399
Total Tier 1 Capital	**6,747**	**6,370**
Tier 2 Capital - Subordinated debt and hybrid securities	2,530	2,528
Total capital base	**9,277**	**8,898**
Insurance risk charge	2,779	2,995
Insurance concentration risk charge	1,219	1,064
Asset risk charge	1,962	2,039
Operational risk charge	479	521
Less: Aggregation benefit	(1,158)	(1,193)
APRA's Prescribed Capital Amount (PCA)	**5,281**	**5,426**
PCA multiple	**1.76**	**1.64**
CET1 ratio (APRA requirement >60%)	**124%**	**110%**

1 Prior year APRA PCA calculation has been restated to be consistent with APRA returns finalised subsequent to year end
2 Indicative APRA PCA calculation at 31 December 2017

Borrowings

Borrowings profile %	FY16	FY17
Subordinated debt	74	72
Senior debt	17	17
Additional Tier 1 securities	-	11
Capital securities	9	-

Maturity profile[1] %	FY16	FY17
Less than 1 year	9	-
1 – 5 years	27	29
More than 5 years	64	71
Debt to equity ratio	33.8	40.8

Borrowings

- $3,616M at 31 December 2017
- Weighted average cost of borrowings 5.8% (FY16 5.9%)

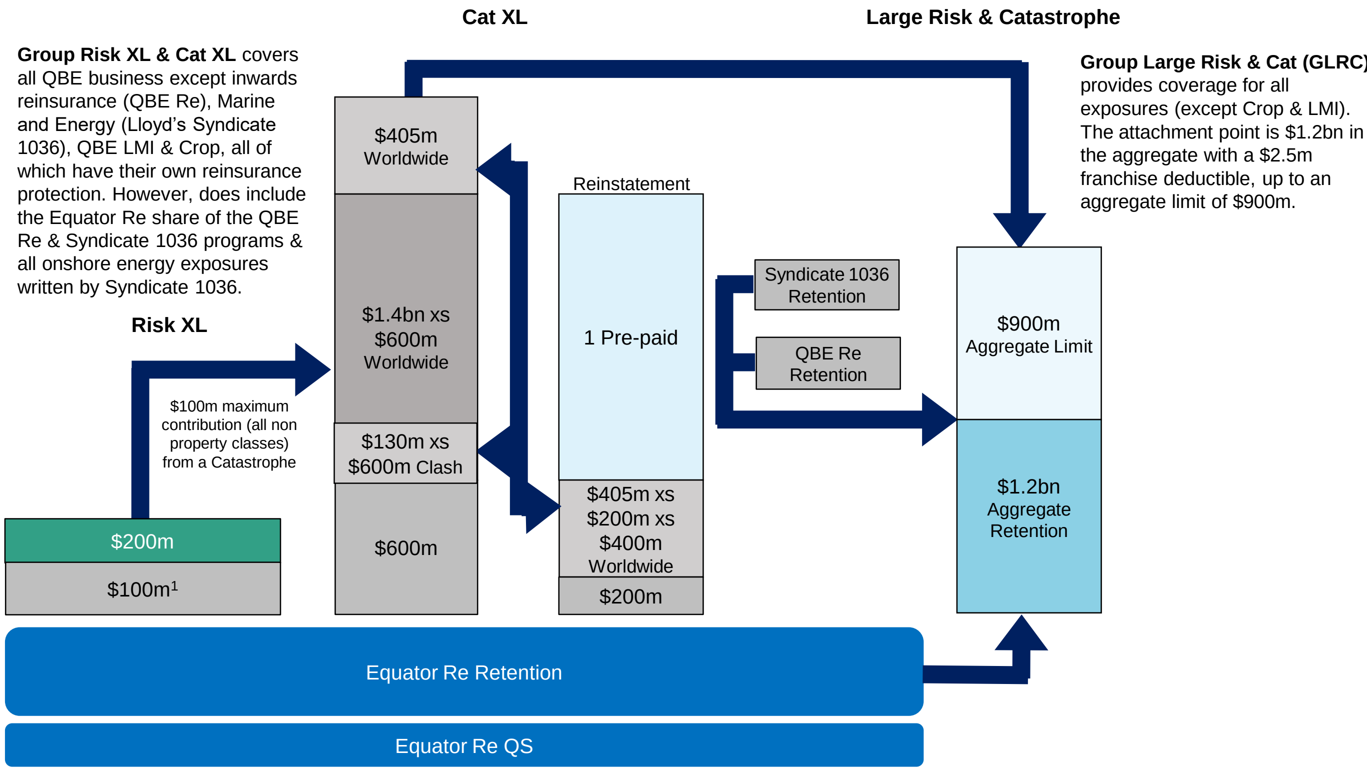
Debt to equity

- Ratio temporarily above 25% - 35% benchmark range reflecting second half loss
- Debt to tangible equity up to 62.6%

(1) Based on first call date

1 Based on first call date

QBE’s 2018 Global Reinsurance Program



1. Per risk retention further reduced via $75m xs $25m xs $200m (50% placed) risk sub-layer.