QBE Insurance Group Limited ABN 28 008 485 014
Level 27, 8 Chifley Square, SYDNEY NSW 2000 Australia
GPO Box 82, Sydney NSW 2001
telephone + 612 9375 4444 • facsimile + 612 9231 6104

www.qbe.com

2 April 2015

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

Dear Sir/Madam,

2015 Annual General Meeting of Shareholders - addresses

Please find attached:

1. Chairman's address; and
2. Chief Executive Officer's address.

Yours faithfully,

Peter Horton
Company Secretary

Attachments

CHAIRMAN'S 2015 AGM ADDRESS

This is an important meeting for QBE. During 2014 we implemented a number of key initiatives that have returned QBE to profitability, strengthened our balance sheet, and created a baseline for future success. In my first full year as Chairman, let me take a moment to reflect on 2014 and to look ahead to 2015 and beyond.

Since the Annual General Meeting last year, I have taken the opportunity to get to know QBE, spending time with each of our operating divisions and functional disciplines in their locale, as well as meeting with many of our larger shareholder groups and key regulators around the world to get an external, market perspective about our business.

There are three standout factors that have impressed me during my travels, and have given me great confidence in the road ahead for QBE.

First, I have been impressed with the overall quality of our people. Across our 17,000 people, we have a diverse mix of outstanding experience, talent, insight and skills working together to provide the best solutions for our clients.

Their determination and commitment to returning QBE to its rightful place as an industry leader is reflected in the work done in remediating and right-sizing our business and in driving operational transformation, whilst at the same time, continuing to deliver on our business plans. John Neal, our Group CEO, has built a very strong leadership team which has rippled down through the organisation. John will share his thoughts with us later in the meeting.

Secondly, I have been very impressed with QBE's solid underwriting DNA. QBE is at its heart an underwriting company, and, despite the reserve strengthening that impacted over the last two years, our combined ratio has never exceeded 100%. QBE has the principles of underwriting excellence embedded throughout the organisation and with reserves now stabilised we can look forward to future earnings stability and profitable growth.

My third observation is that QBE is one of a very few truly global insurance franchises and we are using this diversity of operations to drive economies of scale, operating synergies as well as providing leading practice solutions for our clients. QBE's geographic and product scope would be very difficult to replicate today.

I firmly believe QBE is a significantly stronger company than it was 12 months ago when I last had the opportunity to speak with you. We have made considerable ground in returning to more predictable and consistent earnings and we are now well positioned for future success.

This time last year, I shared with you three key initiatives our Board was focused upon to move our company forward after a period of significant change. To this end, I am pleased to say that during 2014, we made significant progress against each of the three key initiatives that we set for ourselves.

The first of these initiatives was to **complete the "refresh" of your Group Board**.

You will recall that our Board had been working for a couple of years to refresh itself following several planned retirements. A goal in this process was to add more geographic and insurance market experience, to work closely with executive management to move the company forward.

In 2014, we welcomed three new non-executive directors with extensive domestic and international experience to the Board. It is critical, for a business as geographically diverse as ours across 38 countries, that we have a board with international experience and a depth of knowledge that reflects the complexity of our business and the markets in which we operate.

Our new Board members are:

- **Sir Brian Pomeroy** who is chair of the Audit Committee and a member of the Risk and Capital Committee. Sir Brian is a non-executive member of the Board of the Financial Conduct Authority in the UK and has extensive industry experience through his role as a nominated member of the Council of Lloyds and his previous position as non-executive director of QBE's European regulated boards.

- **Stephen Fitzgerald** who is chair of QBE's Investment Committee and a member of the Risk and Capital Committee. Stephen was previously the Chairman of Goldman Sachs, Australia and New Zealand and is currently a member of the Board of Guardians of the Future Fund.

- **Jann Skinner** who is deputy chair of the Audit Committee and a member of the Remuneration Committee. Jann was a non-executive director on QBE's Australian regulated boards where she was also Chair of the Audit and Risk and Capital committees. Jann has over 30 year's professional accounting experience, with an in-depth knowledge of the financial and insurance sectors.

- **Patrick Regan**, our new Group Chief Financial Officer, also joined the Board in 2014. Prior to joining QBE, Pat was the Chief Financial Officer and Director at Aviva plc in London from 2010 to 2014, with responsibility for finance, strategy, investor relations and mergers & acquisitions.

Shortly we will be seeking your formal ratification of these appointments and we trust that you can also see the value that these individuals bring to our Group Board – providing us with deeper expertise and a truly global focus.

Additionally, we asked John Green, a QBE non-executive director since 2010, to assume the important role of Deputy Chairman. With my own residence being in the USA, we are very fortunate to have someone of John's talents and experience locally to represent QBE and assist when needed.

I would also like to take this opportunity to thank two of our non-executive directors who have retired at year-end from their QBE Board positions - Isabel Hudson and Duncan Boyle.

Isabel, as Chair of the Remuneration Committee, and Duncan, as Chair of the Audit Committee. Both have made significant contributions to QBE. Their experience, guidance and wise counsel were greatly appreciated and they leave QBE with our sincere thanks.

<u>The second initiative was to **strengthen and normalise QBE's balance sheet**</u>

A strong balance sheet, when assessed against a number of key capital metrics, has been one of the focus areas for the Board during 2014 and we have made significant headway in achieving this objective. With approximately $1.5 billion worth of capital initiatives undertaken over the past 12 months, we can now more than satisfy the key metrics that both regulators and ratings agencies require, along with the financial security that our policyholders deserve. Achieving this outcome in the five months since we announced the plan has delivered a great result for our shareholders with minimal dilution. I would like to thank the team at QBE, and particularly Pat Regan as our new Group CFO, for their efforts in bringing these plans to fruition.

While discussing the capital initiatives, I would like to specifically address how we approached the allocation of shares between retail and institutional investors. By way of reminder, the capital raising undertaken in August/September 2014 comprised an institutional placement of US$600m and a retail Share Purchase Plan of A$200m or US$180m for a total capital raising of US$780m.

At the time of the capital raising, retail shareholders comprised 24% of our share register and institutional shareholders the remaining 76%.

When looking at the allocations, you will see that the split between the institutional placement and the retail SPP was in accordance with the relative ownership of shares between institutions and retail shareholders.

The institutional offering was approximately 6-times oversubscribed and institutional shareholders received an average of approximately 6.3% of their shareholding in new shares. With respect to the retail SPP, all but a very few (especially large) subscribing retail shareholders received shares equal to approximately 17% of their shareholding on the SPP record date which was better than their pro-rata entitlement of 6.6%.

While I am sure there are some of our retail investors present who would have liked a larger allocation, your Board is extremely confident that QBE's retail shareholders were given a fair allocation of shares in the capital raisings undertaken in August/ September 2014.

I would also like to confirm that the CEO, the CFO and your directors did not participate in the retail SPP so as to maximise the shares available to other eligible retail shareholders.

<u>The third, and arguably the most important of the three initiatives for you as our shareholders, was to return to **stable and**</u>

predictable earnings

We have been through a 2-3 year period of business transformation and remediation, reserve strengthening and right-sizing of our business. While every business has some level of this transformational activity regularly occurring, we are confident that much of the heavy lifting at QBE is now complete. Through the 2014 reporting period, we are pleased we have maintained performance outcomes in line with guidance and market expectations.

Given our focus to return to more consistent and predictable earnings, I am sure many of you may have questions regarding the dividend policy and any potential changes as we return to more stable earnings. Before we address future years, I am pleased to confirm that there was a 16% uplift in the 2014 dividend, from 32 cents to 37 cents - a result that is moving in the right direction for our many shareholders, with more to be done.

When we announced our results for the 2014 financial year, we also announced our profit targets that infer a further significant increase in after tax cash profit during the current year. Assuming a constant payout ratio of around 50%, this would indicate shareholders might reasonably expect an increase in dividends during the current year. Indeed, the consensus amongst analyst forecasts also point to an increase in FY15 dividends of around 30% relative to FY14.

With such forecasts and a much stronger balance sheet, we can understand why some shareholders have now questioned the current payout ratio policy of “up to 50%” of cash profits, and whether this should be revisited. The Board can see the logic of this argument and will give due consideration to the issue over the coming months as we monitor our own continued performance in line with profit expectations.

On the related issue of franking, I can share with you that, having rebased the dividend to a lower level and in light of the strong profitability of our Australian operations, dividends are expected to be fully franked for 2015 and 2016, with confirmation to be made at the time of results announcements.

And so our attention now turns to 2015 and the way forward for QBE. While we are pleased with the significant progress made in 2014, we know that there is more to do as we seek to fulfil our ambition to be one of the world’s leading insurers and reinsurers.

The focus for the Board in 2015 is to continue to build a company that meets the expectations of all our stakeholders – our customers, our people, our shareholders and the communities in which we operate.

We are confident in our ability to deliver on the following key objectives for the Board and our stakeholders in 2015:

- To continue to deliver earnings stability and predictability, supported by a quality balance sheet that we have worked hard to normalise;
- To profitably grow our core businesses by ensuring we have the right business mix to deliver the right results in the right geographies ;
- To continue our operational transformation and operational excellence programs, with a particular focus on how we best use IT, data and insight identification to help us get an edge on our competitors;
- To continue to build our global talent and provide planned succession into key roles.

Beyond these objectives, there is a broader opportunity for us to really set ourselves apart from our competitors. During a series of interviews with our brokers, partners, customers and clients undertaken in 2014, it became clear that they see a unique quality to QBE that allows us to position ourselves differently in the market. The combination of a challenging approach to risk, the desire to find innovative solutions for our customer’s needs, and a spirit of collaboration across our global offices is something we really want to build on during 2015. This is truly what we mean when we say “One QBE”.

I recently read a McKinsey article that identified the attributes of a high performing company in our sector. They talked about a number of things – rigorous financial disciplines, demanding performance management and a rich talent pool of world-class expertise. The report explained that far from *avoiding* risk, successful underwriting companies actively sought out risk and create underwriting and claims solutions to manage it. And if I can just quote one small sentence - *“The path to higher returns is compellingly clear – become a great underwriting company.”* I know from my travels across our business that QBE is already well on its way to achieving that ambition.

In closing today, I want to take this opportunity to reaffirm to all our stakeholders the great honour it is to serve as Chairman of QBE. This is a great company with a wonderful legacy. With a strong and committed Board, a superior leadership team led by our CEO John Neal, and a clear strategy, we are well on our way to returning QBE to a market leadership position.

2014 was a year of resetting our foundations for a stronger business with more consistent performance. I want to thank each of our stakeholder groups.

To our shareholders, I want to thank you for your patience as we have undertaken significant activities that have had a temporary impact on top and bottom line performance. We do not take your patience and understanding for granted and we look forward to returning to more consistent and predictable earnings with greater reward to you as shareholders.

To our customers and business partners, thank you for your continued faith in our business. We look forward to continuing to share our expertise with you in a way that helps you build your own businesses and deliver to your own customers.

To the communities in which we operate, thank you for continuing to work with us as we seek to make a meaningful contribution beyond being a good corporate citizen.

And lastly to QBE’s 17,000 employees worldwide thank you for your continued efforts as we reset the company for a positive and profitable future. We appreciate all you have done in 2014 and we look forward to a great 2015. We know we could not achieve our goals without your determination and commitment.

I would now like to invite our Group Chief Executive Officer, John Neal, to address all of you and to share the overview of results for 2014.

GROUP CEO'S 2015 AGM ADDRESS

Thank you Marty

Twelve months ago, QBE announced results that fell well short of expectations, largely driven by a number of issues in our North American Operations. This year, following a thorough review of our businesses worldwide, I am pleased to report significant successes in a number of key areas, including substantial progress in our North American business. In short, we have achieved a $1billion profit turnaround, strengthened our balance sheet with over $1.5 billion of capital, improved our cost management disciplines across the business and built a strong management team to lead us forward.

Importantly, the 2014 second half performance was particularly strong as the changes we implemented gained traction. This gives us confidence that the past is truly behind us and we now have now built a solid foundation which sets us up strongly for future success.

Today I want to focus on three topics

- I want to pick up on some of the particular highlights of our 2014 performance
- Then I'd like to look ahead to what we can expect in 2015
- And lastly, I want to describe some of the activities we have in play as we position ourselves for a return to future profitable growth.

Firstly, let me talk about our 2014 performance.

I am pleased to report that that our 2014 profit after tax was $742 million, up $1 billion on 2013. We achieved a respectable combined operating ratio of 96.1%, broadly in line with the target we set at half year 2014.

We have largely completed our remediation program in North America and Europe and have sold our Argentine Workers Compensation business, the main cause of reserve strengthening at the half year. Our focus on underwriting excellence has meant that our attritional loss ratio has improved by around 2% in two years. Pleasingly our reserves have been stabilized with no prior year deterioration noted in 2014 and good releases coming through in the second half. We have taken advantage of lower reinsurance rates to restructure our global program to provide much better protection at a lower cost.

Largely as a result of the rationalisation and refocus of our global business, our gross written premium reduced by 9% in 2014. This reduced level of gross written premium is more targeted around QBE's sweet spot, where we operate in a market leading position and can provide greater benefits to our clients and consequently returns for our investors.

The capital initiatives we undertook to improve our balance sheet have delivered significant results. Our debt to equity ratio has reduced from 44.1% a year ago to 32.5% at 31 December 2014 and we expect it to reduce further through 2015. We have added around $1.5 billion of capital to our balance sheet and already one of our key rating agencies, A.M. Best, has affirmed our financial strength rating as "excellent" and reassessed their outlook for our business from "negative" to "stable".

Market conditions remain tough and premium rates are generally low or flat so we believe it is essential to proactively manage our expense line. Our operational transformation program has delivered $250 million in run rate savings as planned, with an additional $90 million of savings in claims-related procurement activities.

As part of our expense management program, we have successfully transferred processes from our major divisions to our off-shore operations in the Philippines. Our Group Shared Service Centre now operates in three locations in the country, with over 2,000 employees providing largely operational support. In addition to the obvious cost arbitrage, even more important to us is the team's world-class expertise in transforming and simplifying processes, offering further efficiency and effectiveness benefits.

We believe that world class talent is one of the few sustainable competitive advantages in the insurance industry. We have undertaken a significant reset of our leadership team, to provide us with the skills and experience to continue our growth trajectory. In addition to fast tracking our best talent globally, we have sought to strengthen the team with carefully chosen external recruits.

We were delighted to welcome Pat Regan as Group Chief Financial Officer and similarly pleased to promote two members from our executive talent development program to the Group Executive – Mike Emmett as Group Executive Officer, Operations and Jason Brown as Group Chief Risk Officer. We have also increased the bench strength of our divisional leadership teams, refreshing 30% of our senior leaders over the last two years.

Our result was impacted by a number of internal and external market challenges notably the strengthening of our Latin American claims reserves, our ongoing investment in operations and IT, and importantly the sharp fall in global risk-free rates which effectively added 2.3% to our combined operating ratio.

I am hugely encouraged that we have been able to achieve this result despite these challenges, evidencing the stronger underwriting disciplines and controls we have implemented across our business and giving me real confidence in the underlying health of the business.

I thought it would be helpful to give you a brief summary of the performance of each of our operating divisions.

- Our **North American** business, posted a combined operating ratio close to breakeven despite another disappointing crop result. We have since significantly restructured the reinsurance arrangements protecting the crop portfolio, including the purchase of additional quota share reinsurance and commodity derivatives.   Dave Duclos and team have led a fundamental reset of our business, including the sale of our US agency businesses and our focus going forward will now be predominantly on commercial and specialty lines.

- In **Australia and New Zealand**, Colin Fagen and team have again produced an excellent result with a combined operating ratio of 87.0% despite an increasingly competitive market. The team has embedded strong underwriting disciplines supported by strict expense management, delivering consistently good results.
- In **Europe**, Richard Pryce and team continue to face challenging market conditions and increasing competition. Nevertheless, the team delivered a good performance achieved through strict underwriting discipline and a re-focus around our core lines of business. The disposal of non-core businesses in Europe resulted in a decrease in gross written premium, but with an improved profit margin.
- You will recall that in August last year we announced the combination of our Latin American and Asia Pacific Operations to establish our **Emerging Markets** division under David Fried, focusing on business synergies and economies of scale in the important emerging markets of the world.

  Our Asia Pacific business produced a combined operating ratio of 93.5%, with our growth strategy for that business proving itself with underlying premium growth buoyed by the region's continued investment in infrastructure. In Latin America, our result was adversely impacted by the strengthening of reserves resulting in a disappointingly high combined operating ratio. We are confident that the actions taken in Latin America have reset these businesses to provide a strong base for future performance.
- As you know, **Equator Re** provides reinsurance protection to our operating divisions. In 2014, quality underwriting and in-depth knowledge of QBE's business, combined with a benign catastrophe year, allowed Equator Re to produce an excellent combined operating

ratio of 79.9%.

So moving on to 2015 .

Whilst we anticipate that our gross written premium will remain flat on a constant currency basis, it is inevitable that the relative strengthening of the US dollar will see headline premium reduce.

This will have no material impact on the construct of our combined operating ratio. We remain resolutely focused on our overarching priority of a return to earnings improvement and predictability when measured against our published business plans and targets.

During 2015 we will continue to position our business for growth using the principles of our **value creation model**.

Our primary aim must always be to deliver on our promises, consistently and in full.

Leadership in Core - We believe the transformation of our business is largely complete. QBE has a unique and truly global franchise and we will be looking to exploit market opportunities with a particular emphasis on commercial and speciality business lines. Consequently, in 2015 we will be launching initiatives that will enhance the underwriting and service proposition for multinational clients and extend our interest in the bancassurance sector. We believe our global portfolio of businesses can support organic growth of 3-4% per annum from 2016.

Operational excellence - We now consider cost management not a one off initiative, but part of the fundamental rhythm of our business. In 2015, we are targeting further cost savings, and will be looking to determine what additional efficiencies we can achieve over the medium term. We believe there is more we can achieve and we will describe our plans in more detail at the half-year.

Financial strength and flexibility - We are forecasting a further strengthening of our key capital metrics in 2015. While we continue to plan for the partial initial public offering of our Australian lenders' mortgage insurance business, in light of the Group's significantly strengthened balance sheet neither the timing nor activation is critical to meeting our expected capital needs. We will consider our options for the best strategic outcome for this business during 2015.

Importantly, a combination of stronger profitability, with enhanced cash flow and a significantly strengthened balance sheet, will facilitate an uplift in dividend payments to our shareholders where market conditions support.

Profitable growth and diversification - Our Emerging Markets leadership team is looking to build on our Asia Pacific successes to capitalise on important growth opportunities in specific geographies, commercial and specialty clients, and key intermediary partnerships. We anticipate our emerging markets business can support profitable growth at a CAGR of around 15%

World class talent and leadership - We are encouraged by the quality of leaders we are able to attract to QBE and will continue to seek out the best talent in the market place to supplement our internal skills. The launch of our Underwriting Academy in 2015 will represent a further milestone in the way in which we look to train and develop our people.

I am encouraged by the huge progress we have made during 2014. Our balance sheet is now in terrific shape and we have answered the Board's challenge to deliver predictable and stable earnings.

I can confirm that so far, our 1Q15 results are tracking in line with budget, and market conditions, such as pricing, are broadly in line with our expectations.

Our business is more streamlined, more focused and in far better shape to compete strongly in increasingly competitive conditions. We have an excellent team in place to deliver a bright future as we move towards our strategic vision - multichannel growth in the home market, leveraging our strong commercial specialty footprint in the Northern hemisphere and maximising the value of our Emerging Markets franchises.

In closing, on behalf of our Group Executive, I want to echo Marty's thanks to our key stakeholders for their commitment and support. I look forward to future success with real confidence and optimism.