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QBE

23 February 2016

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

Dear Sir/Madam

Market Release – QBE announces 2015 results

Please find attached an announcement for release to the market.

Yours faithfully,

Carolyn Scobie
Company Secretary

Encl.

MARKET RELEASE

23 February 2016

QBE ANNOUNCES 2015 RESULTS [(1)]

"I am pleased to report we have executed on the targets we set at the beginning of 2015, delivering an underwriting result at the better end and an insurance profit margin towards the middle of our target ranges. The success of our portfolio remediation activities of the last three years is evidenced by each of our businesses now producing an underwriting profit and, particularly, by the continuing improvement in the performance of our North American Operations.

Net profit after tax was $687 million, down 7% on the prior year but up 7% on a constant currency basis.

More importantly, profit after tax adjusted to exclude our sold Argentine workers' compensation business and the one-off impact of other non-core asset sales (the basis upon which we published our 2015 performance targets) was $807 million, up 1% on the prior year but up 12% on a constant currency basis.

Cash profit after tax, which drives our dividend payments, was up 21% on a constant currency basis.

Our adjusted net profit was underpinned by an insurance profit margin of 9.0%, up from 8.4% in 2014, despite significantly lower investment returns. Pleasingly, the 2015 adjusted result included $147 million of positive prior accident year claims development and the Group has now reported three consecutive halves of positive development.

Our adjusted combined operating ratio of 94.0% represents the Group's best underwriting performance since 2010.

It is noteworthy that we produced our result in the face of a number of headwinds, including challenging insurance pricing and investment markets, a significantly stronger US dollar and continued low interest rates. Moreover, the result included substantial investment in infrastructure, technology and people.

Our operational transformation program commenced three years ago and, together with additional savings associated with the right-sizing of our North American Operations, has generated cost savings approaching $400 million including a further $126 million of incremental benefits in 2015.

Operational excellence and efficiency has become an ongoing focus of our business with substantial additional cost savings anticipated in 2016 and over the medium term.

In this regard, our 2016 target allows for a $150 million reduction in operating expenses intended to deliver a 1% improvement in our 2016 expense ratio. Moreover, we are developing plans to eliminate a further $150 million of costs in 2017-18, thereby improving our expense ratio by 2% over the three years to 2018. Excluding asset sales, this is expected to result in a total reduction in the Group's gross operating expenses of approximately $700 million over the six year period to 2018.

Our ongoing focus on operational excellence, coupled with a return to organic premium growth, should translate into meaningful margin improvement, positioning us well for earnings and dividend growth over the medium to long term.

Reflecting the significant progress made over the past 12 months, the strength of our balance sheet and confidence in our outlook, the Board has approved a 36% increase in the final dividend to 30 Australian cents per share."

John Neal, QBE Group Chief Executive Officer

(1) All figures in US$ unless otherwise stated

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MARKET RELEASE
23 February 2016

2015 RESULT HIGHLIGHTS (1)

- Net profit after tax up 1% to $807M[2] (up 12% on a constant currency basis)
- Cash profit after tax up 9% to $893M (up 21% on a constant currency basis)
- Cash profit ROE of 8.3% (FY14 7.7%)
- Combined operating ratio of 94.0%[2] (FY14 94.9%)
- Insurance profit margin of 9.0%[2] (FY14 8.4%)
- Underwriting profit flat at $731M[2] (up 12% on a constant currency basis)
- Gross written premium down 7% to $14,782M[2] (up 1% on a constant currency basis)
- Net earned premium down 14% to $12,213M[2] (down 6% on a constant currency basis) reflecting increased reinsurance spend to reduce earnings volatility
- Positive prior accident year claims development of $147M[2] (FY14 $152M)
- Probability of adequacy of outstanding claims increased to 89.0% (FY14 88.7%)
- Debt to equity of 33.6% is within our benchmark range of 25% - 35%
- Indicative APRA PCA multiple of 1.72x (FY14 1.67x) with surplus above S&P AA equivalent capital
- Book value per share up 6% to A$10.51 (FY14 A$9.91) or up 10% including dividends paid in 2015
- Cash remittances from divisions of $715M (FY14 $770M)
- Final dividend of 30 Australian cents per share fully franked

2015 FINAL DIVIDEND AND DIVIDEND POLICY (1)

The Group's dividend policy is designed to ensure that we reward shareholders relative to cash profit and maintain sufficient capital for future investment and growth of the business.

Excluding amortisation and impairment of intangibles and other non-cash items after tax, the Group's cash profit was $893 million, up 9% compared with $821 million for the same period last year but up 21% on a constant currency basis.

The final dividend for 2015 will be 30 Australian cents per share fully franked. Combined with the 2015 interim dividend of 20 Australian cents per share, the total dividend for 2015 will be 50 Australian cents per share, up 35% compared with the total 2014 dividend of 37 Australian cents per share. The dividend reinvestment programs continue at a nil discount.

Shares will begin trading ex-dividend on 10 March 2016, the record date is 11 March 2016 and the dividend will be paid on 14 April 2016.

As previously announced, the Board has increased the maximum dividend payout ratio to 65% of cash profits, commencing with the 2016 interim dividend. The maximum payout ratio has been increased as the Group's significantly improved earnings quality and balance sheet strength allows for a higher dividend payment while remaining comfortably within target regulatory and rating agency capital levels.

Moreover and commencing with the payment of the 2015 final dividend, the Board has elected to satisfy the demand for shares under the dividend reinvestment programs by acquiring any shares to be issued under the plans on-market.

(1) All figures in US$ unless otherwise stated

(2) Adjusted to exclude sold Argentine workers' compensation business and one-off impacts associated with asset disposals

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OUTLOOK [1]

The Group's targets for 2016 are as follows:

Gross written premium	\$14.2Bn – \$14.6Bn[2][3] (\$14.6Bn - \$15.0Bn at constant currency)
Net earned premium	\$11.6Bn – \$12.0Bn[2] (\$11.9Bn - \$12.3Bn at constant currency)
Combined operating ratio	94% - 95%[4][5]
Insurance profit margin	8.5% - 10%[4][5][6]

We anticipate that global pricing will remain under pressure in 2016, although we expect overall premium rate reductions will be slightly less than experienced in 2015.

Accordingly our focus will be on maintaining underwriting discipline and exercising strict cost control, while continuing to invest in our strategic growth and operational initiatives, in particular building out our data analytics capabilities and deepening our customer understanding and relationships.

(1) All figures in US\$ unless otherwise stated
(2) Premium targets are based on assumed FX rates which are below 2015 FX rates (refer slide 25 in our 2015 annual results presentation)
(3) Excludes an estimated \$460M of M&LS gross written premium that is 100% reinsured to National General. Nil impact on net earned premium
(4) Assumes no prior accident year claims development
(5) Assumes risk-free rates as of 31 December 2015
(6) Assumes a 2.4% net investment yield

APPOINTMENT OF CHIEF OPERATIONS OFFICER

In order to provide enhanced stewardship of the Group's priorities we are creating a new position of Group Chief Operations Officer (COO), effective from 23 February. Colin Fagen, currently the Group Chief Strategy Officer, has been appointed to this role. Under the revised structure, responsibility for strategy will return to the Group CEO and the Group Executive.

In conjunction with this change, Mike Emmett will be leaving QBE. Mike is currently Group Executive Officer, Operations.

John Neal said "Mike Emmett has made a significant contribution to QBE over the last five years. After joining as Chief Information Officer for Australian and New Zealand Operations and Asia Pacific Operations, Mike successfully led our global transformation program including establishment of our Group Shared Services Centre and the achievement of synergies in IT infrastructure and procurement. We thank him for his leadership over the last few years and wish him every success in the future."

TELECONFERENCE

QBE Group CEO, John Neal and Group CFO, Pat Regan, will hold a teleconference today from 10.30am to 11.30am AEDST.

Q&A SESSION (VIA TELECONFERENCE)

- To participate in the teleconference, you will need a touchtone phone
- 10 minutes prior to the briefing, please dial your call-in number and follow the prompts
- If you are disconnected for any reason during the teleconference, redial your call-in number
- Calls from mobile phones will be charged at the applicable mobile rate

In order to ask a question during the live Q&A session: Press 01 on your telephone keypad to enter the queue

PARTICIPATION CODE: 152756#

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ATTENDING IN PERSON:

QBE Group offices Level 27, 8 Chifley Square, Sydney

WEBCAST

The results briefing will be available for viewing as a live video webcast. To access the webcast, please follow the link on the home page www.qbe.com. Testing of the webcast facility is available via this link.

- ENDS -

For further information, please contact:

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QBE Insurance Group Limited is listed on the Australian Securities Exchange, is one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 37 countries.