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5 September 2016

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

Dear Sir/Madam

1H 2016 Credit Investor Update

We refer the market to QBE's attached 1H 2016 Credit Investor Update.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Carolyn Scobie".

Carolyn Scobie
Company Secretary

Attachment

QBE Insurance Group

1H 2016 Credit Investor Update

September 2016

All figures in US\$ unless otherwise stated



Presenters



Paul Byrne
Group Chief Capital Officer

Responsible for:

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



Ernest Claassen
Deputy Treasurer

Responsible for:

- Debt Capital Markets

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\$14 billion
- Net assets ~A\$14 billion⁽¹⁾
- QBE is regulated on a consolidated basis by the Australian Prudential Regulatory Authority
- Current credit ratings for our main insurance subsidiaries and holding company:

	S&P	Fitch	Moody's
Financial strength rating	A+/ positive ⁽²⁾	A+ ⁽²⁾	n/a
Issuer credit rating	A-/ positive	A- ⁽³⁾	Baa1
Issuer credit rating – Subordinated	BBB/BBB- ⁽⁴⁾	BBB	n/a
Rating last affirmed	May 2016	August 2016	November 2015 ⁽⁵⁾

⁽¹⁾ 30 June 2016

⁽²⁾ Core general insurance entities

⁽³⁾ Long term issuer default rating

⁽⁴⁾ Legacy subordinated instruments rated BBB / 2044 6.75% subordinated instrument rated BBB - given the inclusion of NVLA

⁽⁵⁾ 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 2015 Annual Report

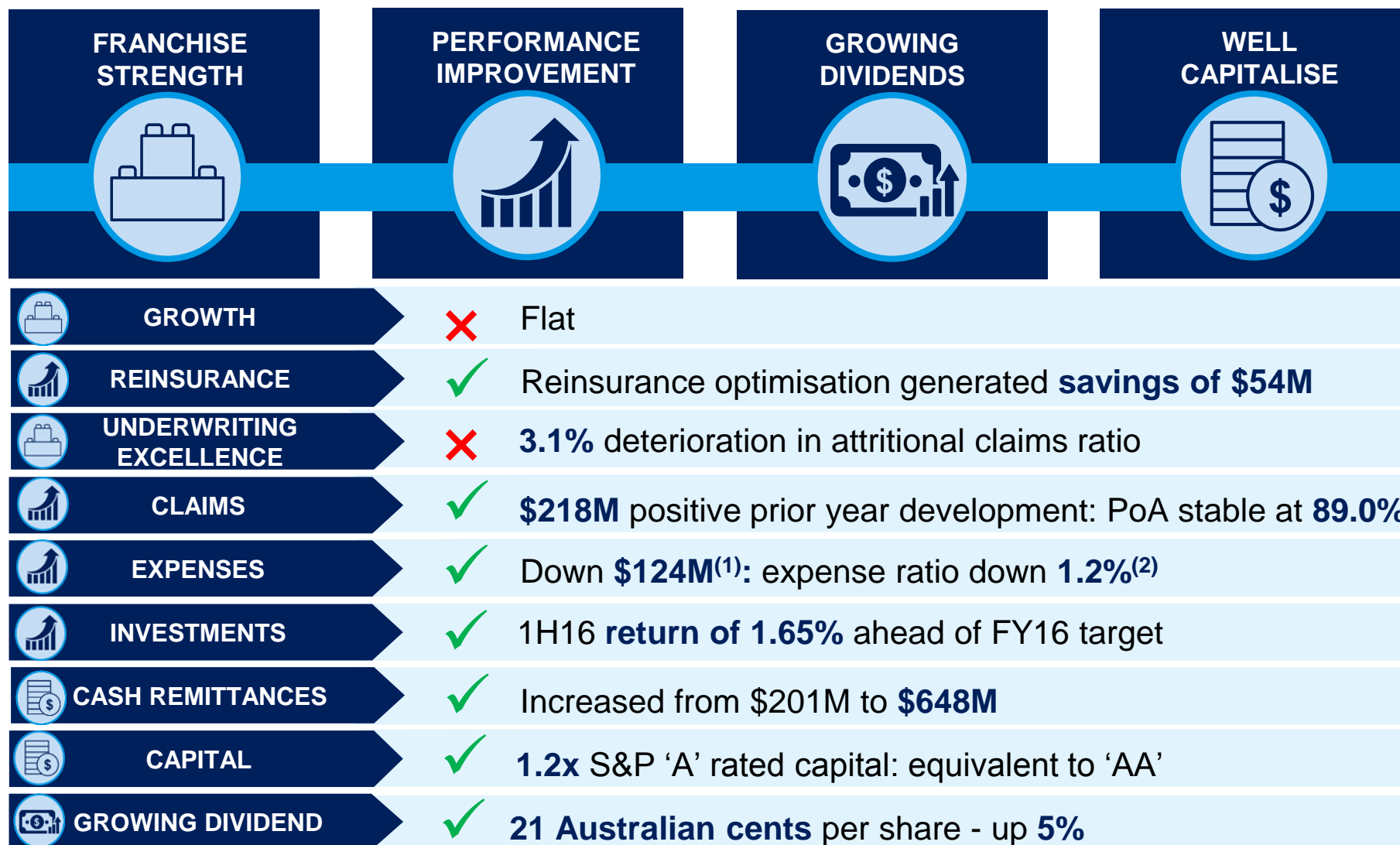
1H 16 Earnings

H1 16 Financial Results Summary

For the half year ended 30 June		2015 ⁽¹⁾	2016
GWP	\$M	8,557	8,107
NEP	\$M	6,084	5,615
Underwriting profit	\$M	401	54
COR	%	93.4	99.0
Adjusted COR (ex discount rate impact)	%	94.1	94.0
Insurance profit	\$M	610	326
Insurance profit to NEP	%	10.0	5.8
Profit before tax	\$M	595	347
Net profit after income tax	\$M	455	265
Cash profit after tax	\$M	471	287
Dividend per share	AU cents	20.0	21.0

(1) Excludes the impact of asset sales as presented in our 2015 interim report.

Progress on our Strategic Agenda

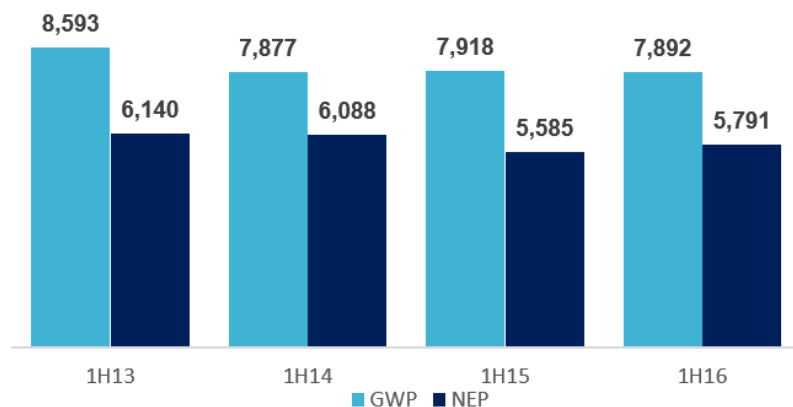


(1) Excludes the impact of asset sales as presented in our 2015 interim report.

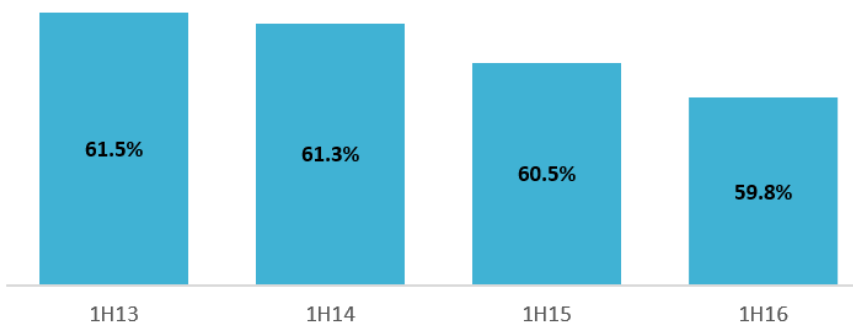
(2) Excludes the impact of transactions to reinsure UK long tail liabilities.

1H 16 Results Snapshot

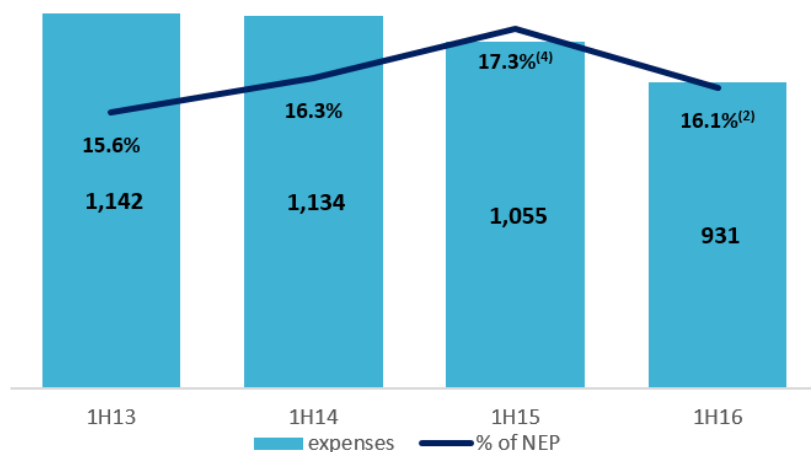
GWP AND NEP⁽¹⁾⁽²⁾ (\$M)



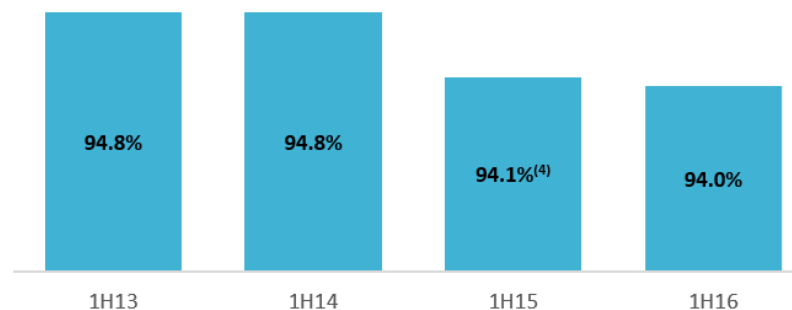
CLAIMS RATIO⁽³⁾



EXPENSES (\$M)



COMBINED OPERATING RATIO⁽³⁾



(1) Prior periods adjusted to 1H16 average exchange rates. Excludes Argentine workers' compensation and M&LS. 1H13 and 1H14 net earned premium adjusted to reflect revised North American crop premium earning pattern adopted in 1H15.

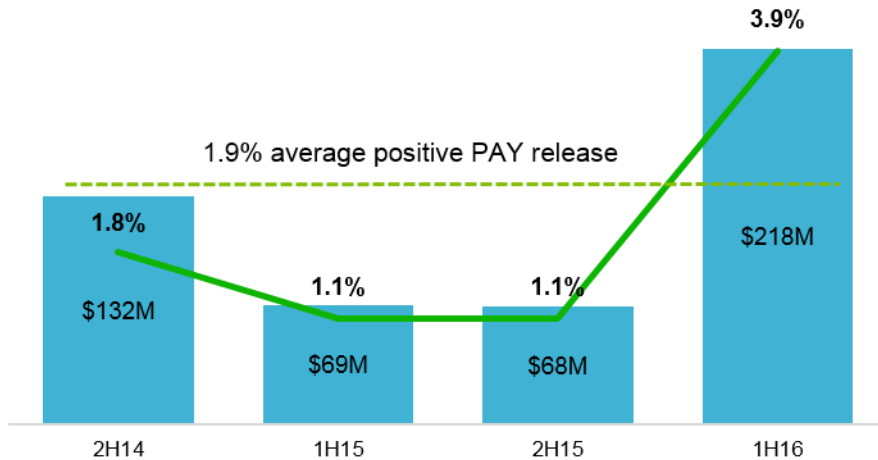
(2) Excludes the impact of transactions to reinsure UK long tail liabilities.

(3) Excludes the impact of movements in risk-free rates used to discount net outstanding claims liabilities.

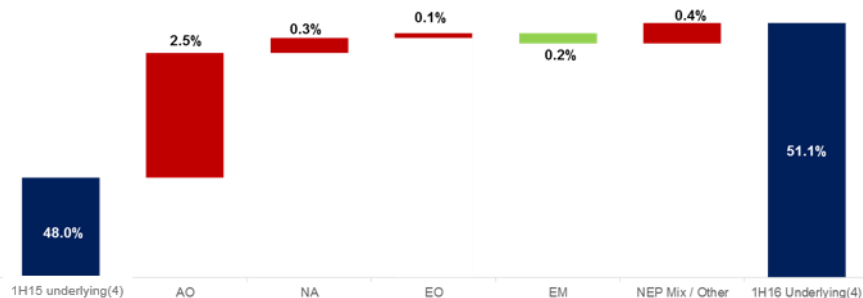
(4) Excludes the impact of asset sales as presented in our 2015 interim report.

Key Performance Drivers

CENTRAL ESTIMATE POA STABLE 89.0%

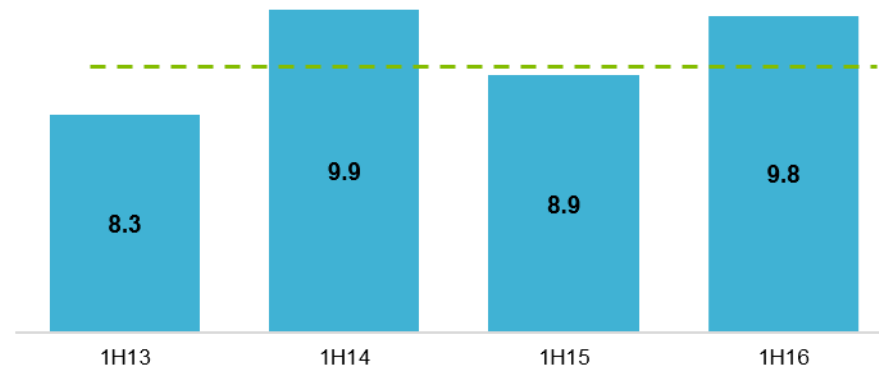


ATTRITIONAL CLAIMS RATIO

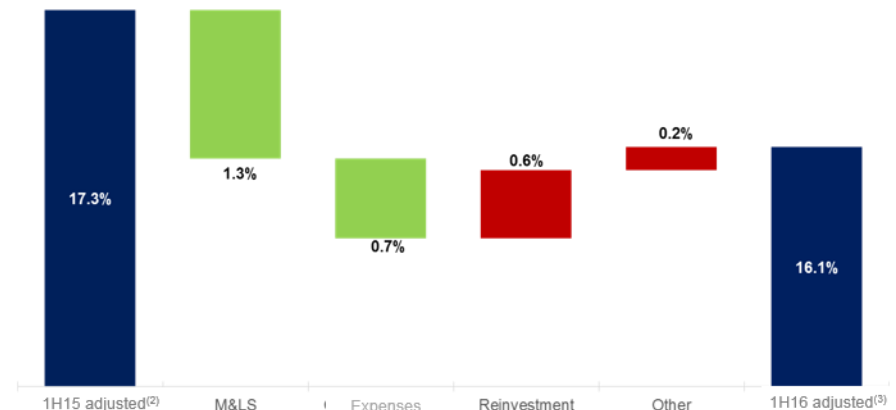


REINSURANCE

Average cost of large risk and catastrophes⁽¹⁾



EXPENSE RATIO



(1) GLRC attaches at 8.9% of net earned premium | (2) Excludes the impact of asset sales as presented in our 2015 interim report.

(3) Excludes the impact of transactions to reinsure UK long tail liabilities | (4) Refer to slide 32

1H 16 Balance Sheet

Financial Strength & Flexibility

As at	31 Dec 2015	30 June 2016
Summary balance sheet	\$M	\$M
Investments and cash	26,708	25,741
Trade and other receivables	4,950	6,316
Intangibles	3,604	3,592
Other assets	1,172	1,213
Assets	36,434	36,862
Insurance liabilities, net	19,847	20,466
Borrowings	3,529	3,482
Other liabilities	2,498	2,530
Liabilities	25,874	26,478
Net assets	10,560	10,384
Non-controlling interests	55	59
Shareholders' funds	10,505	10,325

Reserving

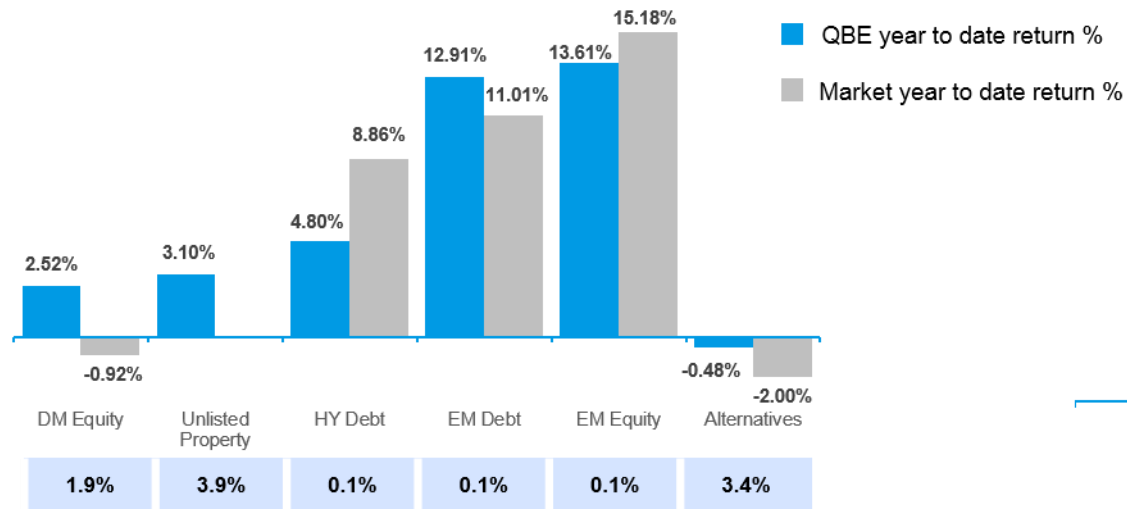
- Favourable PYD of \$218M
- \$283M adverse discount rate impact
- PoA of 89.0% (FY15 89.0%)

Borrowings

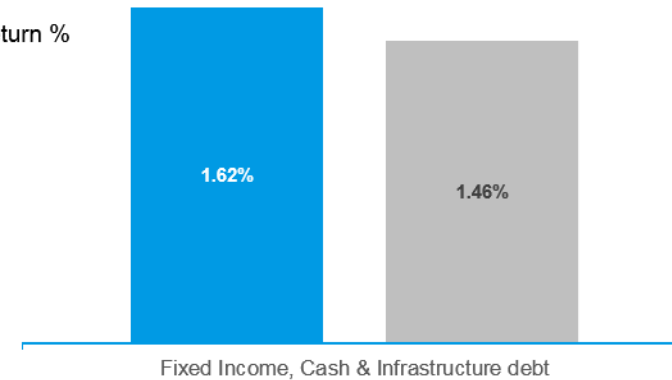
- Broadly unchanged from FY15
- Debt to equity 33.7% (FY15 33.6%)
- Debt to tangible equity 51.7% (FY15 51.1%)

Investment Performance by Asset Class

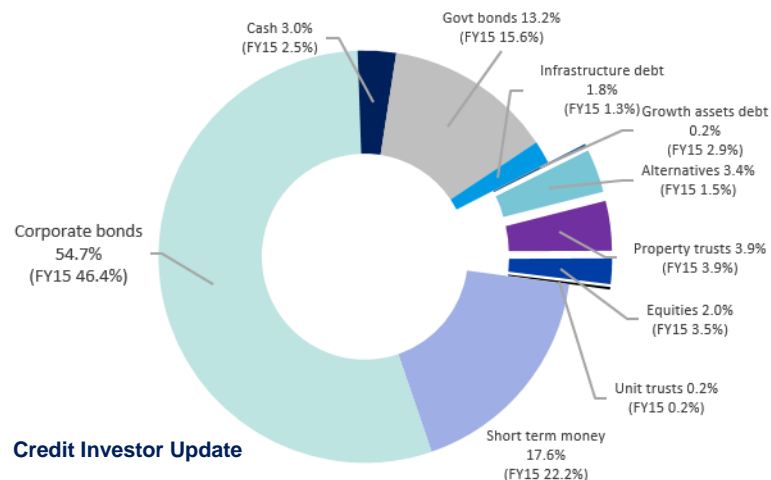
GROWTH ASSETS – 9.5%



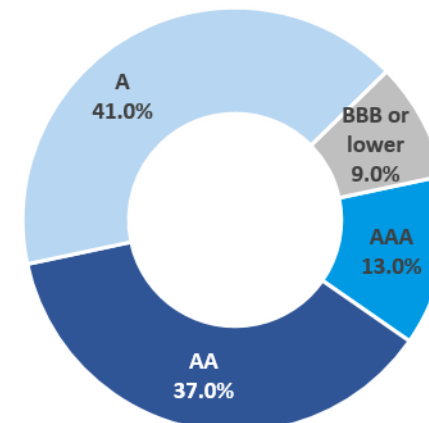
FI, CASH, INFRASTRUCTURE DEBT – 90.5%



INVESTMENTS & CASH AT 30 JUNE \$25.7BN

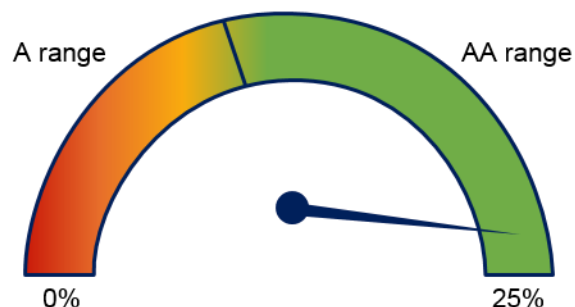


INTEREST BEARING FINANCIAL ASSETS⁽¹⁾



Financial Strength

S&P CAPITAL⁽¹⁾



	FY14	FY15	1H16
Borrowings (\$Bn)	3.6	3.5	3.5
Goodwill & Intangibles (\$Bn)	3.8	3.6	3.6
PCA multiple	1.67x	1.73x	1.69x ⁽²⁾

(1) Dial shows surplus above S&P 'A' capital.

(2) Indicative APRA PCA multiple.

DIVIDEND



Interim dividend
21 Australian cents per share

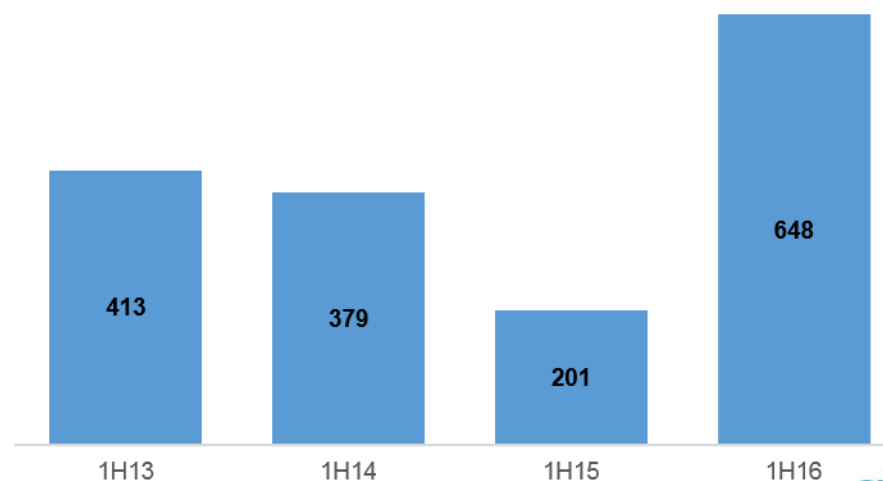


5% increase on 1H15 dividend



Payout ratio adjusted for
discount rate impact

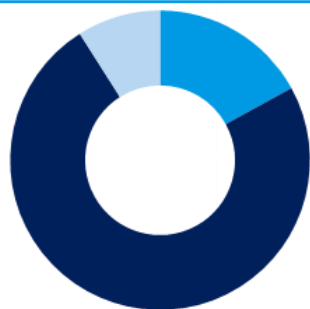
CASH REMITTANCES (\$M)



Borrowings

Borrowings profile

- Subordinated debt
- Senior debt
- Capital securities



%

FY15

1H16

74

74

17

17

9

9

Repayment profile

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

FY15

1H16

-

9

30

38

70

53

33.6

33.7

Borrowings

- \$3,482M at 30 June 2016
- Weighted average cash cost of borrowings 5.8%

Debt to equity

- Ratio within 25% - 35% benchmark range
- Debt to tangible equity up slightly to 51.7%

Market Activity

- GBP & USD tender exchanges in May/June
- Term structure extended / profile normalised
- GBP capital securities called (July 16)

APRA PCA Calculation

	\$M	FY15 ⁽²⁾	1H 16 ⁽¹⁾
Ordinary share capital and reserves		10,560	10,384
Net surplus relating to insurance liabilities		764	806
Regulatory adjustments to Common Equity Tier 1 Capital		(4,424)	(4,470)
Common Equity Tier 1 Capital		6,900	6,720
Additional Tier 1 Capital - Capital securities		218	186
Total Tier 1 Capital		7,118	6,906
Tier 2 Capital - Subordinated debt and hybrid securities		2,619	2,472
Total capital base		9,737	9,378
Insurance risk charge		2,892	2,918
Insurance concentration risk charge		1,364	1,282
Asset risk charge		2,104	2,023
Operational risk charge		513	528
Less: Aggregation benefit		(1,236)	(1,202)
APRA's Prescribed Capital Amount (PCA)		5,637	5,549
PCA multiple		1.73	1.69
CET1 ratio (APRA requirement >60%)		122%	121%

(1) Indicative APRA PCA calculation at 30 June 2016.

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

Priorities & Outlook

Key Priorities for 2H 2016

PORTFOLIO MANAGEMENT

- Address the Australian & New Zealand **attritional claims ratio**
- Maintain **improvement** in North America and Latin America

PERFORMANCE IMPROVEMENT

- Achieve our **\$150M** FY16 expense reduction target
- Build-out and embed initiatives for claims to achieve **\$200M run rate savings**
- Achieve COR **94% - 95%**

GROWING CASH FLOWS

- Deliver cash remittances >\$1.0B for FY16
- Payout ratio of up to 65%

WELL CAPITALISED

- Group aggregate affords QBE **significant protection**
- Maintain strong capital position consistent with **S&P 'AA' capital**

INVESTMENTS

- Maintain **conservative** asset allocation
- Achieve upgraded FY16 **target net investment return of 2.7%**

Updated 2016 Financial Targets

GROSS WRITTEN PREMIUM

\$13.7 – \$14.1Bn⁽¹⁾⁽²⁾

(\$13.8 - \$14.2Bn at constant currency)

NET EARNED PREMIUM

\$11.5 – \$11.9Bn⁽¹⁾⁽³⁾

(\$11.6 - \$12.0Bn at constant currency)

COMBINED OPERATING RATIO

94% - 95%⁽⁴⁾⁽⁵⁾

(includes positive prior accident year development)

INSURANCE PROFIT MARGIN

8.5% - 10%⁽⁴⁾⁽⁵⁾⁽⁶⁾

(includes positive prior accident year development)

(1) Premium targets are based on assumed average foreign exchange rates relative to the US dollar as follows: AUD 0.72; GBP 1.36; and EUR 1.10.

(2) Excludes M&LS gross written premium that is 100% reinsured to National General. Nil impact on net earned premium.

(3) Includes \$176 million charge to reinsure UK long tail liabilities.

(4) Includes allowance for positive prior accident year claims development in light of recent experience as well as our efforts in driving claims efficiencies through our claims excellence initiatives.

(5) Assumes risk-free rates as of 31 December 2015.

(6) Assumes a 2.7% full year net investment yield.

2016 Premium Outlook

	2016 revised target GWP ⁽¹⁾⁽²⁾	2016 previously stated GWP target	2016 revised target NEP ⁽¹⁾⁽³⁾	2016 previous stated NEP target
North America	4.5	4.8	3.5	3.6
Europe	4.1	4.3	3.2	3.4
Australia & New Zealand	3.7	3.5	3.3	3.1
Emerging Markets	1.6	1.8	1.3	1.4
Equator Re	-		0.4	0.3
Group total	\$13.7 - \$14.1Bn	\$14.2 - \$14.6Bn	\$11.5 - \$11.9Bn	\$11.6 - \$12.0Bn

(1) Premium targets are based on assumed average foreign exchange rates relative to the US dollar as follows: AUD 0.72; GBP 1.36; and EUR 1.10.

(2) Excludes M&LS gross written premium that is 100% reinsured to National General. Nil impact on net earned premium.

(3) Includes \$176M charge to reinsure UK long tail reinsurance.

Questions & Answers

Contacts

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Disclaimer

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

Appendix 1:

H1 16 Earnings

North America

		1H 15	1H 16
Gross written premium	\$M	3,109	2,818
Gross earned premium	\$M	2,309	2,184
Net earned premium	\$M	1,832	1,710
Claims ratio	%	62.5	71.6
Commission ratio	%	18.0	16.8
Expense ratio	%	19.7	15.5
Combined operating ratio	%	100.2	104.0
Adjusted combined operating ratio⁽¹⁾	%	100.6	100.5
Insurance profit margin	%	1.6	(1.5)

- Premium rates on average broadly flat
- Excluding the impact of M&LS sale, GWP was down 1% compared with the prior year.
- Net claims ratio of 71.6%, reflecting:
 - 3.5% adverse discount rate impact
 - \$34m adverse prior year development relating to commercial auto
 - Severe hail storms in Texas increased large risk & cat claims to 7.2% (1H 15 5.4%)
 - excluding crop and M&LS, attritional was slightly up to 50.3% (1H 15 49.6%) largely due to increased Specialty business
- COR (ex-discount rate impact) of 100.5%, broadly flat on the prior corresponding period
- Significant improvement in expense ratio to 15.5% (1H 15 19.7%) largely due to the sale of M&LS coupled with run-rate savings from operational efficiencies put in place

(1) Combined operating ratio adjusted to exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Europe

		1H 15	1H 16
Gross written premium	\$M	2,659	2,508
Gross earned premium	\$M	2,112	1,930
Net earned premium	\$M	1,660	1,385
Claims ratio	%	49.1	58.6
Commission ratio	%	18.8	20.1
Expense ratio	%	17.9	19.5
Combined operating ratio	%	85.8	98.3
Adjusted combined operating ratio⁽¹⁾	%	88.0	85.6
Insurance profit margin	%	16.7	6.0

- Premium rates down 3% on average
- GWP and NEP down 1% on a constant currency basis
- Use of data & analytics enabling strong cross selling strategies to support new business volumes
- COR (ex-discount rate impact) improved to 85.6% compared with 88.0% in the prior year
- Strong underwriting performance, reflecting:
 - underwriting discipline in renewal and new business transactions
 - favourable prior accident year claims development of \$119M
 - offset by \$161M adverse discount rate impact
- Transactions to reinsure UK long-tail claims liabilities reduced net claims incurred by \$178M and NEP by \$176M; broadly profit neutral

(1) Combined operating ratio adjusted to exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Australia & New Zealand

		1H 15	1H 16
Gross written premium	\$M	1,928	1,861
Gross earned premium	\$M	1,913	1,871
Net earned premium	\$M	1,668	1,654
Claims ratio	%	62.9	67.7
Commission ratio	%	14.1	15.1
Expense ratio	%	13.8	13.1
Combined operating ratio	%	90.8	95.9
Adjusted combined operating ratio⁽¹⁾	%	90.7	93.9
Insurance profit margin	%	14.8	8.9

- Premium rates broadly flat
- GWP down 3% in USD but up 3% on a constant currency basis with growth across a number of portfolios
- NEP down 1% USD but up 6% on a constant currency basis, reflecting GWP growth coupled with reduced reinsurance spend
- For renewable business, retention improved to 83.4% from 83.0% in the prior period
- Net claims ratio increased to 67.7%, arising from:
 - substantial deterioration in the attritional claims ratio, largely from NSW CTP, increased frequency in trade credit and higher claims costs in short tail portfolios
 - adverse discount rate impact of 2.0%
 - partially offset by \$83M of positive prior accident year claims development

(1) Combined operating ratio adjusted to exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Emerging Markets

		1H 15	1H 16
Gross written premium	\$M	929	850
Gross earned premium	\$M	864	793
Net earned premium	\$M	741	655
Claims ratio	%	56.4	54.8
Commission ratio	%	22.9	23.2
Expense ratio	%	20.2	21.5
Combined operating ratio	%	99.5	99.5
Adjusted combined operating ratio⁽¹⁾	%	99.5	99.5
Insurance profit margin	%	4.6	5.5

(1) Combined operating ratio adjusted to exclude the impact of changes in risk-free rates used to discount net outstanding claims.

- GWP up 10% and NEP up 7% on a constant currency basis, reflecting:
 - strong growth across Latin America
 - underlying growth in Asia, notably Indonesia, Malaysia, the Philippines and Vietnam
 - partially offset by strong competition in Hong Kong and Singapore
- Hong Kong and Singapore impacted by China's slowdown, especially demand for commercial insurance cover in marine
- Net claims ratio improved, mainly reflecting improvement in the attritional claims ratio, coupled with better large individual risk claims experience in Asia Pacific
- Commission ratio up slightly reflecting changes in portfolio mix
- Small increase in the expense ratio due to continued investment as part of the ongoing implementation of the profitable growth strategy

Equator Re

		1H 15	1H 16
Gross written premium	\$M	976	1,125
Gross earned premium	\$M	485	583
Net earned premium	\$M	182	197
Claims ratio	%	58.2	58.9
Commission ratio	%	7.1	9.1
Expense ratio	%	3.3	2.0
Combined operating ratio	%	68.6	70.1
Adjusted combined operating ratio⁽¹⁾	%	70.8	63.5
Insurance profit margin	%	47.8	37.6

- GWP up 15% due to Equator Re providing higher limits on divisional treaties
- NEP up 8% from the prior period
- Net claims ratio of 58.9%:
 - relatively benign large individual risk and catastrophe claims experience
 - \$34M prior accident year release
 - partly offset by \$13M adverse discount rate impact
- Commission ratio up from last year due to changes in business mix and profit commissions
- Expense ratio improved in the first half due to timing of costs

(1) Combined operating ratio adjusted to exclude the impact of changes in risk-free rates used to discount net outstanding claims.

1H 16 Claims Ratio Analysis

		2015			2016
		1H 15	2H 15	FY15	1H 16
NEP	\$M	6,229	6,085	12,314	5,615
Attritional claims	%	54.2	49.5	51.9	54.5
Large individual risk and catastrophes	%	8.9	8.5	8.7	9.8
Claims settlement costs	%	2.8	3.2	3.0	3.0
Claims discount	%	(6.6)	(1.1)	(3.9)	(1.3)
Accident year claims ratio	%	59.3	60.1	59.7	66.0
PY central estimate development	%	⁽²⁾ (1.1)	(1.1)	(1.1)	⁽¹⁾ (3.9)
Impact of UK reinsurance transaction ⁽³⁾	%	-	-	-	(3.2)
Change in discount rates	%	(0.7)	0.1	(0.3)	5.0
Other (including unwind of discount)	%	2.5	2.1	2.3	1.1
Movement in risk margins	%	(0.2)	(0.2)	(0.2)	(0.2)
Financial year claims ratio	%	59.8	61.0	60.4	64.8

(1) Net of \$50 million of discount movement 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.

(2) Net of \$140 million of discount movement 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.

(3) Represents \$178 million discounted reinsurance recoveries to reinsure UK long tail liabilities.

1H 16 Attritional Claims Ratio Analysis

	1H 15		1H 16	
	NEP US\$M	Attritional %	NEP US\$M	Attritional %
Rest of world	5,607	⁽¹⁾ 48.0	5,484	51.1
US multi-peril crop insurance	216	85.1	307	83.1
M&LS ⁽²⁾	261	39.7	-	-
UK long tail liability reinsurance premium	-	-	(176)	-
QBE Group adjusted	6,084	49.1	5,615	54.5

(1) Prior year analysis included an adjustment for \$112 million of incremental GLRC 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) The M&LS business was sold effective 1 October 2015.

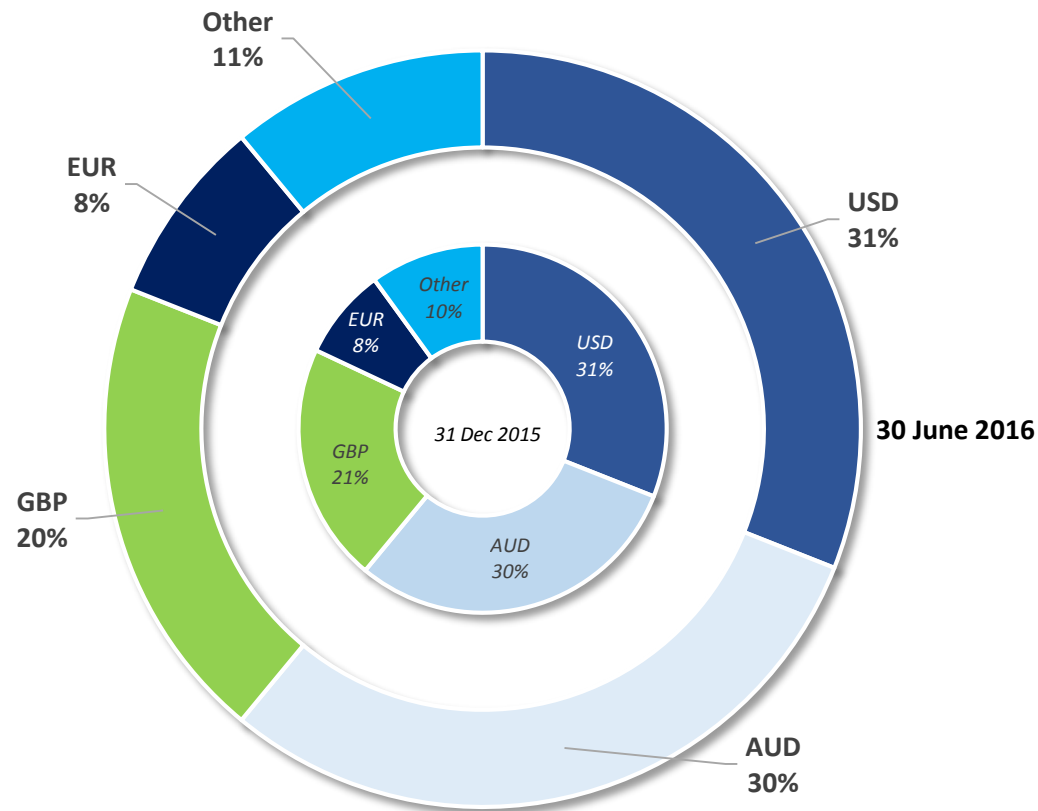
Appendix 2:

1H 16 Balance Sheet

Currency Mix of Investments - Update

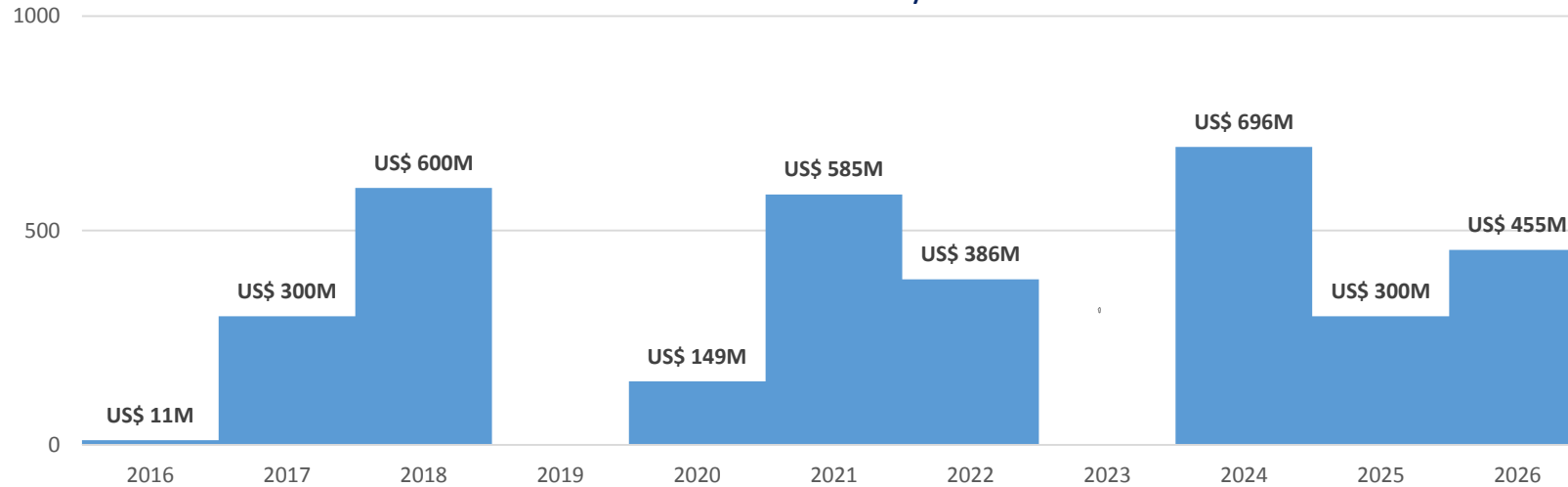
Currency breakdown by market value of total investments and cash

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

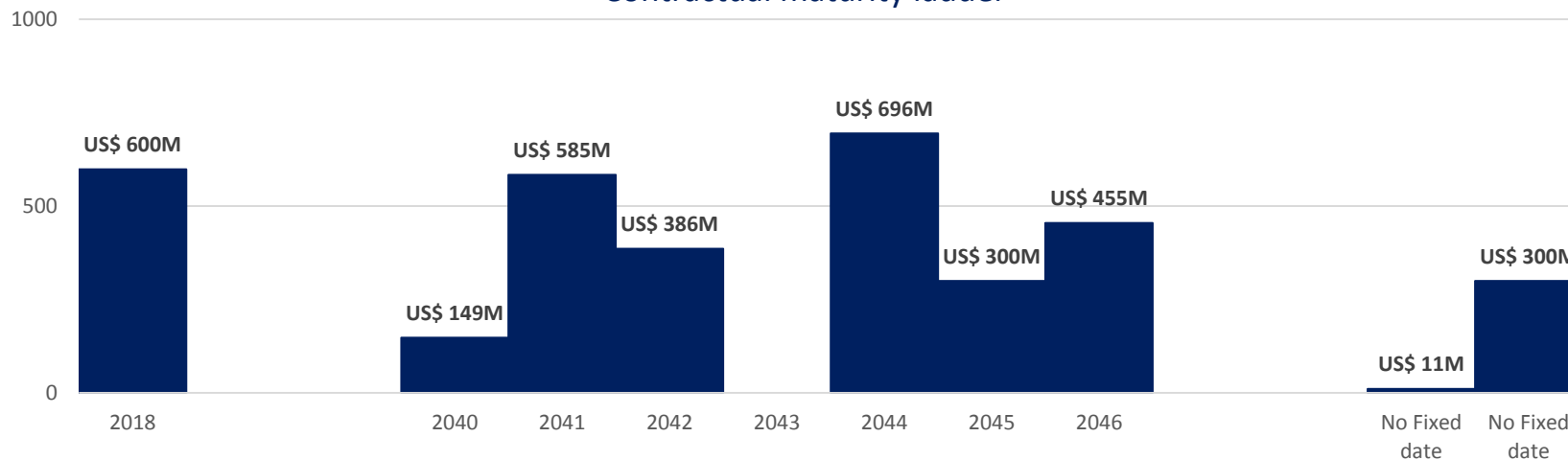


Borrowings Maturity - Update

1st call date maturity ladder



Contractual maturity ladder



APRA Capital Requirements

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

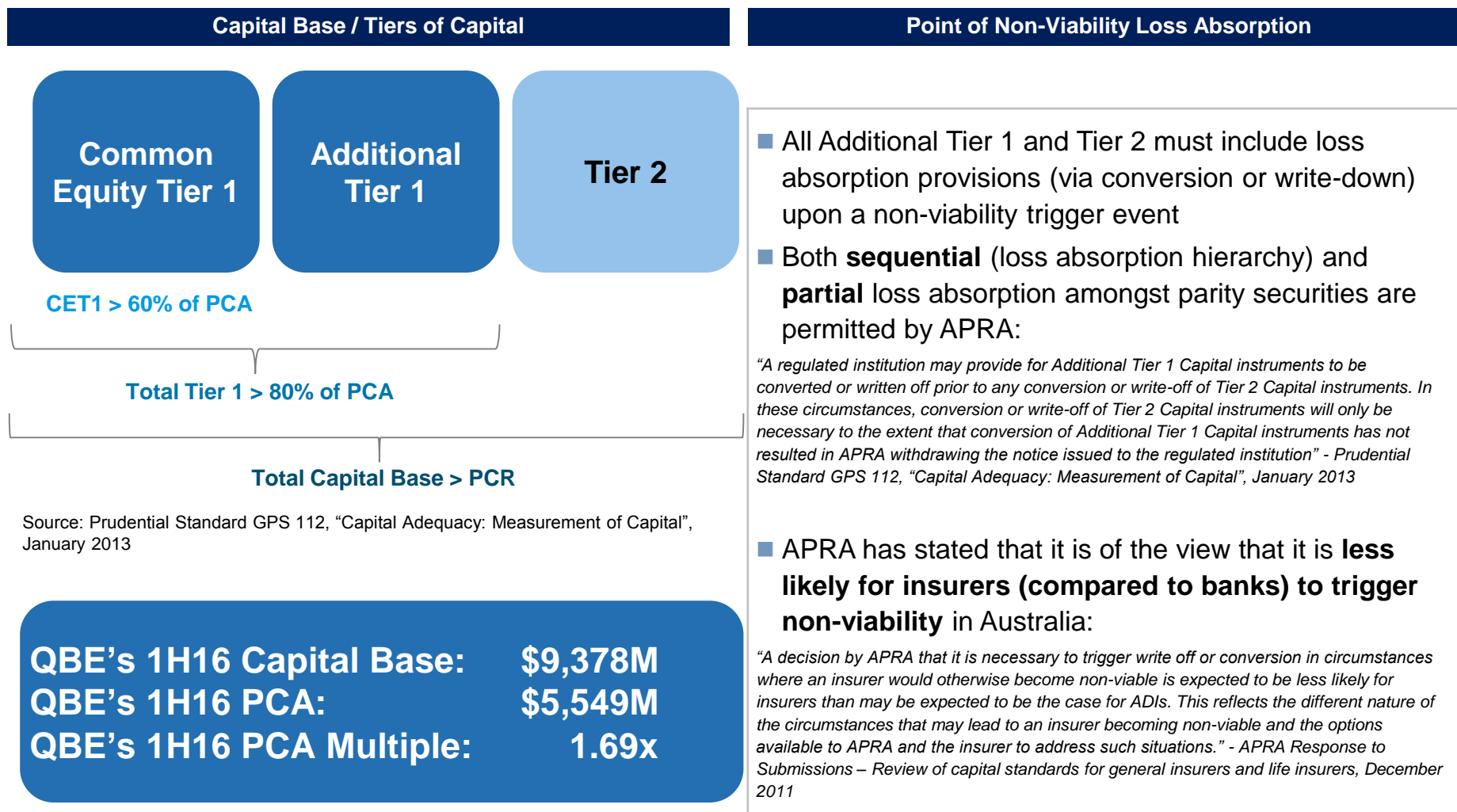
Prescribed Capital Amount 'PCA'

- 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



Appendix 3:

Rates

FX Rates versus US\$

	June 2015		December 2015		June 2016		2016 assumed
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate	Average rate
AUD	0.77	0.78	0.73	0.75	0.75	0.73	0.72
GBP	1.57	1.53	1.47	1.53	1.33	1.43	1.36
EUR	1.11	1.12	1.09	1.11	1.11	1.12	1.10
ARS	0.11	0.11	0.08	0.11	0.07	0.07	0.07

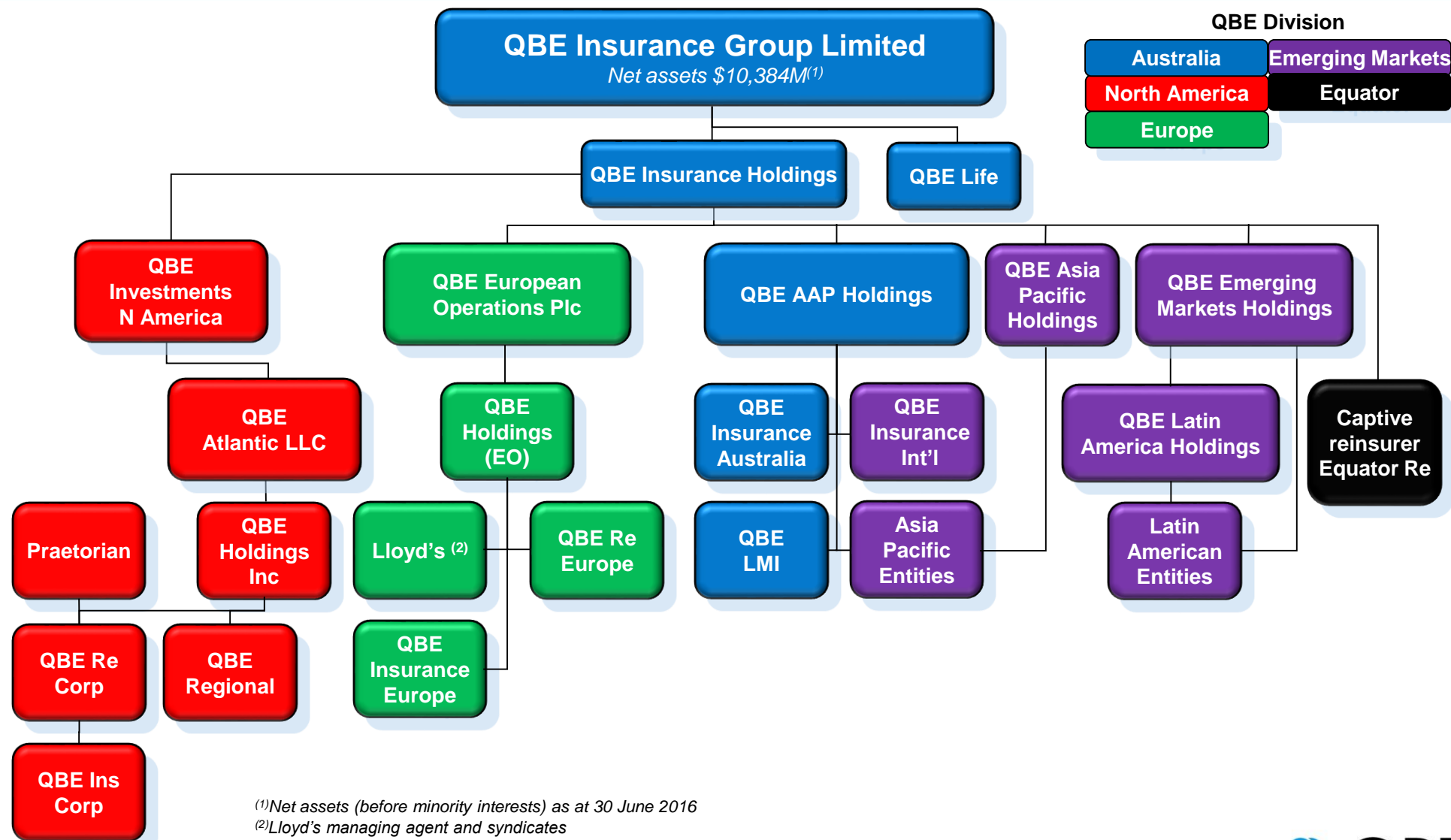
1H 16 Movement in Weighted Average Discount Rate

Weighted average risk-free discount rates on outstanding claims %

Currency	30 June 2015	31 Dec 2015	30 June 2016
Australian dollar	2.43	2.37	1.77
US dollar	1.59	1.80	1.20
Sterling	1.53	1.47	0.56
Euro	0.75	0.59	(0.16)
Group weighted average (ex Argentine peso)	1.60	1.62	0.92
Estimated impact of discount rate movement⁽¹⁾ \$M	45	38	(283)

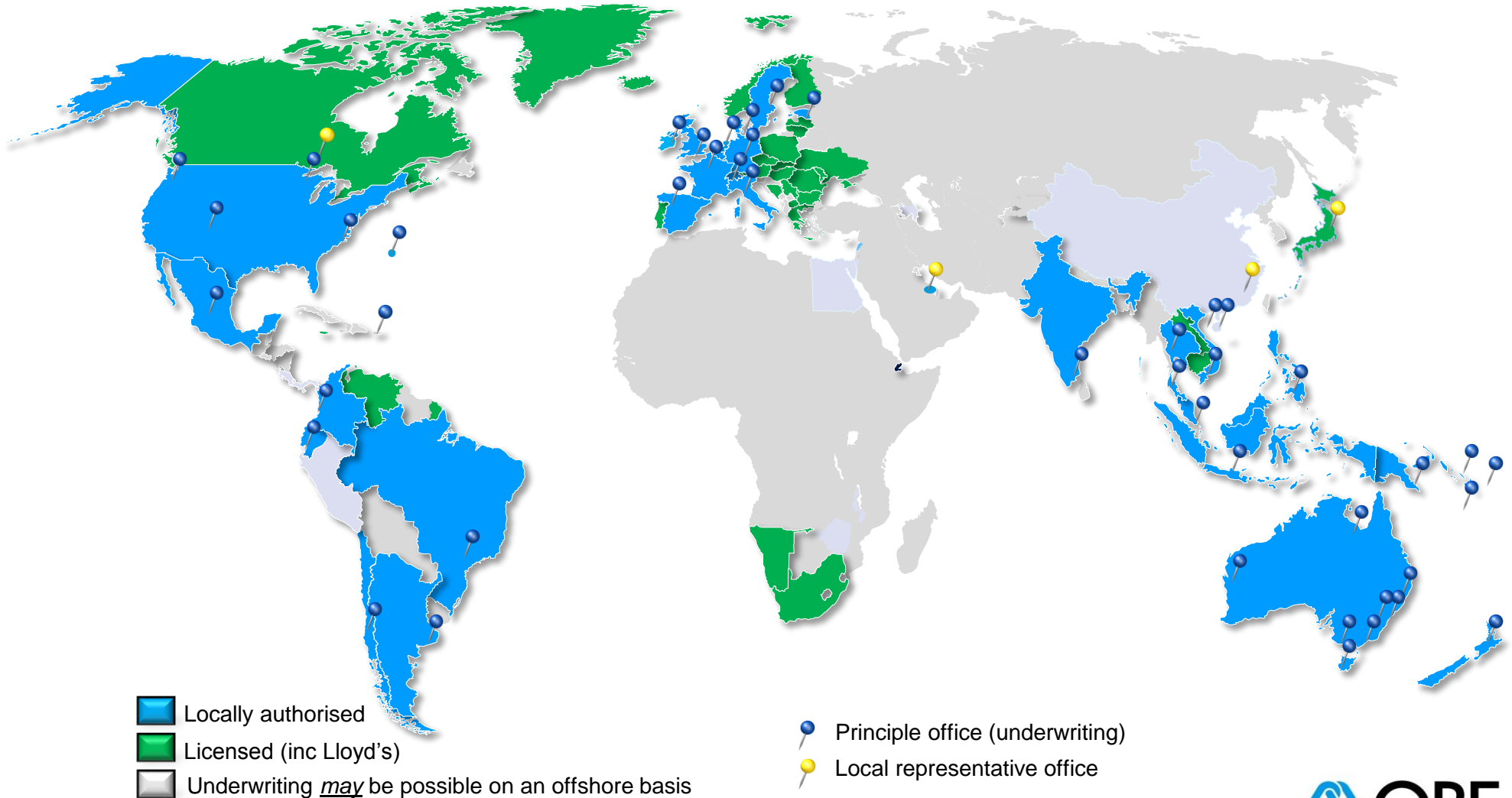
(1) Excludes movement in Argentine peso risk-free rate as the impact was explicitly offset by higher projected claims inflation.

Overview of QBE Entities



Global Regulatory Environment

QBE is directly regulated in over 40 jurisdictions, including 30 with differing capital requirements and is regulated on a Group basis by APRA



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