

4 May 2016

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

Dear Sir/Madam,

2016 Annual General Meeting of Shareholders - addresses

Please find attached:

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

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Carolyn Scobie", written in a cursive style.

Carolyn Scobie
Company Secretary

Attachments

2016 AGM

Chairman's Address

I am very pleased to address you this morning – in what is our 130th anniversary year - to reflect on QBE's performance and achievements in 2015, and our strategy and plans for 2016.

Your company reported a cash profit of \$893 million and an adjusted combined operating ratio of 94% for 2015. These results are consistent with the financial targets that we set out early in the year and, just as importantly, they are consistent with our ongoing objective to deliver earnings stability and predictability.

During the year we also put in place the final elements of the comprehensive capital plan which we announced in August 2014. Pleasingly, and as a result of the plan, we ended the year with QBE's already-robust capital ratios further strengthened. This fact has been acknowledged by the major rating agencies in their assessment of our capital strength.

It's important to consider the 2015 result, and the outlook from here, alongside broader dynamics and trends in the insurance industry. There is no question that the strong financial results reported by QBE were achieved amidst tough market conditions.

We operate in an environment where there is a freer and more diverse supply of capital – including from non-traditional capital sources such as hedge funds, pension funds and sovereign wealth funds - to the insurance industry than ever before. As a result, and coupled with relatively benign catastrophe loss activity

in recent years, insurance pricing is being dragged down at the same time as investment returns remain well below historic levels.

On average, insurance pricing across our business decreased by 1.3% in 2015, and we anticipate similar declines in 2016.

In this environment insurers have no alternative but to focus their efforts on high quality underwriting, efficiency and cost reduction. It's no coincidence that these themes have underpinned QBE's strategic plans for the last several years as we turned our attention first to refocussing and stabilising the business, eliminating non-performing segments, and now increasing our emphasis on controlled growth.

At last year's AGM I reflected on the quality of QBE's underwriting DNA, while acknowledging that the path to higher returns is to continue our work to establish QBE as a great underwriting company. The 2015 result reinforced the progress we are making in this area, with each of our businesses producing an underwriting profit.

Our European Operations and Australian and New Zealand Operations delivered another year of solid performance in ever more challenging market conditions. Our Emerging Markets portfolio is showing encouraging growth and performance improvement.

Particularly important to the Group result was the continuing improvement recorded by our North American Operations. This business reported its third consecutive year of performance improvement. The division's combined operating ratio has improved from 111.5% in 2013 to 99.2% in 2015.

However, there are other important indicators of QBE's improving organisational health that are not directly evident in the Group and divisional

numbers. Many of these relate to the evolution of our “ONE QBE” culture as our people work together to find ways to improve the way we do business and develop innovative solutions for our customers.

I am fortunate to have the opportunity to see first-hand the way QBE’s changing culture is resonating not only with our own people, but with our customers and intermediaries across the globe. There is no question that our franchise is growing stronger in our chosen markets.

We’ve fostered a cultural shift towards greater collaboration between divisions as this is fundamental to a series of customer-centric growth and operational excellence initiatives that will help us deliver growth and efficiency over the medium to long term. John Neal, our Group CEO, will discuss several of these initiatives in his address.

You will hear that there is a great deal of opportunity before us, and I am delighted that it is matched by a real commitment to harnessing our global presence so that we deliver the best outcomes for all our stakeholders -- our customers, our people and our investors.

To assist with collaboration across our business, management has recognised the importance of unifying all our people behind a common purpose – why we exist as an organisation.

To this end, last year we asked our customers, our investors and our people why they want to deal with QBE and a common theme from those conversations was one of belief; of trust in QBE to deliver and to help them achieve their own aims and ambitions. So we captured that theme in identifying our purpose: “We give people the confidence to achieve their ambitions.”

Those of you in the room would recall that this statement of purpose featured prominently in the short video introduction to QBE that screened before I opened the meeting.

Just as important is our refreshed vision which captures how we will deliver on our purpose – by being “the insurer that builds the strongest partnerships with customers.”

Providing you, our shareholders, with the confidence to achieve your ambitions is – of course – central to our purpose. We are committed to reporting openly and transparently on the performance of the business and our expectations for the future as we strive to continue to grow our net profit after tax while increasing our dividend payments and book value per share.

However, notwithstanding our efforts in all these areas, there is one important element that we cannot totally control – and that’s the share price. Over the last 12 months QBE shares have traded as high as \$15 and as low as \$9.50 – a level of volatility that’s not usually associated with companies with clearly articulated business plans and delivering stable and predictable results.

Questions received from a number of you in advance of today’s meeting show you are keen to hear an explanation for the sharp share price decline between late November and mid-February. This is no surprise – your Board was asking similar questions a couple of months ago!

By way of background, it’s important to understand that many investors were attracted to QBE in recent years because a key driver of our profitability is global interest rates. These investors bought QBE shares in anticipation of interest rates going up, which they expected would be good for QBE’s profitability and the share price.

However, late last year market expectations for the timing of global interest rate increases shifted materially, with the anticipated timeframe for rate rises pushed further into the future. This was reflected in a roughly 70 basis point decline in the US 10 year bond yield between November and February and a corresponding 30% fall in the QBE share price.

The impact on QBE shares was compounded when the broader equities market fell sharply in early 2016. Against this backdrop, it was pleasing when the market responded positively to our results announcement later in February which were consistent with market expectations.

Looking to the future, your Board believes QBE shareholders have reason for confidence. As a result of decisive actions taken over the last three years our business is well-positioned to continue delivering on its targets. In forming our plans we've assumed market conditions will remain challenging over the long term. This means if there is any improvement in insurance pricing or interest rates down the road, this should generate additional upside for our shareholders.

While our confidence in the business has never been greater, following a period of portfolio remediation and business stabilisation, we recognize it is natural for the market to take some time to fully recognise the potential that the Board sees in our company.

Let me assure you that management is doing all it can to assist with this process. In addition to the usual schedule of investor meetings around the globe, next week we will host QBE's first Investor Update in our Sydney head office. The presentation will be released to the ASX ahead of time and the event will be webcast, providing all investors with the opportunity to hear

Group and divisional management discuss their plans for the next three to five years.

Turning now to an area where we do have greater control – the dividends we pay to you, our shareholders. As you would be aware, for several years the philosophy underpinning our dividend payout ratio has been to reward shareholders relative to cash profit while maintaining sufficient capital for future investment and growth of the business.

As we have returned to more stable and predictable earnings over the last two years, this has allowed us to increase the dividend from 32 cents in 2013 to 50 cents in 2015, a 56% increase over two years. Through this period our policy was to pay out “up to 50%” of cash profits.

At last year’s Annual General Meeting I flagged that, with our balance sheet strengthening nearing completion, the Board would be reconsidering the appropriateness of this payout ratio. Following a review, we announced in August that the payout ratio would be increased to “up to 65%” of cash profits, commencing with the 2016 interim dividend.

While the external environment remains challenging, it is testament to the progress we have made that we can now reward our shareholders for their patience with an increased payout ratio while continuing to balance returns to shareholders with the needs of the business.

I would now like to discuss the Board, and our priorities for 2016.

As a Board, we have a critical role to play in QBE’s future success. But we can only fulfil our role of providing governance and stewardship if we have Directors with the knowledge and expertise to support the development and execution of QBE’s strategy in all of the world’s major insurance markets.

Achieving the right blend of skills and geographic knowledge was a primary concern when we substantially refreshed the Board in 2013 and 2014. With this work completed, the only change to the Board in the last 12 months was the recent addition of Rolf Tolle as a Director following the retirement of John Graf in December 2015.

Rolf is widely respected throughout the insurance industry, particularly for his achievements as Lloyd's first ever Franchise Performance Director.

Commencing this role in 2003, Rolf was one of the main architects of the market's resurgence as a leading force in the international insurance industry.

Rolf has joined a Board that is focused on providing counsel to management as we go about balancing short-term returns with investing for the future in a challenging market. Our primary focus in 2016 is on four key areas:

- To continue our organic growth in core business focus areas. Our 2015 result included growth from specialty in North America, our UK regional business and emerging markets, but we see real opportunity for profitable growth in a number of additional niches in 2016 and beyond;
- Continuing our journey towards operational excellence. This will include increased use of our Group Shared Services Centre and increased sharing of best practice across our global business;
- An increasing focus on technology and how it can enhance our customer engagement and experience while helping to make QBE more innovative and efficient;
- Building our talent pool and ensuring remuneration is appropriately linked to performance.

Those of you who have been shareholders for some time may recall that the QBE Foundation was launched at our AGM in 2011 to mark QBE's 125th

anniversary year. The Foundation was intended as a corporate responsibility initiative that would formalise QBE's long and strong record of giving into a structured, Group wide approach.

Five years on, the Foundation has established an important place in our corporate culture as we partner with charities to help people overcome disadvantage, strengthen their abilities and live more independently, successfully and productively.

Each division has its own QBE Foundation Committee that works with local employees to identify charities delivering programs consistent with the purpose and philosophy of the foundation. In 2015 the Foundation supported over 200 charities, with total grants and donations of over \$3.4 million. The initiatives supported included literacy, health and education programs, intervention programs for at-risk youth, anti-trafficking programs in South East Asia and several significant programs for disadvantaged children and adults.

Building on the good work being done by the Foundation, in 2015 we added a significant new element to QBE's efforts to make a real, sustainable difference to our communities. Through our Premiums4Good initiative, QBE now provides targeted customers with the opportunity to direct a portion of their premium towards investment in securities with an additional social objective.

Premiums4Good has been launched in Australia, Europe and North America, with plans in place to expand the program in coming years.

Our investments team takes funds committed through Premiums4Good and seeks out opportunities to earn an appropriate risk-adjusted return through investment in areas including Social Impact Bonds, green bonds and investment in infrastructure projects with social benefits.

Social Impact Bonds are a small but growing investment class that provides funding for initiatives with directly observable social benefits. As investors we receive a return based on the performance of a social service provider improving a specific social outcome. Some examples include programs: to reduce homelessness; to improve chances for children in foster care; and, to reduce childhood asthma. We've earmarked \$100 million for investment in Social Impact Bonds over the next three years.

Green bonds are a more developed area for institutional investment, with a current market size of around \$100 billion. By investing in green bonds, QBE is facilitating investment in projects with environmental benefits such as renewable energy, waste management and water conservation.

Premiums4Good is a tremendously exciting initiative – and to our knowledge QBE is the first insurance company to give insurance customers an opportunity of this nature.

Looking at both the QBE Foundation and Premiums4Good, the way we go about delivering on our commitment to our community is something of which all QBE stakeholders can be very proud. It is truly an extension of our core purpose – to give people the confidence to achieve their ambitions.

In closing today, I would like to thank our CEO John Neal, his leadership team and all of the 14,500 people who work for QBE around the world for the results delivered in 2015 and their commitment to our strategy for 2016 and beyond. I thank my fellow Directors for their ongoing commitment to QBE and I thank you, our shareholders, for your belief in QBE and support for our achievements.

I will now ask John to talk about the results in more detail and to describe the growth and operational initiatives that will contribute to QBE's future success.

[CEO's Address](#)

Thank you Marty

When I spoke to you 12 months ago, we were emerging from a period of remediating and refocusing our business to improve performance and enhance our ability to execute confidently against our plans. We had made a number of very significant changes to realign our activities around our core business – global commercial and specialty insurance and reinsurance. At that time, we were also part-way through a multi-year transformation project to embed the principles of operational excellence into our day to day operations.

I am pleased to say that we have made real progress; having removed the drag from underperforming and excessively volatile businesses our results for 2015 reflect an improved level of performance and stability.

1. Agenda

Today, I would like to talk to you about four topics:

- Firstly, I'll pick up on a few of the highlights of our 2015 performance;
- Then I thought it valuable to outline where our transformation has taken us as a business in terms of scale and diversity;
- I will also summarise our 2016 targets and comment on our 2016 first quarter performance; and
- Finally, recognising that next Tuesday we are hosting an Investor Update to detail our medium term strategy and financial targets, I'll summarise the key areas of focus of the Investor Update.

Let me start by talking about the highlights of our 2015 performance and where that positions us as a global commercial and specialty insurance and reinsurance organisation.

2. 2015 Financial results summary

Encouragingly, despite ongoing pricing and investment challenges in many of our key markets, we met our 2015 published targets.

Excluding the now sold Argentine Workers' Compensation and North American Mortgage and Lender Services businesses, our adjusted net profit after tax was up 1% to \$807 million, which equated to a 12% rise when measured on a constant currency basis. At 94%, our 2015 combined operating ratio is our best underwriting result since 2010, and underpins our optimism for the future.

A significant feature of the 2015 result was that all of our Divisions achieved an underwriting profit – but more on this later.

Asset sales coupled with the weakness of the Australian dollar meant that our 2015 adjusted gross written premium declined to just under \$15 billion. On a constant currency basis, however, adjusted gross written premium actually increased by 1%, reflecting the strength of our core businesses in improving customer retention and growing modestly in select areas.

Importantly, the 2015 result was achieved while at the same time continuing our investment in operational transformation to create a solid platform for further performance improvement and future success.

Following a material strengthening of the balance sheet and stabilisation of our performance, we increased our dividend payout to 56% of cash profits in 2015. Commencing with the 2016 interim dividend (and as announced in August last year), we will further increase our dividend payout ratio to up to 65% of cash profits.

3. 2015 divisional results

Our commitment to **underwriting excellence** is evidenced by the fact that all of our Divisions are now generating an underwriting profit.

- QBE is a Top 3 insurer in the **Australian and New Zealand** market. Our business provides cover for both commercial and personal risks and generated \$3.8 billion of gross written premium in 2015. The business delivered a solid performance reporting a combined operating ratio of 91.3% despite considerable catastrophe claims activity and continuing price competition.
- **European Operations** is a leading commercial and specialty insurer and reinsurer and recorded gross written premium of \$4.4 billion in 2015. The Division is comprised of our London Market business, a UK and European retail (commercial lines) business and a diversified multi-line reinsurer. European Operations delivered the standout result, achieving 5% growth on a constant currency basis and a combined operating ratio of 89.1%.

- Our Emerging Markets business has a strong footprint with 3,200 employees spanning 22 markets across Latin America and Asia Pacific. In 2015, gross written premium grew by 9% on a constant currency basis to over \$1.7 billion, and the business delivered an improved combined operating ratio of 99.2%.
- I wanted to particularly call out the improved performance of our **North American Operations**. Since 2012, we have been on a journey to reengineer and realign the business as a commercial and specialty insurer and reinsurer. This has included remediating our Standard Lines business, restructuring our Crop insurer, the sale of Mortgage and Lender Services and the build-out of our Specialty business. As a result, the North American Operation is now more focused and somewhat smaller, delivering gross written premium of just under \$5 billion in 2015 with a greatly improved combined operating ratio of 99.2%, down from 111.5% in 2013.

Our **Operational Excellence** program continues apace across all of our businesses and resulted in a further \$126 million of cost savings in 2015. Indeed, since the program commenced in 2012, we have reduced operating costs by around \$400 million, reinvesting some of these savings in new technology and infrastructure to support future business growth and efficiency.

In parallel, we have re-engineered our **Balance Sheet** and very significantly strengthened our **Capital Ratios**, a fact acknowledged by the major rating agencies. For example, Standard & Poor's now describes QBE's capital adequacy as *"being at the 'AA' level"*.

In terms of QBE's evolution, 2015 marked the completion of our remediation phase and a transition to profitable growth and, in light of that, I thought it useful to describe what QBE looks like today and how it will look in the future.

4. QBE is one of the few truly global insurers

In a global marketplace comprising literally thousands of insurance companies, probably less than 15 are truly global. QBE is one of these global players.

If we look at QBE's business through a geographic lens, we have a presence in three major developed markets; Australia, North America and Europe, including a strong presence in the international London Market. Importantly, however, 12% of our business is sourced from the emerging markets of Asia Pacific and Latin America, leaving us well positioned in these fast growing economies. In total, the Group operates across 37 countries, supplemented by a partner network which allows us to operate in over 140 countries.

If we look at QBE's business through a product lens, the bulk of our business sits in the commercial and specialty space. This business tends to be highly specialised and expert-oriented, reliant on deep client, industry and product expertise and therefore less prone to commoditisation.

With our very strong London Market and Lloyd's of London business operating alongside our local presence, we can offer clients insurance cover in a manner that best suits them and their broker. Few of our peers can provide this service.

Our personal lines business - homeowner, motor, travel and personal accident, for example - is focused on Australia and Emerging Markets, where we have the brand and scale that's needed to compete strongly.

And our inwards reinsurance business, currently 6% of gross written premium, can be flexed up and down according to market conditions.

So in summary, QBE is well positioned to leverage our geographic footprint, our extensive range of risk products and services, along with our strong distribution networks and partnerships to help our clients succeed. Building and retaining the confidence of our customers ensures that, in turn, we can deliver strong and predictable results for our investors.

5. 2016 performance targets

While the Group entered 2016 more focused and with less earnings drag from non-core and underperforming businesses, our expectations are that both insurance pricing and investment markets will remain challenged in 2016.

We have reflected this challenging backdrop in our business plans, with a gross written premium target range of \$14.2Bn - \$14.6Bn and a combined operating ratio target range of 94% - 95%.

We have also taken steps to protect our profit and loss against obvious downside risks such as the impact of significant catastrophic claims activity as well as adopting a defensive investment strategy to mitigate the impact of heightened investment market volatility.

Notwithstanding the difficult operating landscape, we believe that maintaining our strong underwriting discipline will position us to manage risk and achieve a fair profit margin for our investors. We have strengthened our business planning and review process to be certain issues are identified early, enabling corrective action to be undertaken on a timely basis thereby minimising the risk that our targets are not met.

Importantly, we are maintaining our strong focus on operational excellence, targeting a further reduction in operating expenses of \$150 million in 2016 which will result in a 1% improvement in our expense ratio and a corresponding reduction in our cash expenses.

Turning briefly to our recent performance.

I can confirm our performance for the first three months of the year is in line with the targets we communicated to the marketplace in February of this year. Of course, these targets specifically exclude the impact of discount rate movements which as of last Friday was an adverse impact of around \$130 million.

While the rating environment remains challenging and competition is as strong as I have seen, renewals to date suggest premium rate reductions are trending broadly in-line with our FY16 expectations.

Against this backdrop, I am pleased to report that gross written premium for the first quarter is up by approximately 3% compared with the corresponding

period in 2015 (on a constant currency basis and excluding the sold Argentine workers' compensation and Mortgage & Lender Services businesses).

Our strong cost management culture is now embedded in the business and as a result, expenses are running comfortably below last year's level.

Investment markets were extremely challenging in the first quarter but returns improved in March and further still in April. An investment return of 2.4% for FY16 remains our central case.

6. Strategic themes

I'll move on now to talk a little about our strategic focus.

Having stabilised our performance, focused our business around what we consider "core" and strengthened our balance sheet and capital position, QBE is now embarking on a new phase of business optimisation (including better leveraging our unique global speciality commercial footprint) and a return to modest organic growth.

With that in mind, we are hosting an Investor Update next Tuesday to provide analysts and investors with a flavour of the Group's strategic agenda.

In addition to our 2016 "business as usual" activities, we have a number of initiatives in train across two major areas of focus that will deliver profitable growth over the next three years and ongoing thereafter.

Firstly, a number of global and cross-regional initiatives will allow us to modestly **grow** our core businesses. We will be investing in products and territories where organic growth opportunities exist, particularly in the commercial and specialty space.

Secondly, we are investing in a number of important **operational excellence** initiatives to increase the **efficiency** of our business:

- We will take advantage of our global reach and scale to improve our operational efficiency, transforming our processes and making additional use of our shared services centres around the world thereby driving down our operating costs.
- Furthermore, we are also making a substantial investment in our claims management systems which will improve customer service whilst reducing cost and better managing our indemnities.

Our successful pursuit of operational excellence and modest organic growth will be underpinned by a number of key enablers:

- QBE is known for its strong underwriting discipline and this is even more important when insurance pricing is soft. We continue to drive **underwriting excellence** across our business with the introduction of a global Underwriting Academy, improved governance through our network of Chief Underwriting Officers and improved stress testing of our business plans.

- **Data Analytics** is allowing us to drive business growth and operational excellence through insight based decisions. Last year we launched a number of pilots to evolve our analytics capability, achieving financial benefits in areas including sales and distribution, pricing, claims and procurement.
- We are improving **customer** focus, leveraging major long term relationships and partnerships. We are also working closely with our distribution partners to understand how best to serve our mutual customers.
- And lastly, we remain focussed on **world class talent** – developing our own talent through global academies and selectively recruiting to bring in new skills needed to operate in the modern world, for example in data analytics.

Achieving our ambitions for profitable growth will require success in both the emerging and developed economies.

Of particular focus is the North American market where total property and casualty premiums are around \$500 billion, roughly half of which is in our target commercial and specialty space. We have made good progress in focusing our North America business footprint, including building closer partnerships with our customers and working with our distribution partners for the mutual benefit of our joint clients.

At next Tuesday's Investor Update we will be announcing a series of initiatives intended to improve our return on equity over the medium term.

While these initiatives are expected to result in a material uplift from the return achieved in 2015, our return expectations over the medium term

remain below the very high level of returns achieved by QBE prior to the global financial crisis (GFC). This is because the environment in which we operate, and our own appetite for volatility in our financial performance, has changed fundamentally since the pre-GFC era. In particular::

- Global **interest rates** are currently at record lows and showing little sign of recovering. In 2007, QBE generated a net investment return of around 6% which contributed roughly 8 percentage points to the insurance margin. By contrast, we achieved a 2.2% investment return in 2015 which contributed only 3 percentage points to the insurance margin.
- **Insurance pricing** remains extremely competitive with some areas of the Group such as our Lloyd's of London and global reinsurance businesses having experienced many consecutive years of falling prices.
- We have significantly strengthened the balance sheet and are holding proportionately more equity in the business than before. At the same time, we have restructured the portfolio via remediation, asset sales and increased usage of reinsurance. As a consequence, QBE's **risk profile** has been significantly reduced and **earnings and dividend certainty** enhanced. The cost of reduced volatility, however, is of course lower returns.

Earlier this week we announced that Dave Duclos will be stepping down as Chief Executive Officer, North American Operations and that Russ Johnston has been appointed to this role. Since he joined QBE in 2013, Dave has worked tirelessly to refocus the North American business, strengthening risk management to improve profitability and reduce volatility. Recognising the importance of our people to our success, Dave has led a focus on talent, leadership and organisational excellence, and leaves this important business in a vastly improved position and now able to grow profitably.

Russ has more than 25 years' experience in the insurance industry in North America, most recently as President of AIG Casualty in the Americas. We have reset our North American business to concentrate on commercial and specialty business lines and Russ is well qualified to pick up where Dave leaves off, leading a team that is committed to further improving the COR to the mid-90's by 2018.

Our European Operations is well positioned to drive further leadership in specialist and commercial lines. In Australia and New Zealand, we will capitalise on our strong client base and our leading market position. Our widespread footprint in Emerging Markets will offer us opportunities as these economies expand.

The growth and operational efficiency initiatives we have in train will further cement our position as one of the leading global insurers and reinsurers, well positioned to give our shareholders confidence for the future. Our data analytics focus allows us to identify insights into profitable business niches in our diverse geographic and product portfolio. With a strong capital and cash flow strategy and carefully constructed reinsurance arrangements, our business has a high resilience to potential adverse events.

Importantly, whilst our strategy is designed for a low-growth environment, we are well positioned for upside performance when market conditions improve.

7. Final Remarks

As alluded to previously, we are hosting an investor update next Tuesday where we will talk through all of our divisional strategies in more detail, as well as drilling down on operational excellence opportunities and medium term financial targets.

That event will be webcast live and will be made available on the website for later viewing. Please take the opportunity to watch the presentation and hear more about QBE's medium term prospects.

In the meantime, I'd like to echo Marty's thanks to all of you, our investors for your continued commitment and trust.

ENDS