

Divisional outlook for 2016^{1,2}

North American Operations

2016 target full year GWP:

US\$4.8billion

2016 target full year NEP:

US\$3.6billion

Improvements in underlying business trends demonstrate that transformation of North American Operations is on the right path. Following the sale of the M&LS business, we anticipate further improvement in underwriting profitability in 2016 on the back of cost efficiencies and our renewed focus on Specialty Lines.

At this stage of the transformation it is critically important that we stabilise the portfolio while increasing the quality of business that we write. Our focus remains on achieving modest premium growth goals while maintaining underwriting discipline, both of which will drive a slightly lower claims ratio and a more sustainable expense ratio.

Although market conditions remain challenging, we are on track to steadily improve underwriting profitability over the medium term.

European Operations

2016 target full year GWP:

US\$4.3billion

2016 target full year NEP:

US\$3.4billion

The outlook for 2016 remains challenging on all fronts. There is no sign of market competition abating which means that our number one priority has to be underwriting discipline. Aligned to this is a real focus on retaining our existing profitable and high quality portfolio.

We will continue to invest carefully in the business both for growth and operational efficiency. Our priorities here will not change as we build upon the excellent work already undertaken enhancing our client proposition, building our distribution platform and expanding our analytical capabilities.

Finally, we will remain vigilant to opportunities emanating from any industry disruption throughout our region.

Australian & New Zealand Operations

2016 target full year GWP:

US\$3.5billion

2016 target full year NEP:

US\$3.1billion

Growth expectations for 2016 are underpinned by our successful tender for the South Australian CTP business, a heightened focus on retention, planned enhancements to the customer experience and continued collaboration with our distribution partners. At the same time, our strong and disciplined approach to underwriting coupled with further operational efficiency initiatives will underpin solid returns.

With an increased focus on the customer experience, we will continue to invest in technology and processes to meet changing customer needs and expectations (including offering our customers even greater choice in accessing our services) and building further efficiency into our operating models.

We will strive to make QBE an even better place to work through continued investment in our people via leadership and technical training and will continue our support for the community through the QBE Foundation and its partners.

Emerging Markets

2016 target full year GWP:

US\$1.8billion

2016 target full year NEP:

US\$1.4billion

The combination of large and strongly growing populations, increasing urbanisation, rising affluence and the under penetration of insurance translates into a very positive outlook for insurance business across the Emerging Markets.

Despite slower growth in China, economic activity in other parts of Asia Pacific is expected to be relatively robust with Malaysia, the Philippines and Vietnam all forecast to record strong levels of growth. In Latin America, premium growth is also likely to improve over the longer term on the back of macroeconomic recovery.

Excess capacity, the aggressive pursuit of market share by competitors and a potentially sustained low interest rate environment represent significant challenges for many emerging market insurers. Notwithstanding these, QBE is well positioned for further profitable growth due to our global strength, broad cross-regional presence and local expertise.

Equator Re

2016 target full year NEP:

US\$0.3billion

Equator Re plays a central role in managing the Group's external reinsurance by offering expanded catastrophe protections to the divisions and facilitating the Group's external catastrophe reinsurance cover.

The significant majority of Equator Re's assumed and ceded business is placed 1 January. Consistent with the external reinsurance market, the renewal season saw moderate pricing pressure similar to that experienced during 2015 and in-line with expectations. Given the strength of our underwriting team, the robustness of our pricing tools and our significant reinsurance protections, we head into 2016 confident in our ability to deliver a strong underwriting result.

We continue to strengthen our organisational structure and technology platform which has allowed us to hone the service proposition to our divisional customers. We are pleased with our achievements and direction, and remain optimistic about our prospects.

- 1 Premium targets are based on assumed foreign exchange rates which are significantly below 2015 foreign exchange rates.
- 2 Excludes an estimated \$460 million of M&LS gross written premium that is 100% reinsured to National General. Nil impact on net earned premium.