Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

pwc

Report on the audit of the Financial Report

Our opinion

In our opinion:

The accompanying Financial Report of QBE Insurance Group Limited (the Company) and its subsidiaries (together the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's Financial Report comprises:

- the consolidated balance sheet as at 31 December 2015;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include summaries of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

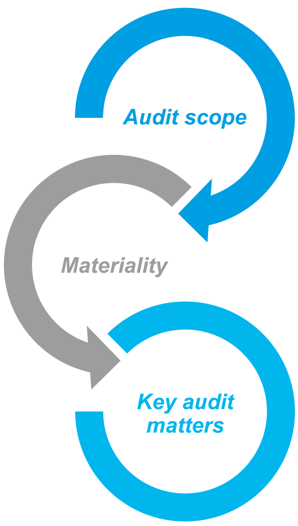
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

Overview



Audit scope

We conducted:

- An audit of the most significant operations being the North American Operations, European Operations, Equator Re and the material insurance operations within the Australian & New Zealand Operations
- Specific audit procedures in Emerging Markets and on other account balances to ensure we obtained sufficient appropriate audit evidence to express an opinion on the Group Financial Report as a whole

Materiality

- For the purposes of our audit, we used a threshold for overall Group materiality of $62 million which represents 0.5% of net earned premium

Key audit matters

- Valuation of net outstanding claims
- Valuation of goodwill in North America
- Recoverability of deferred tax assets in North America
- Valuation of investments

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the Financial Report. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the Financial Report as a whole, taking into account the structure of the Group, the significance and risk profile of each operation, the accounting processes and controls, and the industry in which the Group operates. We also ensured that the audit teams both at Group and at operational levels included the appropriate skills and competencies which are needed for the audit of a complex global insurer. This included industry expertise in insurance, as well as specialists and experts including IT auditors, actuarial, tax, treasury and valuation specialists.

We conducted an audit of the most significant operations being the North American Operations, European Operations, Equator Re and the material insurance operations within Australian & New Zealand Operations. These operations represent 86% of the Group by net earned premium, 89% of profit before tax and 89% of net assets. In addition, we performed specified audit procedures on certain account balances for a further five entities.

For the work performed by local auditors within PwC Australia or from other PwC network firms operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion. We kept in regular communication with audit teams throughout the year with phone calls, discussions and written instructions, where appropriate. Further, we visit the significant operations on a rotational basis and this year met with management and our local audit teams in New York, London and Sydney.

Further audit procedures were performed by the Group engagement team, including substantive and review procedures over the remaining balances and the consolidation process. The work carried out in the operations, together with these additional procedures performed at the Group level, provided us with sufficient evidence to express an opinion on the Group Financial Report as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the Financial Report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the Financial Report as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the Financial Report as a whole.

Overall group materiality	$62 million
How we determined it	0.5% of net earned premium
Rationale for the materiality benchmark applied	We chose net earned premium as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is not as volatile as other profit and loss measures. We selected 0.5% based on our professional judgement, noting that it is also within the range of commonly accepted revenue-related benchmarks.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period. We have communicated the key audit matters to the Audit Committee, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Committee. In the table below we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.

The key audit matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on each of these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter

Valuation of net outstanding claims – $15.4b

(Refer to Note 2.3)

We focused on this balance because of the complexity involved in the estimation process, and the significant judgements that management and the directors make in determining the balance.

Note 2.3 to the financial statements describes the elements that make up the net outstanding claims balance. We comment on the most judgemental aspects of these elements below.

a) Gross discounted central estimate – $17.3b

(Refer to Note 2.3.1)

Key audit matter	How our audit addressed the key audit matter
The estimation of outstanding claims involves significant judgement given the size of the liability and inherent uncertainty in estimating the expected future payments for claims incurred. In particular, judgement arises over the estimation of payments for claims that have been incurred at the reporting date but have not yet been reported to the Group. There is generally less information available in relation to these claims. Classes of business where there is a greater length of time between the initial claim event and settlement (such as workers' compensation, professional indemnity and other liability classes) also tend to display greater variability between initial estimates and final settlement. The valuation of outstanding claims relies on the quality of the underlying data. It involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate. The estimate of expected future payments is discounted to present value using a risk-free rate of return in order to reflect the time value of money. Judgement is involved in estimating the period over which claims are expected to settle.	Our audit procedures included, amongst others, evaluating the design effectiveness and implementation of key actuarial controls, including key data reconciliations and management's review of the estimates. In addition, because historical claims data is a key input to the actuarial estimates, we tested controls and performed detailed substantive testing over claims case estimates and settlements. No significant issues arose in this area and so, in the context of our audit materiality, we were satisfied with the adequacy of the data used in the actuarial estimates. We performed a risk-based assessment to determine those classes of business where claims reserve estimates are higher risk. These included classes which inherently involve greater levels of judgement and have historically shown greater year on year variation over previous estimates. In order to challenge management's methodologies and assumptions, with particular focus on the higher risk areas, we: • Evaluated whether the Group's actuarial methodologies were consistent with those used in the industry and with prior periods. We sought sufficient justification for any significant differences. • Assessed key actuarial assumptions including claims ratios, and expected frequency and severity of claims. We challenged these assumptions by comparing them with our expectations based on the Group's historical experience, current trends and our own industry knowledge. For some classes of business, we also performed our own independent actuarial projections and compared the results with management's estimates. Based on this work, we concluded that the methodologies and assumptions were materially consistent with our independent expectations and analysis. • Tested the discount applied for classes of business where there is a greater length of time between the initial claim event and settlement by territory and line of business. We were assisted by our own actuarial experts to understand and evaluate the Group's actuarial practices and the provisions established. We also considered the work and findings of external actuarial experts engaged by management to corroborate our own findings.

b) Reinsurance and other recoveries – $3.2b

(Refer to Note 2.3.2)

Key audit matter	How our audit addressed the key audit matter
The valuation of reinsurance assets requires a significant level of judgement, given its inherent dependence on underlying estimates of gross outstanding claims. In addition, significant management judgement may be required to ensure contractual terms on the most material contracts are correctly accounted for (such as the Group's aggregate large risk and catastrophe reinsurance program (GLRC)).	We obtained audit evidence over the data and actuarial processes for estimating reinsurance recoveries on outstanding claims by performing the same audit procedures as those outlined above for gross claims estimates. With regards to the GLRC contract, we gave particular focus to assessing and challenging management's estimate of claims that will be subject to recovery under the contract. We reviewed the work of management's actuarial experts, as well as directly testing some relevant claims.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Key audit matter	How our audit addressed the key audit matter
c) Risk margins and Probability of Adequacy (PoA) – $1.3b *(Refer to Note 2.3.3)* The net outstanding claims provision includes, in addition to the central estimate of the present value of the expected future payments, a risk margin which relates to the inherent uncertainty in that estimate. In determining the risk margin, management must make judgements about the variability of each class of business underwritten and the extent of correlation within each division and between different geographical locations. PoA is a measure of the estimated overall sufficiency of reserves including a risk margin in light of that variability.	We assessed the Board's approach to setting the risk margin, with a particular focus on the assessed level of uncertainty in the net central estimate leading to a change in the margin year on year. We have challenged these factors by considering the findings from our work performed on the net central estimate. We tested the Group's actuarial calculation of the PoA for reasonableness and consistency with previous valuations. This included understanding and testing the actuarial techniques applied by management, and comparing the results with industry benchmarks. We found the variability assumptions to be aligned with industry benchmarks and prior year.
Valuation of goodwill in North America – $1.5b *(Refer to Note 7.2.1)* We focused on goodwill in North America because the level of headroom between the valuation and the balance sheet carrying value remains limited following impairment in 2013. The carrying value is material, and the impairment test remains sensitive to a reasonably possible change in assumptions. The valuation is based on the Board approved business plan for North America. The most significant judgements relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the terminal growth rate and the forecast combined operating ratios in the projection period and investment return assumptions.	We evaluated management's cash flow forecasts for North America and the process by which they were developed. We compared these forecasts to Board approved business plans and also compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting. We confirmed that the three year forecast used in the valuation model was consistent with the Board approved North America business plan, and that the key assumptions were subject to oversight from the directors. We tested the assumptions and methodologies used, in particular those relating to the discount rate and growth rates. To do this: • Our valuation experts evaluated these assumptions with reference to valuations of similar companies. • We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates. • We applied sensitivities in evaluating the directors' assessment of the planned growth rate in cash flows, including forecast premium growth and combined operating ratios. We concluded that the growth rate assumptions were reasonable given historic results, economic outlook and industry forecasts. Further, the discount rate used by management was consistent with market data and industry research. In testing the valuation model: • We checked the calculations for mathematical accuracy, noting no exceptions. • We considered the sensitivity of the calculation by varying the assumptions and applying other values within a reasonably possible range for North America. We also used the work and findings of external valuation experts engaged by management to corroborate our own findings. As indicated in note 7.2.1 the impairment assessment remains sensitive to a range of assumptions, in particular to changes in the discount rate and achievement of forecast investment returns and combined operating ratios.

Key audit matter	How our audit addressed the key audit matter
Recoverability of deferred tax assets in North America – $0.6b *(Refer to Note 6.2.3)*	
We have focused on this balance because there has been a history of losses in North America, and as such, the recoverability of the deferred tax asset in North America is particularly sensitive to expectations about the future profitability of this business. This in turn depends on the achievement of underlying business plans. Significant judgement is required over the recoverability of deferred tax assets arising from past losses because the realisation of tax benefits is often dependent on future taxable profits and there are inherent uncertainties involved in forecasting such profits.	The ultimate recoverability of the tax losses depends upon both continued improvement in the profitability of the North American business, and the period over which the losses will be available for recovery. We focused on whether convincing evidence was available with regard to these two elements, as follows: • Evaluated the progress made by management in improving the profitability of the business to date, which includes the remediation of the causes of past losses through, amongst other things, business disposals, implementation of a revised capital structure to reduce funding costs and other expense reduction initiatives. We noted that progress has been made against each of these. • Assessed the credibility of the business plans used in the deferred tax asset recoverability assessment. These were based on the same three year forecast used in the goodwill valuation model, and were therefore assessed as part of our goodwill testing as outlined above. • Used our tax experts, who confirmed that the tax losses are legally available for up to 19 years.
Valuation of investments - $26.0b *(Refer to Note 3.2)*	
This is the largest asset on the balance sheet, representing 62% of total assets. Our audit effort has increased in this area as the Group's investment portfolio has become more diversified in recent years, with further strategic asset allocations to growth assets in 2015. In particular, there is significant focus in ensuring the underlying investments are valued appropriately. The valuation of financial investments held at fair value is based on a range of inputs. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable market data is not available, for example, when determining the valuation of certain infrastructure debt, estimates must be developed based on the most appropriate source data and are subject to a higher level of judgement.	We performed the following audit procedures over the valuation of investments held by the Group: • We assessed the design and tested the implementation and operating effectiveness of the key controls over the investment function carried out by Group Investments, which is responsible for managing the majority of investments for the Group. • We assessed the Group's valuation of individual investment holdings. Where readily observable data was available, we sourced that independently. For investments where there was less or little observable market data, including level 3 holdings as disclosed in note 3.2.1, we obtained and assessed other relevant valuation data or carried out our own independent valuations. No material variances arose from performing this work.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Responsibilities of the directors for the Financial Report

The directors of the company are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Financial Report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information

The other information comprises the information included in the Group's Annual Report for the year ended 31 December 2015, other than the Financial Report and our Auditor's Report thereon. The directors are responsible for the other information.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 58 to 88 of the Directors' Report for the year ended 31 December 2015.

In our opinion, the Remuneration Report of QBE Insurance Group Limited, for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

RJ Clark
Partner

SJ Hadfield
Partner

Sydney
23 February 2016

Shareholder information

QBE is incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code "QBE".

Registered office

QBE Insurance Group Limited
Level 27, 8 Chifley Square
Sydney NSW 2000 Australia

Telephone: +61 2 9375 4444
Facsimile: +61 2 9231 6104

Website: www.qbe.com

QBE website

QBE's website provides investors with information about QBE including the annual report, annual review, corporate governance statement, sustainability report, half yearly report and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE's dividend and online access to your shareholding details via the share registry.

Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE's share registrar:

Computershare Investor Services Pty Limited (Computershare)
GPO Box 2975
Melbourne VIC 3001 Australia

452 Johnston Street
Abbotsford VIC 3067 Australia

Telephone: 1300 723 487 (Australia)
Telephone: +61 3 9415 4840 (International)

Web: www.computershare.com.au
Email: qbe.queries@computershare.com.au

For security purposes, please quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHESS) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Computershare cannot assist you with these changes.

Shareholding details online

Manage your shareholding online by visiting QBE's share registrar, Computershare. Log onto www.investorcentre.com.au to view your holding balance and dividend statements, to update your address (if you are registered with an SRN) or direct credit instructions, provide DRP or BSP instructions or change/add your TFN/ABN details.

You may also register to receive shareholder documentation electronically including dividend statements, notices of meetings, annual reports and major company announcements.

Privacy legislation

Chapter 2C of the *Corporations Act 2001* requires information about you as a security holder (including your name, address and details of the securities you hold) to be included in QBE's share register. These details must continue to be included in the public register even if you cease to be a security holder. A copy of the privacy policy is available on Computershare's website.

Relevant interests register

Nasdaq OMX Pty Ltd of Level 8, 155 George Street, Sydney NSW 2000 Australia maintains QBE's register of information about relevant interests. Shareholders and other parties can telephone Nasdaq OMX on +61 2 8076 2600 or facsimile on +61 2 8076 2601 if they wish to inspect this register.

American Depository Receipts (ADRs)

BNY Mellon sponsors QBE's level 1 American Depository Receipts Program (ADR) in the United States of America. QBE's ADRs are traded on the over-the-counter (OTC) securities market in the US under the symbol QBIEY and CUSIP: 74728G605. One ADR represents one ordinary share in QBE. US OTC market information is available at: www.otcmarkets.com/stock/QBIEY/quote.

QBE's ADR information with BNY Mellon can also be viewed at: http://www.adrbnymellon.com/dr_profile.jsp?cusip=74728G605#

ADR holders seeking information on their shareholding should contact:

BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516 USA

Telephone number (toll free): 1 888 BNY ADRS (1 888 269 2377) (within the USA)
Telephone: +1 201 680 6825 (outside the USA)

Email: shrrelations@bnymellon.com

Dividends

QBE pays cash dividends to shareholders resident in Australia, New Zealand, the UK and the US by direct credit. The benefit to shareholders of the direct credit facility is access to cleared funds quickly and securely – reducing the risk of cheques being lost or stolen. Shareholders in other countries will receive cheque payments in Australian dollars. Shareholders receive a dividend statement for tax records, either by post or by email depending on the selected communications option.

Eligible shareholders can participate in QBE's Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) when the plans are active. The DRP enables you to subscribe for additional shares. The BSP is a bonus share plan whereby the dividend entitlement is forgone for bonus shares in lieu of the dividend. In order to participate in either the DRP or BSP, you must have a minimum shareholding of 100 shares.

Participants may change their election to participate in the DRP and BSP at any time. DRP/BSP election cut-off dates and application forms are available from QBE's website.

Tax File Number (TFN), Australian Business Number (ABN) or exemption – Australian residents

You can confirm whether you have lodged your TFN, ABN or exemption by visiting Computershare's Investor Centre. If you choose not to lodge these details, QBE is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of dividends paid. Australian shareholders living abroad should advise Computershare of their resident status. TFN forms are available from Computershare's Investor Centre.

Conduit foreign income (CFI)

Shareholders will receive CFI credits in respect of the whole unfranked portion of QBE dividends. These credits exempt non-resident shareholders from Australian withholding tax.

Unpresented cheques/unclaimed money

Under the *Unclaimed Moneys Act*, unclaimed dividends must be given to the New South Wales state treasury. It is very important that shareholders bank outstanding dividend cheques promptly and advise Computershare immediately of changes of address or bank account details.

Recent QBE dividends

DATE PAID	TYPE	RECORD DATE	AUSTRALIAN CENTS PER SHARE	FRANKING %
28 March 2013	Final	8 March 2013	10	100
23 September 2013	Interim	2 September 2013	20	100
31 March 2014	Final	13 March 2014	12	100
23 September 2014	Interim	29 August 2014	15	100
13 April 2015	Final	6 March 2015	22	100
2 October 2015	Interim	28 August 2015	20	100
14 April 2016	Final	11 March 2016	30	100

Annual General Meeting (AGM)

The Annual General Meeting of QBE Insurance Group Limited will be held at 10.00am on Wednesday, 4 May 2016 in the James Cook Ballroom, Hotel Intercontinental, 117 Macquarie Street, Sydney, NSW 2000.

The AGM will be webcast live on the internet at www.qbe.com/investorcentre/annualgeneralmeeting and an archive copy uploaded for later viewing.

Voting rights of ordinary shares

The constitution provides for votes to be cast:

- on a show of hands, one vote for each shareholder; and
- on a poll, one vote for each fully paid ordinary share.

Annual Report mailing list

Amendments to the *Corporations Act 2001* have removed the obligation for companies to mail an annual report to shareholders. To improve efficiency, save costs and reduce our impact on the environment by minimising unnecessary use of paper and printing resources, the Annual Report is published on our website at www.qbe.com.

If you wish to receive a hard copy of the Annual Report, please update your Communication preferences at the Computershare Investor Centre.

QBE does not produce a concise financial report.

Shareholder information CONTINUED

Top 20 shareholders as at 31 January 2016

NAME	NUMBER OF SHARES	% OF TOTAL [1]
HSBC Custody Nominees (Australia) Limited	382,964,287	27.93
JP Morgan Nominees Australia Limited	226,876,441	16.54
National Nominees Limited	166,827,117	12.17
Citicorp Nominees Pty Limited	95,623,469	6.97
BNP Paribas Nominees Pty Ltd (DRP)	68,471,148	4.99
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	22,757,652	1.66
Citicorp Nominees Pty Limited (Colonial First State Investment A/C)	22,382,122	1.63
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	16,966,102	1.24
AMP Life Limited	10,278,833	0.75
HSBC Custody Nominees (Australia) Limited (Commonwealth Super Corp A/C)	8,470,723	0.62
Australian Foundation Investment Company Limited	7,612,851	0.56
Argo Investments Limited	5,020,491	0.37
UBS Nominees Pty Ltd	4,894,482	0.36
UBS Wealth Management Australia Nominees Pty Ltd	3,672,887	0.27
RBC Investor Services Australia Nominees Pty Limited (PIIC A/C)	3,441,771	0.25
Milton Corporation Limited	2,618,375	0.19
RBC Investor Services Australia Nominees Pty Limited (MBA A/C)	2,515,202	0.18
Navigator Australia Ltd (MLC Investment Settlement A/C)	2,439,165	0.18
BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	2,174,000	0.16
Nulis Nominees (Australia) Limited (Navigator Master Plan Settlement A/C)	1,992,051	0.15
	1,057,999,169	77.17

1 Percentage of total at date of notice.

QBE substantial shareholders as at 31 January 2016

At 31 January 2016, QBE Insurance Group Limited had no substantial shareholders.

Distribution of shareholders and shareholdings as at 31 January 2016

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 1,000	71,959	53.89	31,559,827	2.30
1,001 to 5,000	50,884	38.11	111,324,240	8.12
5,001 to 10,000	6,859	5.14	47,675,086	3.48
10,001 to 100,000	3,678	2.75	74,510,580	5.43
100,001 and over	147	0.11	1,106,200,606	80.67
Total	133,527	100.00	1,371,270,339	100.00

Shareholdings of less than a marketable parcel as at 31 January 2016

	SHAREHOLDERS		SHARES	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Holdings of 40 or fewer shares	5,126	3.84%	112,166	0.01%

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2016	**February**	**23**	Profit and dividend announcement for the year ended 31 December 2015
	March	**10**	Shares begin trading ex dividend
		11	Record date for determining shareholders' entitlement to 2015 final dividend
	April	**14**	2015 final dividend paid
	May	**4**	Annual General Meeting
	June	**30**	Half year end
	August	**17** [1]	Profit and dividend announcement for the six months ending 30 June 2016
		25 [1]	Shares begin trading ex dividend
		26 [1]	Record date for determining shareholders' entitlement to 2016 interim dividend
	September	**28** [1]	2016 interim dividend paid
	December	**31**	Year end

1 Dates shown may be subject to change.

10 year history

FOR THE YEAR ENDED 31 DECEMBER

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Gross written premium	US$M	**15,092**	16,332	17,975	18,434	18,291	13,629	11,239	11,015	10,391	7,839
Gross earned premium	US$M	**14,922**	16,521	17,889	18,341	17,840	13,432	10,943	10,773	10,353	7,610
Net earned premium	US$M	**12,314**	14,084	15,396	15,798	15,359	11,362	9,446	9,293	8,552	6,166
Claims ratio	%	**60.3**	63.2	64.5	66.0	68.2	59.9	60.3	57.6	54.3	55.8
Commission ratio	%	**17.2**	16.8	16.8	16.2	14.9	15.5	16.2	17.2	18.5	17.0
Expense ratio	%	**17.3**	16.1	16.5	14.9	13.7	14.3	13.1	13.7	13.1	12.5
Combined operating ratio	%	**94.9**	96.1	97.8	97.1	96.8	89.7	89.6	88.5	85.9	85.3
Investment income											
before investment gains/losses	US$M	**541**	676	691	723	948	658	832	1,237	837	576
after investment gains/losses	US$M	**665**	814	772	1,227	767	657	1,153	1,199	1,130	733
Insurance profit	US$M	**1,031**	1,074	841	1,262	1,085	1,703	1,609	1,830	1,895	1,351
Insurance profit to net earned premium	%	**8.4**	7.6	5.5	8.0	7.1	15.0	17.0	19.7	22.2	21.9
Financing and other costs	US$M	**244**	297	345	324	275	222	191	223	189	115
Operating profit (loss)											
before income tax	US$M	**953**	931	(448)	941	868	1,551	1,891	2,028	2,135	1,521
after income tax and non-controlling interests	US$M	**687**	742	(254)	761	704	1,278	1,532	1,558	1,612	1,121
Number of shares on issue [1]	millions	**1,370**	1,363	1,247	1,194	1,112	1,048	1,020	982	881	812
Shareholders' funds	US$M	**10,505**	11,030	10,356	11,358	10,386	10,311	9,164	7,834	7,435	4,962
Total assets	US$M	**42,176**	45,000	47,271	50,748	46,737	41,386	36,723	33,967	34,737	25,079
Net tangible assets per share [1]	US$	**5.07**	5.32	4.75	4.49	3.93	4.78	4.64	4.04	6.02	4.74
Borrowings to shareholders' funds	%	**33.6**	32.5	44.1	43.4	45.8	31.5	29.1	32.9	40.8	37.6
Basic earnings per share [1]	US cents	**50.3**	57.4	(22.8)	65.1	64.9	123.7	152.8	175.0	189.0	140.9
Basic earnings per share – cash basis [2]	US cents	**65.3**	63.5	62.9	89.1	73.0	127.7	156.4	177.2	190.5	141.8
Diluted earnings per share	US cents	**49.8**	55.8	(22.8)	61.6	61.3	119.6	149.9	172.2	181.8	131.1
Return on average shareholders' funds	%	**6.4**	6.9	(2.3)	7.0	6.8	13.1	18.0	22.3	26.0	25.8
Dividend per share	Australian cents	**50**	37	32	50	87	128	128	126	122	95
Dividend payout	A$M	**685**	492	394	593	956	1,336	1,306	1,187	1,068	774
Total investment and cash [3]	US$M	**26,708**	28,583	30,619	31,525	28,024	25,328	22,448	19,995	21,552	15,755

1 Reflects shares on an accounting basis.

2 Earnings per share on a cash basis is calculated with reference to cash profit, being profit after tax adjusted for amortisation and impairment of intangibles and other non-cash items net of tax.

3 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties.

Glossary of insurance terms

Accident year experience	The matching of all claims occurring (regardless of when reported or paid) during a given 12 month period with all premium earned over the same period.
Acquisition cost	The total of net commission and operating expenses incurred in the generation of net earned premium and often expressed as a percentage of net earned premium.
Admitted insurance	Insurance written by an insurer that is admitted (or licensed) to do business in the (US) state in which the policy was sold.
Agent	One who negotiates contracts of insurance or reinsurance as an insurance company's representative i.e. the agent's primary responsibility is to the insurance carrier, not the insurance buyer.
Attritional claims ratio	Total of all claims with a net cost of less than $2.5 million as a percentage of net earned premium.
Broker	One who negotiates contracts of insurance or reinsurance on behalf of an insured party, receiving a commission from the insurer or reinsurer for placement and other services rendered. In contrast with an agent, the broker's primary responsibility is to the insurance buyer not the insurance carrier.
Capacity	In relation to a Lloyd's member, the maximum amount of insurance premiums (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, the aggregate of each member's capacity allocated to that syndicate.
Cash profit	Net profit after tax attributable to QBE shareholders, adjusted for the post-tax effect of amortisation and impairment of intangibles and other non-cash items. This definition is used for the purpose of the Group's dividend policy.
Casualty insurance	Insurance that is primarily concerned with the losses resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance.
Catastrophe reinsurance	A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for losses related to an accumulation of claims resulting from a catastrophe event or series of events.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims incurred	The aggregate of all claims paid during an accounting period adjusted by the change in the claims provision for that accounting period.
Claims provision	The estimate of the most likely cost of settling present and future claims and associated claims adjustment expenses plus a risk margin to cover possible fluctuation of the liability.
Claims ratio	Net claims incurred as a percentage of net earned premium.
Coefficient of variation	The measure of variability in the net discounted central estimate used in the determination of the probability of adequacy.
Combined operating ratio	The sum of the net claims ratio, commission ratio and expense ratio. A combined operating ratio below 100% indicates profitable underwriting results. A combined operating ratio over 100% indicates unprofitable underwriting results.
Commercial lines	Refers to insurance for businesses, professionals and commercial establishments.
Commission	Fee paid to an agent or broker as a percentage of the policy premium. The percentage varies widely depending on coverage, the insurer and the marketing methods.
Commission ratio	Net commission expense as a percentage of net earned premium.
Credit spread	The difference in yield between a corporate bond and a reference yield (e.g. LIBOR, BBSW or a fixed sovereign bond yield).
Credit spread duration	The weighted average term of cash flows for a corporate bond. It is used to measure the price sensitivity of a bond to changes in credit spreads.
Deductible	The amount or proportion of some or all losses arising under an insurance contract that the insured must bear.
Deferred acquisition costs	Acquisition costs relating to the unexpired period of risk of contracts in force at the balance date which are carried forward from one accounting period to subsequent accounting periods.

Glossary of insurance terms CONTINUED

Excess of loss reinsurance	A form of reinsurance in which, in return for a premium, the reinsurer accepts liability for claims settled by the original insurer in excess of an agreed amount, generally subject to an upper limit.
Expense ratio	Underwriting and administrative expenses as a percentage of net earned premium.
Facultative reinsurance	The reinsurance of individual risks through a transaction between the reinsurer and the cedant (usually the primary insurer) involving a specified risk.
General insurance	Generally used to describe non-life insurance business including property and casualty insurance.
Gross claims incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Gross earned premium (GEP)	The proportion of gross written premium recognised as income in the current financial year, reflecting the pattern of the incidence of risk and the expiry of that risk.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
Incurred but not reported (IBNR)	Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date.
Insurance profit	The sum of the underwriting result and investment income on assets backing policyholders' funds.
Insurance profit margin	The ratio of insurance profit to net earned premium.
Inward reinsurance	See Reinsurance.
Large individual risk and catastrophe claims ratio	The aggregate of claims each with a net cost of $2.5 million or more as a percentage of net earned premium.
Lenders' mortgage insurance (LMI)	A policy that protects the lender (e.g. a bank) against non-payment or default on the part of the borrower on a residential property loan.
Lead/non-lead underwriter	A lead underwriter operates in the subscription market and sets the terms and price of a policy. The follower or non-lead is an underwriter of a syndicate or an insurance company that agrees to accept a proportion of a given risk on terms set by the lead underwriter.
Lender-placed insurance (LPI)	Coverage obtained by the lender when the customer's voluntary home building insurance has lapsed, been cancelled or proof of the customer's insurance has not been received. Coverage is required by the mortgage contract to protect the lender's interest in the property if damage was to occur and the customer had not maintained adequate coverage.
Letters of credit (LoC)	Written undertaking by a financial institution to provide funding if required.
Lloyd's	Insurance and reinsurance market in London. It is not a company but is a society of individuals and corporate underwriting members.
Lloyd's managing agent	An underwriting agent which has permission from Lloyd's to manage one or more syndicates and carry on underwriting and other functions for a member.
Long tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Managing General Agent (MGA)	A wholesale insurance agent with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. MGAs generally provide underwriting and administrative services such as policy issuance on behalf of the insurers they represent. Some may handle claims.
Maximum event retention (MER)	An estimate of the largest claim to which an insurer will be exposed (taking into account the probability of that loss event at a return period of one in 250 years) due to a concentration of risk exposures, after netting off any potential reinsurance recoveries and inward and outward reinstatement premiums.
Modified duration	The weighted average term of cash flows in a bond. It is used to measure the price sensitivity of a bond to changes in credit spreads.
Multi-peril crop scheme	US federally regulated crop insurance protecting against crop yield losses by allowing participating insurers to insure a certain percentage of historical crop production.

Net claims incurred	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
Net claims ratio	Net claims incurred as a percentage of net earned premium.
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium.
Net investment income	Gross investment income including foreign exchange gains and losses and net of investment expenses.
Net written premium (NWP)	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.
Outstanding claims provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Personal lines	Insurance for individuals and families, such as private motor vehicle and homeowners' insurance.
Policyholders' funds	Those financial assets held to fund the net insurance liabilities of the Group.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.
Premium solvency ratio	Ratio of net tangible assets to net earned premium. This is an important industry indicator in assessing the ability of general insurers to settle their existing liabilities.
Prescribed Capital Amount (PCA)	This comprises the sum of the capital charges for asset risk, asset concentration risk, insurance concentration risk and operational risk as required by APRA. The PCA must be disclosed at least annually.
Probability of adequacy	A statistical measure of the level of confidence that the outstanding claims provision will be sufficient to pay claims as and when they fall due.
Proportional reinsurance	A type of reinsurance in which the original insurer and the reinsurer share claims in the same proportion as they share premiums.
Prudential Capital Requirement (PCR)	The sum of the Prescribed Capital Account (PCA) plus any supervisory adjustment determined by APRA. The PCR may not be disclosed.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.
Reinsurance	An agreement to indemnify a primary insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the primary insurer. The enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance. The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
Reinsurance to close	A reinsurance agreement under which members of a syndicate, for a year of account to be closed, are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate.
Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer. The term includes retrocessionaires, being insurers that assume reinsurance from a reinsurer.
Retention	That amount of liability for which an insurance company will remain responsible after it has completed its reinsurance arrangements.
Retrocession	Reinsurance of a reinsurer by another reinsurance carrier.
RoAC	Return on allocated capital.
ROE	Group statutory net profit after tax as a percentage of average shareholders' funds.
RTSR	Relative total shareholder return.
Short tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Stop loss reinsurance	A form of excess of loss reinsurance which provides that the reinsurer will pay some or all of the reassured's losses in excess of a stated percentage of the reassured's premium income, subject (usually) to an overall limit of liability.

Glossary of insurance terms CONTINUED

Surplus (or excess) lines insurers	In contrast to “admitted insurers”, every US state also allows non-admitted (or “surplus lines” or “excess lines”) carriers to transact business where there is a special need that cannot or will not be met by admitted carriers. The rates and forms of non-admitted carriers generally are not regulated in that state, nor are the policies back-stopped by the state insolvency fund covering admitted insurance. Brokers must inform insurers if their insurance has been placed with a non-admitted insurer.
Syndicate	A member or group of members underwriting insurance business at Lloyd’s through the agency of a managing agent.
Survival ratio	A measure of how many years it would take for dust disease claims to exhaust the current level of claims provision. It is calculated on the average level of claims payments in the last three years.
Treaty reinsurance	Reinsurance of risks in which the reinsurer is obliged by agreement with the cedant to accept, within agreed limits, all risks to be underwritten by the cedant within specified classes of business in a given period of time.
Underwriting	The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
Underwriting expenses	The aggregate of policy acquisition costs, excluding commissions, and the portion of administrative, general and other expenses attributable to underwriting operations.
Underwriting result	The amount of profit or loss from insurance activities exclusive of net investment income and capital gains or losses.
Underwriting year	The year in which the contract of insurance commenced or was underwritten.
Unearned premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
VWAP	Volume weighted average price.
Written premium	Premiums written, whether or not earned, during a given period.