

QBE Insurance Group Limited

Annual Review 2015

QBE partners with a number of transport services, providing tailored insurance solutions for commuter and commercial networks all around the world. Our industry expertise ensures these networks have the confidence to move millions of commuters safely from 'A to B' every day.



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ABN 28 008 485 014

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Group Chief Executive Officer's report

Transitioning to profitable growth



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2015 snapshot

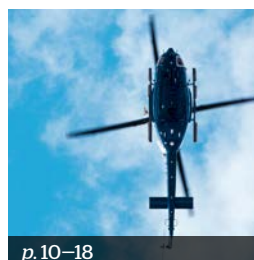
Overview of QBE's full year financial performance



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Sustainability review

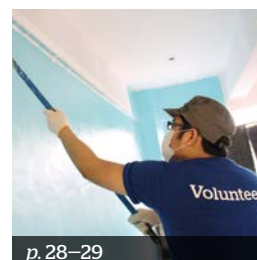
Our commitment to managing environmental, social and governance issues



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Divisional business reviews

A year in review



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Supporting our communities

Positive community impact through the QBE Foundation

2015 snapshot¹

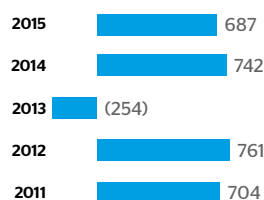
Financial highlights

Combined operating ratio (%)

94.9%

2014 **96.1%**

Net profit after income tax (US\$M)

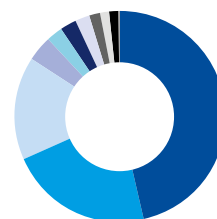


↓ **7%**

Investments and cash at 31 Dec 2015

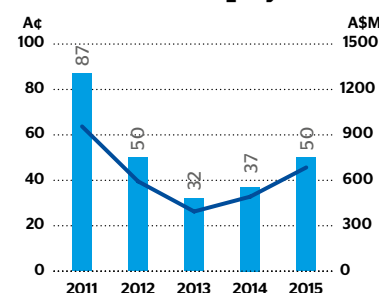
US\$ million

26,708



	2015 %	2014 %
Corporate bonds	46.4	42.9
Short-term money	22.2	27.2
Government bonds	15.6	16.8
Property trusts/ investment property	4.0	3.3
Cash	2.5	3.0
Equities	2.5	2.9
Emerging market debt and equities	2.1	1.8
High yield debt	1.7	1.0
Alternatives	1.5	-
Infrastructure debt	1.3	0.9
Unit trusts	0.2	0.2

Dividend per share (A¢) and dividend payout (A\$M)



50¢

↑ **35%** from 2014

Operational highlights

Women in management

27%

↑ **6%** from 2014

Days volunteered by employees

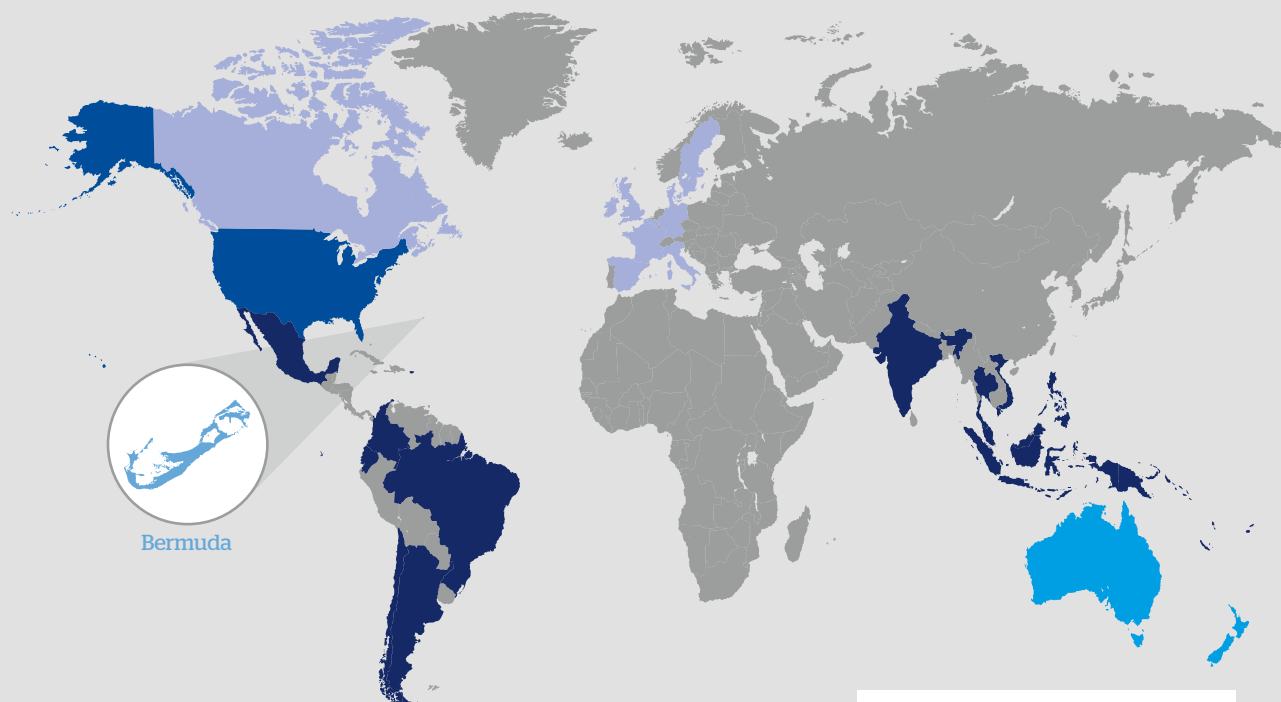
2,344

Carbon emissions reduction

↓ **4%**

from 2014

¹ The financial information in the tables above is derived from the Group's audited financial statements, which are summarised on pages 32 and 33 of this Annual Review and detailed in the Group's Annual Report which is available online at qbe2015.qreports.com.au. The Group Chief Financial Officer's report in the Annual Report provides further analysis of the results to assist in comparing the Group's performance against targets provided to the market in February 2015. This further analysis excludes material items related to the impact of business disposals not included in those targets.



Bermuda

Employees by division



North American Operations	2,334
European Operations	2,143
Australian & New Zealand Operations	3,344
Emerging Markets	3,149
Equator Re	8
Group	808
Group Shared Service Centre	2,746

Divisional highlights

Countries of operation

37

Total employees

14,532

Gross written premium (GWP)

QBE Group

US\$ million

15,092

North American Operations

US\$ million

4,961

European Operations

US\$ million

4,386

Australia & New Zealand Operations

US\$ million

3,787

Emerging Markets

US\$ million

1,728²

Equator Re

US\$ million

1,007

² Excludes Argentine Workers' compensation.

Delivering on our promises

2015 presented a tough market for the insurance industry as a number of disruptive influences continued to shape what we do and how we succeed. I am pleased to report that QBE's strategic plans remain well on track as we move from a period of refocus and stabilisation to one of controlled growth. I am increasingly confident we are set up for future success.

The market

I think I can say without doubt that this is the toughest marketplace I can remember. Increasing globalisation has seen new capital entering the insurance market seeking a profitable home and consequently dragging down prices. At the same time, investment returns remain well below historic levels. To remain profitable insurers have no option but to focus their efforts on high quality underwriting, efficiency and cost reduction.

The past few years have seen the evolution of the "digitalisation" of insurance and 2015 really brought this home. Technologies which were until recently new and untried are now finding real purpose. The ability to analyse unstructured data and develop insights is having a profound impact on risk selection, pricing and claims management. Customers now have access to new data, offering them the ability to make more informed decisions including choice of retention and risk management strategies.

With limited growth in the mature markets, insurance companies seeking growth have to find strategies to win business from competitors – through unique propositions, data insights or deep customer understanding. Emerging markets are still growing, albeit more slowly than before and with inherent risks.

Increasingly, commentators are questioning whether the underwriting cycle of hard and soft markets is a thing of the past. While I am sure there will be some recovery, many of the underlying changes we are seeing are structural rather than cyclical and will have a permanent impact on how the insurance market operates.

From my perspective, QBE is well-placed to succeed in the new world:

- Our business is widely diversified along geographic and product lines enabling us to sustain performance as markets rise and fall, focusing our efforts on the most attractive segments.

- QBE has an enviable position in many of the developed markets – we are seen by clients and brokers as undoubted leaders in many commercial and specialty markets, with the experience and expertise to lead in this space.
- We have a sizeable footprint in the emerging markets of Asia Pacific and Latin America and, importantly, our many years' experience in these markets allow us to manage the risks inherent in a high growth environment.
- QBE operates shared services centres in low cost environments with our Group Shared Services Centre (GSSC) in the Philippines carrying out processing and administrative services on behalf of all of our divisions around the globe.
- We have innovative and comprehensive reinsurance arrangements to protect our balance sheet and profit and loss which are underpinned by a unique global program coordinated by our own captive reinsurer, Equator Re.

2015 performance

Against that challenging backdrop, QBE has delivered on 2015 promises. Last year we set some key objectives and I am pleased to say we have made real progress on all of them, while at the same time making significant investments for the future.

Despite challenges in a number of our markets, our business overall has largely achieved target. Particularly pleasing is the turnaround achieved in our North American Operations, where we have rationalised and refocused to return this important business to an underwriting profit.

We have begun to grow our business in those areas we consider core; in particular, specialty in North America, our UK regional business and emerging markets.

We continue our journey towards operational excellence, having implemented a stronger, more integrated global operating model and increasing our usage of the GSSC.



QBE has delivered on 2015 promises. Last year we set some key objectives and I am pleased to say we have made real progress on all of them, while at the same time making significant investments for the future.”



Marty Becker Chairman • QBE Insurance Group

Our capital base has been strengthened and we are seeing positive prior accident year claims development in the aggregate.

Importantly, we continue to invest in building our own talent through our Leadership Academy and Executive Leadership Programs, as well as attracting fresh talent to transform and grow our business.

Looking to the future

QBE is entering a new phase of its evolution.

The last two years have been about remediating underperforming business, consolidating to achieve synergies and strengthening our operating model as a base for future growth. The next period is focused on delivering a series of strategic initiatives to build on the strong base we have established.

With markets remaining challenging, we will look to balance short term returns against investment for the future and will focus on three key areas:

- Achieving thoughtfully-managed **organic growth** in our core business focus areas.
- Continuing our journey towards **operational excellence**.
- Building our **talent pool** and ensuring remuneration is closely linked to performance, day-to-day as well as transformation and change.

Resetting our vision

As we enter an exciting new era, it is only right that we reconsider our vision. You will read more about this in the CEO's report but I want to touch briefly on one aspect

here which I think is important for all our stakeholders.

As a precursor to defining our vision, we stepped back and considered our **purpose** – why we exist as an organisation. We asked our customers, our investors and our people why they want to deal with QBE and a common theme from these conversations was one of belief; of trust in QBE to deliver and to help them achieve their own aims and objectives. So we considered that theme in developing our purpose: *“We give people the confidence to achieve their ambitions.”*

Based upon my interactions with QBE's management team and with our underwriting and operations people, I believe we are delivering on our purpose in relation to our people, providing them with challenging and rewarding careers. For our customers, the depth of QBE's underwriting expertise, risk management capability and the responsiveness of our claims teams provides confidence that QBE will be there to support them should the unexpected happen.

Providing our shareholders with the confidence to achieve their ambitions is also central to our purpose. We need to give investors confidence that we will continue to grow our net profit after tax, increase our dividend payments and book value per share and, ultimately, increase our share price year on year.

QBE Group Board changes

In closing, I want to highlight that John Graf retired from the Board at the end of December 2015. I would like to thank John for his contribution over the last four years.

W. Marston Becker
Chairman

Transitioning to profitable growth

In 2015 we successfully balanced further improvement in short term performance with investment for the future. As we move into 2016 and look to the future, we are confident our strategy will deliver profitable growth, allowing us to increase earnings and dividends over time.

We faced a number of headwinds during 2015, including challenging markets for both insurance pricing and investments, the significantly weaker Australian dollar and continued low interest rate environment. Despite these headwinds, we are pleased to have produced an adjusted underwriting result at the better end of our target range and an insurance profit margin towards the middle of our target range.

Our strategy of rationalising the business to focus on our strengths has further improved performance by removing the drag from underperforming and non-core businesses. We have continued our emphasis on underwriting and claims excellence, recording our best combined operating ratio since 2010. Importantly, during 2015 we also invested heavily in infrastructure, technology and our people, creating a stable platform for continued success.

As we move forward, our strategy will allow us to grow in those areas where market opportunities exist and where we know we can lead. By doing so, we believe we can provide our customers with a service unrivalled in the market.

2015 achievements

Profitability

Excluding the sold Argentine workers' compensation business and the one-off impact of other non-core asset sales, our adjusted profit increased 1% to \$807 million, or up 12% on a constant currency basis. This was despite substantially lower investment returns and reflected improved underwriting profitability.

Cash profit was \$893 million, up 9% from \$821 million in the prior period, or up 21% on a constant currency basis.

Cash profit return on equity increased to 8.3% from 7.7% a year earlier.

Our adjusted combined operating ratio of 94.0% is at the better end of the 94.0% - 95.0% target range we set at the beginning of 2015 and represents the Group's best underwriting performance since 2010.

During the past 24 months, and most notably in 2015, we have:

- executed a series of remediation initiatives that have substantially improved the quality of our underwriting account;

- restructured and considerably strengthened the quality of our balance sheet, a fact acknowledged by the major rating agencies in assessing our capital strength;
- returned our North American Operations to underwriting profit;
- created a rhythm of operational excellence throughout our business with significant cost reductions achieved and more to follow;
- attracted high quality talent to our executive, underwriting and business function teams;
- strengthened our reinsurance programs with a focus on reducing volatility in our profit and loss account (notably from large individual risk and catastrophe claims activity); and
- returned the Group to earnings stability and predictability.

Our 2015 adjusted result included \$147 million of positive prior accident year claims development. We remain disciplined with robust reserving controls and claims management practices, a fact reflected in the Group reporting its third consecutive half year of positive prior accident year claims development.

Financial strength and flexibility

In 2015, we completed the final elements of our comprehensive capital plan which further strengthened our already robust capital ratios. This resulted in the key credit rating agencies affirming our strong financial security ratings and deeming our capital position to be "stable" while Moody's upgraded QBE's senior unsecured debt and long-term issuer ratings to Baa1 from Baa2. Significantly, Standard & Poor's referred to QBE's capital adequacy as being "at the AA level".

More specifically, during 2015 we:

- completed the sale of our workers' compensation business in Argentina and our Mortgage & Lender Services business in North America;
- replaced £300 million of senior debt with \$300 million and A\$200 million of capital-qualifying tier 2 subordinated debt;
- placed an innovative aggregate reinsurance program (for both 2015 and 2016) designed to limit the cost of large individual risk and catastrophe claims to less than 9% of net earned premium under most scenarios;



QBE is known for strong underwriting discipline and robust capital management. With a renewed focus on our customers, our strategic initiatives will drive further profitable growth and deliver excellent products and services.”



John Neal Group Chief Executive Officer • QBE Insurance Group

- purchased quota-share reinsurance and commodity-price derivatives to supplement the existing stop-loss reinsurance arrangements for our North American crop business; and
- reduced tail risk on new business in our highly profitable Australian lenders' mortgage insurer with a unique reinsurance program designed to substantially reduce down-side exposure to economic events in the 1 in 20 year to 1 in 250 year probability of occurrence.

Coupled with retained profit growth, the above initiatives have seen the Group's debt to equity ratio stabilise at 33.6% and reserving probability of adequacy increase to 89.0%. Coverage of APRA's prescribed capital amount (PCA) increased to 1.72x (the highest level since 2010) with a further increase in our excess over and above S&P's minimum AA capital requirement.

We remain very comfortable with our regulatory capital position.

Premium

Gross written premium decreased 7% to \$14,782 million from \$15,944 million in the prior period but was up 1% on a constant currency basis reflecting:

- excluding the now sold Mortgage & Lender Services, North American Operations' gross written premium was \$4,578 million, down 4% from the prior period but in line with half year expectations. Encouragingly, we continue to see strong growth in the consumer business within Standard Lines which grew by 11% and our Specialty Lines business grew by a further 32%, consistent with plan;
- despite competitive market headwinds and the impact of the dramatic fall in commodity prices, European Operations reported encouraging growth of 5%;

- Australian & New Zealand Operations grew by 3% underpinned by pleasing growth in our traditional commercial lines portfolio; and
- our profitable growth strategy contributed to 9% growth in Emerging Markets, including 3% growth in Asia Pacific and 13% growth in Latin America.

Gross written premium of \$14,782 million and net earned premium of \$12,213 million fell slightly short of our gross written and net earned premium targets of \$15.2 billion – \$15.6 billion and \$12.3 billion – \$12.7 billion respectively. This was due to a combination of adverse currency movements, a second half slowdown in Asia on the back of Chinese economic deceleration, further remediation in North America, particularly in commercial motor, and a larger than expected industry-wide reduction in Australian lenders' mortgage insurance new business volumes.

Pricing remains challenged across the globe with rates down by around 1.3% overall and forecast to fall by a similar amount in 2016.

Operational excellence

At this point in the insurance cycle and given prevailing interest rates, it is critical that we continue to reduce both claims costs and operating costs.

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

Having reduced the Group's operating expenses and having reported positive prior accident year claims development over three consecutive half years, we are committed to achieving further savings in both claims costs and operating expenses as discussed later in my report.

Simultaneously, we are investing in four very important areas to ensure the future well-being of our business:

- transformation of our global finance and technology processes;
- development of claims management systems to reduce the indemnity cost of claims and the settlement costs associated with claims management as well as improving our service proposition to customers;
- implementation of global people management systems; and
- significantly strengthening our data and analytics capabilities through development of an integrated onshore/offshore model.

Investments

From an investment market perspective, the second half of 2015 proved to be as challenging as any period in recent history with a precipitous fall in oil prices. This was compounded by China recording its slowest pace of economic growth for a quarter of a century. Against this back-drop, we were pleased to deliver an adjusted net return of around 2.2% from an investment portfolio that remains defensively positioned to protect against the continued macro headwinds we are seeing in early 2016.

People

Our people are our key competitive advantage and developing their skills and providing fulfilling careers is therefore a prerequisite for our success.

Our Leadership Academy is in its third year of operation with over 1,800 of our leaders participating in a series of education and development programs. In the first quarter of 2016, we intend deepening our global focus on technical capability with the launch of our Underwriting Academy. Our medium term objective is to underpin that capability with an aligned global approach and to continue to lift the percentage of our underwriters who are formally accredited by leading insurance institutes.

All of our senior roles have structured succession planning in place.

Divisional Performance

1. North American Operations

Dave Duclos and his senior team have achieved a strong turnaround of our North American Operations, improving the combined operating ratio from 111.5% in 2013 to 99.2% in 2015, thereby returning the business to underwriting profit. A number of actions taken during 2015 give us confidence we can deliver further meaningful improvement in underwriting profit in 2016 and beyond. These include remediation of our Standard Lines business, the successful restructuring of our Crop business, continued build-out of our profitable Specialty business and the sale of our Mortgage & Lender Services business.

2. Australian & New Zealand Operations

With the backdrop of the considerable catastrophe claims activity in the first half of 2015, ongoing price competition and a significant increase in NSW CTP claims frequency, Australian & New Zealand Operations' combined operating ratio of 91.3% is a solid outcome. By repricing our NSW CTP portfolio, and implementing important operational changes designed to build scalability in to the acquisition cost base, we aim to hold underwriting margins steady despite continued challenging market conditions.

3. European Operations

Richard Pryce and the team in Europe achieved the standout result in the Group, delivering 5% growth on a constant currency basis and recording a combined operating ratio of 89.1%. Notwithstanding highly competitive market conditions, European Operations recorded an improvement in its attritional claims ratio on the back of a reworking of the underwriting account over the past two years. Ongoing favourable prior accident year claims development is indicative of our disciplined approach to underwriting and reserving, particularly in the challenging International Markets and Reinsurance businesses.

4. Emerging Markets

Underpinned by an improved performance in both Asia Pacific and Latin America, David Fried and team grew our Emerging Markets business by 9% on a constant currency basis in 2015 while recording an improved combined operating ratio of 99.2%. The decision to hub these businesses in Hong Kong and Miami respectively has strengthened our governance and control framework, increasing confidence in our ability to simultaneously deliver further growth and improved profitability.

5. Equator Re

Equator Re provides excess of loss reinsurance protection and proportional cover to our four operating divisions. Despite further softening of reinsurance premium rates during 2015 and the impact of large individual risk claims from the divisions, Equator produced a solid combined operating ratio of 89.0% in a relatively benign catastrophe claims year.

In Summary

2015 was a year of transition, closing off our remediation phase and beginning our return to profitable growth. Our disciplined approach in difficult market conditions has allowed us to balance improvement in underwriting profitability and performance with a clear desire to invest for the future, leaving the business well positioned for sustained success.

On behalf of our Group Executive, I want to thank all of our stakeholders for trusting QBE and having the confidence that we will deliver on our promises. As I consider our business today, the future looks bright and I look forward to meeting our promises again in 2016 and beyond.

John Neal
Group Chief Executive Officer

Outlook for 2016

We expect both insurance pricing and investment markets to remain challenged in 2016. Our focus on quality underwriting and claims performance will not change while we continue to invest in our strategic growth and operational excellence initiatives. This will include a substantial build out of our data analytics capabilities and an emphasis on deepening our customer understanding and relationships.

* 2016 targets:

Gross written premium^{1,2}

US\$14.2–14.6 billion

(US\$14.6–15.0 billion at constant currency)

Net earned premium¹

US\$11.6–12.0 billion

(US\$11.9–12.3 billion at constant currency)

Combined
operating ratio^{3,4}

94–95%

Insurance
profit margin^{3,4,5}

8.5–10% of net
earned premium

As we transition from a period of business remediation and refocus on profitable growth, it is timely to remind ourselves of what we believe is QBE's purpose – to give people the confidence to achieve their ambitions. That means understanding the needs of our many stakeholders – our customers, our investors as well as our own people – and providing products and services that fulfil these needs. Our refreshed vision captures how we will achieve that – by being “*the insurer that builds the strongest partnerships with customers*”.

This vision will drive our strategy of customer-centric growth and operational excellence through a series of initiatives which will help us deliver medium and long term growth and efficiency.

Importantly, we also need to deliver on our short term promises and that means delivering on our 2016 plan. Consequently, our business plan for the coming year takes into account market opportunities and challenges, as well as our own short, medium and long term aspirations.

In 2016, an unwavering focus on five clear priorities will ensure we execute on our published near term targets as well as investing to achieve improved performance and profitability over the medium to longer term.

- 1. Performance management.** Through 2014 and 2015 we demonstrated underwriting discipline. We anticipate 2016 will be a more challenging underwriting year than 2015 and accordingly, have further improved the rigour of our business plan review and remediation activities to ensure our performance objectives are met.
- 2. North American Operations.** We will continue to refocus as a specialist insurer and reinsurer in this important market, integrating and streamlining our operations to lower our expense ratio and further improve profitability.
- 3. Profitable growth.** We are investing \$150 million in products and territories where we believe profitable growth opportunities exist. As one of the few truly global non-life insurers, we will use our geographic footprint, our extensive range of products and services and the quality of our people, to drive an attractive organic growth trajectory.
- 4. Cost management.** We are targeting a reduction in operating expenses of \$150 million in 2016 that will result in a 1% improvement in our 2016 expense ratio. Moreover, we are developing plans to eliminate a further \$150 million of costs in 2017–18, thereby improving our expense ratio by 2% over the three years to 2018. Excluding asset sales, this is expected to result in a total reduction in the Group's gross operating expenses of approximately \$700 million over the six year period to 2018.
- 5. Claims transformation.** We are making substantial investments in our claims management systems to improve the cost of claims indemnity and reduce the cost of managing claims, while simultaneously improving our customer service capabilities. These actions are intended to assist in maintaining a stable attritional claims ratio despite an expectation of further modest premium rate softening.

QBE is known for strong underwriting discipline and robust capital management. With a renewed focus on our customers, our strategic initiatives will drive further profitable growth, while at the same time delivering excellent products and services to our customers and their brokers globally.

- 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.
- 3 Assumes no prior accident year claims release.
- 4 Assumes risk free rates as of 31 December 2015.
- 5 Assumes a 2.4% net investment yield.



Made possible

Tailored solutions

QBE North America combined clinical expertise with flexible policy terms that made it possible for a national electric supply company to continue a self-funded medical insurance program.

Our Accident & Health team of underwriters, claims professionals and registered nurses helped uncover and identify unique medical conditions that would have put a client's self-funded medical program at risk. The high cost of care associated with these identified medical treatments would have placed a significant financial burden on our client, thus impacting the terms of the policy that insulated the policyholder from large catastrophic claims. The client was very much in need of a creative solution to maintain the viability of their health insurance program. The team focused on the client's needs; researched care options, treatment costs and innovative ideas for plan provisions. QBE underwriters delivered a solution which tailored the policy terms and provided appropriate care and cost containment provisions that delivered the essential medical coverage for the company's employees and their families.

North American Operations business review

North American Operations turned a corner in 2015, posting an underwriting profit for the first time since 2011. With portfolio remediation largely behind us, the development of an operating model to support profitable growth and “go to market” capabilities is progressing.

David Duclos

Chief Executive Officer • North American Operations

2015 overview

Following the sale of the Mortgage & Lender Services (M&LS) business, North American Operations has been reset as a specialist insurer and reinsurer with four key business units: Standard Lines, Specialty, Crop and Assumed Reinsurance, with the latter a component of QBE's global reinsurance business headquartered in London.

Competition has increased across all product lines (especially property) in 2015, reflecting an abundance of capacity coupled with a period of relatively low catastrophe losses (although convective and winter storms have emerged as a new “norm” for weather related losses). Premium rate increases were modest for the second consecutive year, up 0.4% on average across all business lines (excluding Crop), down from 1% in 2014.

Industry profitability remains challenged by price competition, slowing premium growth and historically low investment income, necessitating a heightened focus on cost reduction and the provision of superior service across multiple customer segments.

Summary

Numerous initiatives are underway to further improve the North American business and ensure more predictable and better quality underwriting results. Expansion of our Specialty Lines platform continues with the addition of new lines of business. Following the recent introduction of Surety, Cyber Liability, Inland Marine and Transactional Liability, we plan to launch a number of other products to be announced later in 2016.

During 2015, a key focus has been the ongoing development of our underwriting support system including the build-out of a field operations platform in order to be responsive to the needs of the rapidly evolving marketplace. This underscores our commitment to improving producer relationships, driving profitable growth through a product-centric and customer-focused approach and providing customers with direct access to the products and services they need. Through a sharp focus on technical underwriting, we have driven strong business performance and, in turn, stability in our underwriting appetite. Additionally, the transformation of our claims practice has focused on claims capabilities, differentiation, outcomes and analytics.

Transformation initiatives continue with a focus on creating the right environment and tools to deliver sustainable profitable growth as well as high quality and predictable results. In 2015, we executed on a technology and operations roadmap to improve our systems and support scalability and new business growth. Moreover, when complete, the build-out of our data and analytics capability will further enhance both our risk selection and pricing capabilities.

Gross written premium

US\$ million

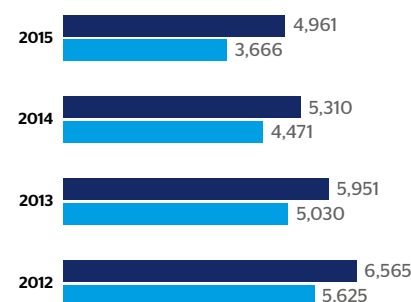
4,961 ↓ 7% from 2014

Net earned premium

US\$ million

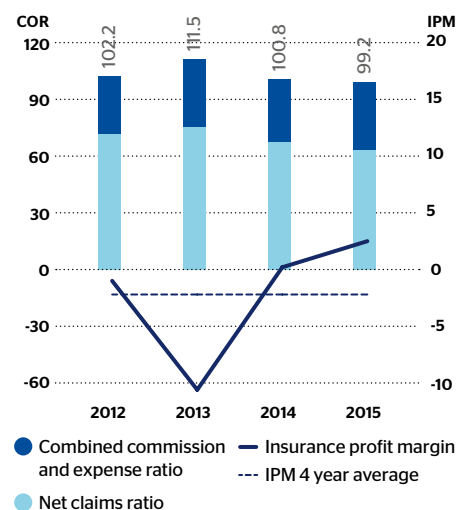
3,666 ↓ 18% from 2014

Gross written premium and net earned premium (US\$M)



- Gross written premium
- Net earned premium

Combined operating ratio (COR) and insurance profit margin (IPM) (%)



European Operations business review

European Operations delivered a strong financial performance in 2015 despite market conditions continuing to deteriorate. The combined operating ratio was 89.1% and the insurance profit was \$464 million. Gross written premium increased 5% on a constant currency basis.

Richard Pryce

Chief Executive Officer • European Operations

2015 overview

The last 12 months have been characterised by intense competition, especially in the London market.

The pricing environment deteriorated in the second half of the year and, as a consequence, rates were marginally worse than our planning assumptions. Notwithstanding the competitive landscape, our strong market position combined with increased focus on cross class client engagement helped us improve our retention ratio and selectively grow gross written premium.

To support further selective growth we made several strategic hires across the business, most notably in the last quarter when we recruited extensively to expand our real estate business.

The operational environment improved during the year and our major IT infrastructure upgrade project is on schedule to be completed early in 2016. Further positive progress has been made in the data analytics arena, especially in claims management.

The year ended on a positive note with the Prudential Regulation Authority (PRA) approving our Solvency II internal capital model application.

Summary

Notwithstanding the operating landscape, this has been a very positive year for European Operations.

Across the business we have delivered our financial, operational and strategic objectives and, as a consequence, we move into 2016 with positive momentum.

There is, however, much more to be accomplished to build the quality business to which we aspire. In particular, further developments in client engagement, getting more value from our extended distribution, data analytics and improved operational efficiency remain our priorities.

Our biggest challenge continues to be the extremely competitive pricing and commission landscape which shows little sign of abating. Our focus on underwriting discipline remains paramount and, combined with our position as a market leader, we are well placed to respond appropriately.

Once again the European Operations' team has performed very well. Individually and collectively they have displayed skill and commitment and the result is testimony to their efforts.

Gross written premium

US\$ million

4,386 ↓ 3% from ¹ 2014

Net earned premium

US\$ million

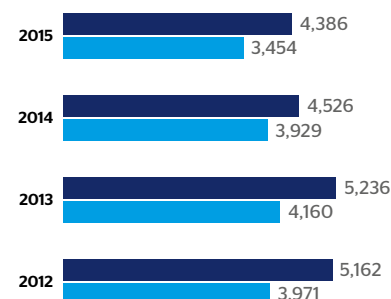
3,454 ↓ 12% from ² 2014

¹ Up 5% on a constant currency basis.

² Down 5% on a constant currency basis (excluding the one-off impact of the medical malpractice reinsurance transaction).

Note: All comparative 2014 performance figures exclude the one-off impact of the medical malpractice reinsurance transaction.

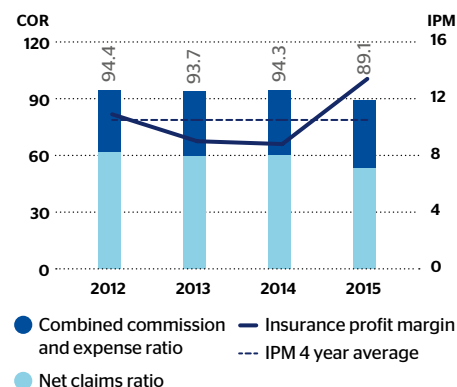
Gross written premium and net earned premium (US\$M)



● Gross written premium

● Net earned premium

Combined operating ratio (COR) and insurance profit margin (IPM) (%)





Made possible

Beating fraud

QBE European Operations is a UK market leader in the provision of professional indemnity insurance to solicitors, with clients ranging from the top City firms to local law firms.

During 2015 a new type of claim started to emerge as a result of 'Friday afternoon fraud'. Solicitors were being defrauded by organised gangs using sophisticated cyber techniques, including email interception and identity theft. While we rapidly indemnified our clients to allow transactions to complete, many were not so lucky. To heighten awareness of this issue we brought together parties from across the industry under the auspices of the Association of British Insurers to agree on remedies and actions to support solicitors across the UK. In addition, our actions attracted significant coverage of this important issue in the national and legal press.



Made possible

Enabling vital helicopter services

QBE has helped a helicopter operator grow from a single aircraft into a fleet of 12 with the capability to provide vital air ambulance services to those in need.

Toll Group is Australia's largest provider of transport and logistics, including specialised mission-critical helicopter services. QBE has insured Toll's helicopter operations since it consisted of one Bell 205 aircraft and our strong partnership delivering risk management initiatives has helped Toll expand its fleet. The latest challenge has involved the introduction of eight state-of-the-art, purpose-built medical helicopters to enable Toll to service its NSW Air Ambulance contract. QBE has been right there to help Toll manage this leap in equipment sophistication and the contract's rapid timeframe. This included bringing in specialist knowledge to assist with the transition and ensure Toll can provide an outstanding emergency response service.

Australian & New Zealand Operations business review

Our focus on operational efficiencies and disciplined underwriting has delivered a COR of 91.3% – a solid result in light of the storms on the eastern seaboard, fires in South and Western Australia and a competitive trading environment.

Tim Plant

Chief Executive Officer • Australian & New Zealand Operations

2015 overview

The Australian and New Zealand economies continue to grow, albeit more slowly than in prior years, impacted by declining commodity prices and increasing levels of government debt. Interest rates continue to trend downwards while unemployment remains low.

2015 saw a number of severe storms on the eastern seaboard and bushfires in Victoria and South and Western Australia. These events have highlighted the important role insurance plays in providing community support. Government is encouraged to support building community resilience and continued prioritisation of mitigation measures in areas exposed to natural catastrophes such as cyclone, flood and bushfire.

The insurance market remains competitive in Australia and New Zealand with increased levels of capital available through local and foreign capital providers. The Australian market has seen rate decreases of around 2% over the past 12 months while New Zealand continues to experience significant rate decreases.

Continued pressure on lenders' mortgage insurance (LMI) by regulators has seen the housing market slow which has decreased the demand for LMI. Despite lower demand, pricing has held firm and underwriting profitability remains strong.

Summary

Our underwriting performance remains strong despite competitive pressures and a higher than average expected level of catastrophes. Significant investment in our workplace environment and new systems has led to improvements in workforce engagement and customer satisfaction.

There have been a number of changes to our executive team this year following Colin Fagen's transition into a newly created Group role. The transfer of the CEO position from Colin Fagen to Tim Plant has been seamless and reinforces the depth of leadership within Australian & New Zealand Operations.

We have also created a new transformation unit to align and drive strategy, innovation and transformation across our business and will welcome a new Executive General Manager, Marketing in 2016 to further improve the positioning of our product set.

Finally, I would like to thank the Australian and New Zealand teams for their ongoing commitment and for delivering another excellent result.

Gross written premium

US\$ million

3,787 ↓ 14% from 2014¹

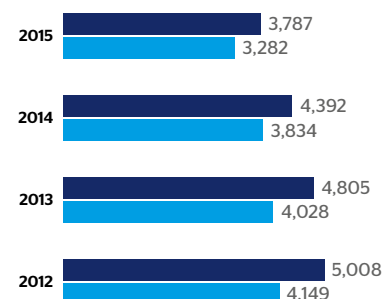
Net earned premium

US\$ million

3,282 ↓ 14% from 2014²

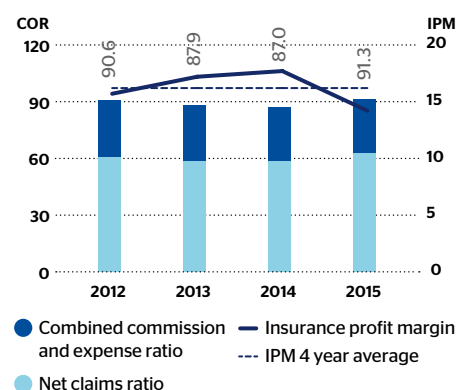
- 1 Up 3% on a constant currency basis.
- 2 Up 2% on a constant currency basis.

Gross written premium and net earned premium (US\$M)



- Gross written premium
- Net earned premium

Combined operating ratio (COR) and insurance profit margin (IPM) (%)



Emerging Markets business review

Emerging Markets maintained steady, solid growth in 2015. With a strengthened leadership team and management structure in place, our expansion in Asia Pacific and Latin America is being driven by increased cross-regional synergies and implementation of our profitable growth strategy.

David Fried
Chief Executive Officer • Emerging Markets

2015 overview

Emerging Markets continued to build on its solid foundation during the year.

A single operating model was established with the creation of a combined Emerging Markets board and management structure.

The Latin America profitable growth strategy was approved by the QBE Group Board in February 2015. A divisional head office was established in Miami and remediation actions were taken to further improve performance in the region. This included the sale of the Argentine workers' compensation business and a reduction in exposure to the Colombian SOAT business.

Inter-regional synergies were developed with the leadership team now providing oversight of underwriting, distribution and claims from our regional offices in Hong Kong, Singapore and Miami. To improve efficiency and consistency, and to further enhance the scalability of Emerging Markets' operations, some administrative, claims, human resource and finance services were relocated to the QBE Group's Shared Services Centre (GSSC) in the Philippines.

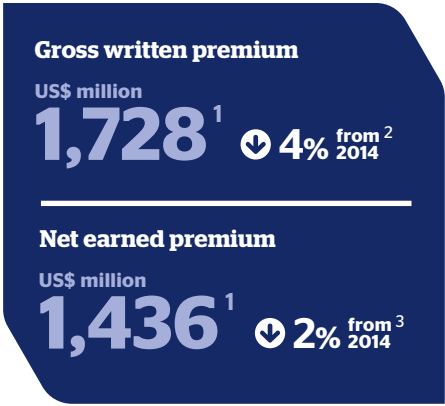
In 2015, the division posted steady, solid underlying growth in both gross written and net earned premium as well as an improved combined operating ratio.

Summary

The ongoing and successful implementation of our profitable growth strategy in both Asia Pacific and Latin America is critical to sustaining profitable growth over the longer term.

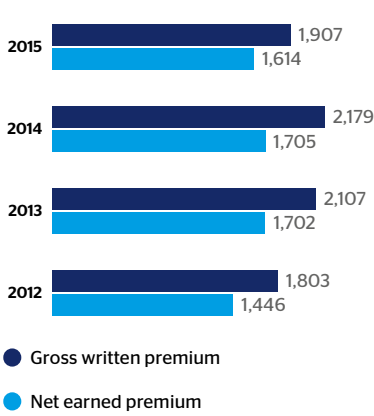
To drive business growth, we will continue to enhance productivity, efficiency and consistency across Emerging Markets. We will also continue to strengthen the underwriting capabilities and focus on winning and retaining profitable and high quality business. Building on our customer-centric approach, we will continue to utilise technologies and work with our intermediaries and customers to mitigate potential risk exposures. We will also ensure the right people are in the right positions to drive business growth as we endeavour to deliver the best customer experience for the lowest possible cost.

My thanks go to our business partners for their continued support and to our dedicated staff for their hard work. We look forward to achieving our business targets together in 2016 and beyond.

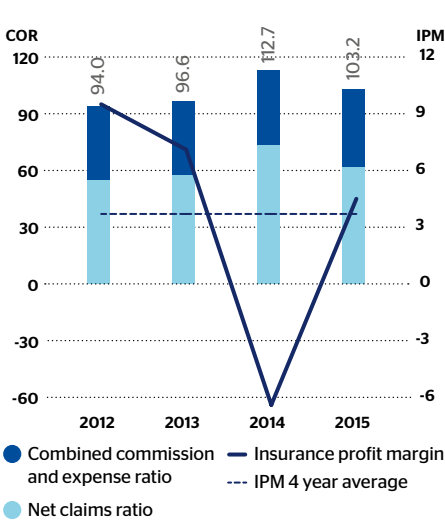


1 Excludes Argentine workers' compensation.
2 Up 9% on a constant currency basis.
3 Up 10% on a constant currency basis.

Gross written premium and net earned premium (US\$M)



Combined operating ratio (COR) and insurance profit margin (IPM) (%)



Made possible

Supporting trade flow

One of the busiest ports in Colombia, Puerto de Cartagena, is now covered by comprehensive liability insurance following the collective efforts of QBE teams in Colombia and Europe.

Puerto de Cartagena plays a critical role in Colombia's trade sector, serving ships up to 5,500 twenty-foot equivalent units (TEU) and handling more than 21 million tonnes of cargo annually. As the nation's economy grows, so too does the importance of its ports. By combining local market knowledge and the specialty experience from the QBE European team, QBE now provides bespoke liability coverage to Puerto de Cartagena.



Equator Re business review

Equator Re remains critical to the management of the Group’s risk appetite and capital through its role in optimising divisional retentions and managing the Group’s innovative global ceded reinsurance program.

Jim Fiore

Group Chief Reinsurance Officer & President • Equator Re

2015 overview

2015 was a year of transition for Equator, with the transfer of a significant number of roles to the Group Shared Services Centre (GSSC) in Manila and the build-out of our Bermuda based management team.

While existing divisional reinsurance programs were broadly maintained, Equator Re now provides increased limits on the treaty reinsurances which are offered to divisions on a bespoke basis and purchases the Group per risk and catastrophe programs for its own account. Equator Re also benefits from participation in the Group’s aggregate reinsurance program as well as a significant Equator Re specific quota share.

A relatively benign catastrophe and large risk claims environment contributed to further softening in premium rates across most lines of business during 2015; however, rates were maintained or increased for loss affected programs. The increased gross premium associated with higher divisional limits has, however, been partially offset by reductions in underlying divisional exposures and premium rate movements.

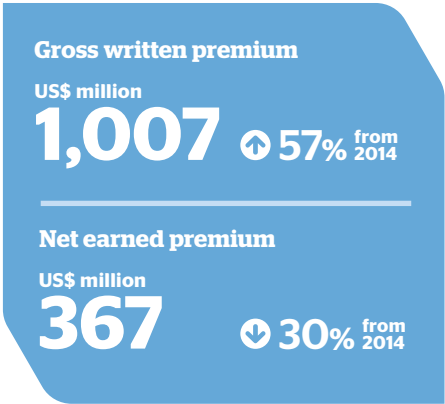
Summary

Equator Re produced a satisfactory result for 2015 with an 89.0% combined ratio.

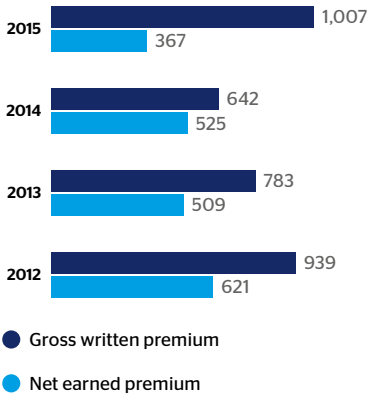
We successfully completed the restructuring of the portfolio, with Equator Re now providing increased limits on the property and casualty per risk and catastrophe treaty reinsurances offered to divisions on a bespoke basis. Consistent with this, Equator Re now purchases the Group per risk and catastrophe programs for its own account.

During the year Equator Re also successfully negotiated the commutation of some low level excess of loss casualty programs. This transaction reduces Equator Re’s exposure to further adverse prior accident year development and removes a large number of open claims from our balance sheet, thus improving the efficiency of our claims administration function.

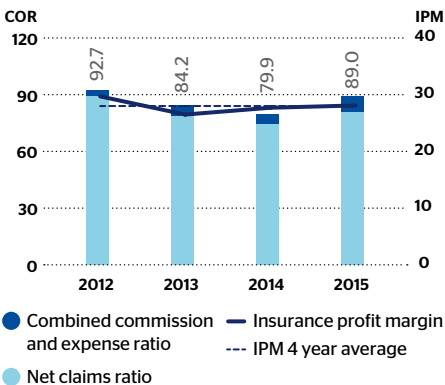
Throughout the year, Equator Re worked closely with Group head office and QBE’s divisions to develop innovative solutions to new business opportunities. While not all such efforts have come to fruition, Equator Re continues to provide the capacity and flexibility to help the divisions ‘make it happen’ for their customers.



Gross written premium and net earned premium (US\$M)



Combined operating ratio (COR) and insurance profit margin (IPM) (%)



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

European Operations

2016 target full year GWP:

US\$4.3billion

2016 target full year NEP:

US\$3.4billion

Australian & New Zealand Operations

2016 target full year GWP:

US\$3.5billion

2016 target full year NEP:

US\$3.1billion

Emerging Markets

2016 target full year GWP:

US\$1.8billion

2016 target full year NEP:

US\$1.4billion

Equator Re

2016 target full year NEP:

US\$0.3billion

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.

Environmental, social and governance

As a global insurer and reinsurer with operations in 37 countries, QBE follows environmental, social and governance (ESG) standards across a range of jurisdictions. However, we believe our responsibilities extend beyond compliance. We are actively focused on the sustainability of all aspects of our business and on making a positive contribution to the economies and communities in which we operate. In this report, our first consolidated ESG report, we have set out the range of initiatives, actions and plans in place to deliver on our commitment to our people, customers, investors and the communities in which we do business.

Our commitment to the environment and sustainability

As part of our commitment to sustainability, in 2015 QBE became a signatory to the *United Nations Environment Programme Finance Initiative: Principles for Sustainable Insurance* (UNEP:PSI).

Developed by the UN Environment Programme Finance Initiative, the PSI provides a framework for the global insurance industry to address ESG risks and opportunities. The PSI sets out four principles, which range from integrating ESG issues into a company's management and operational DNA to working together with clients, suppliers and governments to raise awareness of ESG issues, alongside the development of new kinds of risk management products and services.

We believe that to be most effective, ESG initiatives should be seen as best practice for operational excellence. QBE focuses on areas and opportunities where we see a social or environmental benefit as well as a business benefit. It is important that our efforts make sense for all our stakeholders including customers, employees, regulators and investors.

This section of the report provides a practical and pragmatic understanding of our efforts to translate the UNEP:PSI into actions, together with some specific initiatives and achievements from 2015.

PRINCIPLE 1: Embedding awareness of ESG issues into our decision-making

Risk management is at the heart of QBE's business as a global insurer and reinsurer. While our attention is primarily focused on helping our customers manage their risks, we apply the same approach to managing the risks and sustainability challenges we face as a business.

In relation to **company strategy**, QBE has robust corporate governance and ensures ESG issues are considered in our decision-making. QBE's corporate governance framework encompasses the eight principles issued by the ASX Corporate Governance Council, which include principles relating to recognition and management of risk. QBE's Risk and Capital Committee is responsible for overseeing the design and implementation of QBE's risk management framework, which includes reviewing the process of risk identification, assessment and management. Reviewing material risks, including emerging risks, is also within the scope of this committee.

Awareness of emerging risks, including ESG issues, is also addressed within our divisions by local boards and committees. For example, QBE European Operations established an Emerging Risks Group (ERG) in 2007 in order to better co-ordinate the process for identification and management of emerging risks.

ESG issues, particularly environmental risks, are reflected in our approach to **underwriting** across the business. QBE recognises the impact climate change can have in terms of potential claim activity as well as the potential for extending and adapting our product lines and services in response to the changing world. Early identification is the key to managing these risks. It is also central to instilling confidence in our customers that QBE has the capability to assess the risks they face, and to recommend mitigation actions to manage exposures.

More broadly, QBE has a strong track record in developing products and services which encourage better risk management and that improve community understanding in relation to risk, insurance and ESG issues. Our Risk Solutions offering is the UK market leader in providing a broad suite of services to encourage better risk management. The product focuses on reducing risk, including environmental risk.

In 2015, QBE pioneered an initiative that combines our **investment management** activities with the integration of ESG messages into QBE's **sales and marketing** of insurance products. Known as Premiums4Good, this initiative allows targeted customers to direct a proportion of their premium to be invested in securities with an additional social objective. Examples of these investments include Social Impact Bonds, green bonds and investments into infrastructure projects with social benefits. Through this project, QBE is playing a part in stimulating the development of new investment products which offer strong risk-adjusted returns as well as supporting beneficial social outcomes.

An investment consistent with the Premiums4Good ethos was QBE's \$20 million investment in the Future Generation Global Investment Company (FGG) initial public offering on the Australian Securities Exchange in 2015. FGG is a listed investment company committed to transforming youth mental health in Australia. Investment managers selected to manage the FGG portfolio donate their professional services while FGG donates 1% of net tangible assets to selected Australian non-profit organisations with a focus on youth mental health.

UN Finance Initiative Signatory

In 2015, QBE became a signatory to the UN Environment Programme Finance Initiative: Principles for Sustainable Insurance.

Premiums4Good

A program which allows policyholders to nominate part of their premium to be invested with an additional social objective - launched in QBE's European and North American operations.

Green Bonds

In 2015, QBE confirmed its intention to include green bonds in its investment portfolio to improve environmental outcomes while generating appropriate risk-adjusted returns.



Addressing environmental risk at UK waste sites

QBE participated in a working group with fire brigade authorities and Willis, advocating better usage of fixed fire protection systems to reduce the scale and environmental impact of fires.

PRINCIPLE 2: Working together with clients and business partners to raise awareness of ESG issues, manage risks and develop solutions

QBE creates and offers a wide range of events, seminars and publications to assist clients and brokers to build on their risk management knowledge and raise awareness of ESG issues.

Events include forums which bring together large groups of sector-specific clients to discuss the issues facing their markets. Client workshops are also held to provide smaller gatherings of clients with the opportunity to discuss specific business issues in a confidential setting, and share different approaches and solutions.

A wide range of publications are provided by QBE's Risk Solutions team to assist insured clients of all sizes in meeting their risk management objectives. These publications range from best practice and technical guidance through to briefings on industry standards and case studies that demonstrate how businesses can protect lives and save money.

QBE is also an active participant in insurance industry events that promote an improved understanding of ESG issues across industries and geographies.

As detailed later in this report, the QBE Underwriting Academy will run a dedicated program to assist current and aspiring underwriters in the development of their skills and expertise. This program incorporates topics relating to ESG issues, consistent with QBE's commitment to supporting the inclusion of ESG issues in professional education.

PRINCIPLE 3: Working with governments, regulators and other key stakeholders to promote widespread action on ESG issues

QBE has a strong track record of engaging with governments and regulators on ESG issues.

As a global insurer with operations in 37 jurisdictions, QBE is well-placed to share expertise gained from dealing with catastrophes in multiple locations when working with local authorities as they respond to a natural disaster. In the aftermath of Cyclone Pam, the most intense tropical cyclone in the southern hemisphere in 2015, QBE and the regulatory officials in Vanuatu agreed on a regular update program and immediately QBE took a leading role by initiating standing weekly meetings. For several months after the March storm, information sharing meetings were held weekly and then fortnightly as the country recovered from one of the worst natural disasters in its history. QBE staff were able to provide guidance and direction to Vanuatu officials in relation to both the recovery process and future disaster preparation.

QBE also contributed to the Northern Australia Insurance Premiums Taskforce (Taskforce) established by the Australian Government in March 2015. The Taskforce was established in response to concerns over affordability and access to insurance, in particular strata title cover, in Northern and Far Northern Queensland. By virtue of geography and climate, communities in this region are exposed to particular risks from severe weather and cyclones.

Following detailed consideration of the issues under review, QBE provided a submission to the Taskforce in September 2015. QBE supports the Insurance Council of Australia (ICA) proposal focusing on short-term targeted Federal Government subsidies that improve the cyclone resilience of older homes in North Queensland. This is considered as the most effective, low-cost and sustainable way of protecting communities while also reducing insurance premiums.

QBE and the ICA also propose the following initiatives: a focus on hazard awareness education; a forum for consumers to provide evidence when they believe that premium prices do not accurately represent the relevant risks; and a centralised database where mitigation work conducted can be registered to ensure that premiums accurately correlate with the level of risk to a property.

QBE is a leader in promoting action on ESG issues through socially responsible investment. This is reflected in our sponsorship of socially responsible investment products through our stated intention to invest \$100 million in social impact bonds over the next three years. Social impact bonds are social policy-driven investments that pay a return based on the performance of a social service provider improving a specific social outcome. The key participants in social impact bonds are governments, social service providers (generally not for profit organisations) and private sector investors with a focus on areas of social and welfare services.

Social impact bonds have the potential to benefit the whole community as achievement of the targeted outcome should reduce the need for, and therefore government spending on, acute social or welfare services. Part of the resultant public sector savings are then used to repay investors' principal and make additional reward payments (the return on investment), the level of which is dependent on the degree of improvement achieved.

QBE is also an active investor in green bonds, which are a funding source for eligible development programs that are designed to address the challenges of climate change.

2015 was also the first full year in which QBE was a signatory to the UN's Principles for Responsible Investment. These principles provide a framework under which QBE formally integrates and tracks ESG considerations, such as environmental and social impacts of business practices or stakeholder expectations, throughout our investment process.

PRINCIPLE 4: Demonstrate accountability and transparency

The fourth principle requires QBE to demonstrate accountability and transparency in regularly disclosing our progress in implementing the Principles.

We participate in ongoing constructive dialogue with clients, intermediaries, investors, regulators and other stakeholder groups affecting and affected by our business decisions. By doing so, we endeavour to ensure that our approach is sound and informed by a broad range of insights and experiences.

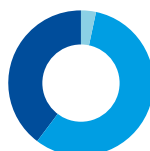
As part of this, we are committing to producing an ESG report annually in addition to our existing ESG reporting activities such as involvement in the Carbon Disclosure Project (CDP), an independent, not-for-profit organisation which acts as an intermediary between shareholders and corporations on all climate change data reporting.

Given the nature of the business QBE conducts, measurement of the Group's environmental impact to date has focused on two key carbon emission metrics, being business air travel and power usage. Based on these metrics the Group's estimated carbon emissions (CO₂e tonnes) for 2015 are listed in the table below.

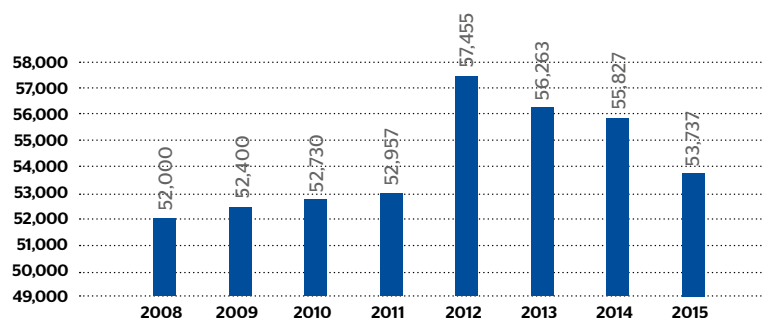
	TWELVE MONTHS TO DEC 2015 TONNES	TWELVE MONTHS TO DEC 2014 TONNES	TWELVE MONTHS TO DEC 2013 TONNES	TWELVE MONTHS TO DEC 2012 TONNES
Scope 1	1,900	1,019	1,019	1,160
Scope 2	30,639	33,517	33,639	36,396
Scope 3	21,198	21,291	21,606	19,899
Total	53,737	55,827	56,263	57,455

Carbon emissions by scope

- **Scope 1 - Direct emissions:** direct greenhouse emissions due to natural gas and oil consumption used for heating
- **Scope 2 - Electricity consumption:** indirect greenhouse emissions from electricity consumption
- **Scope 3 - Other indirect emissions:** indirect greenhouse emissions defined as emissions relating to travel



Group carbon emissions (CO₂e) (tonnes)



As QBE continues to review and consolidate our property footprint, efforts are being made to work with building owners who subscribe to official environmental rating systems for that geography, such as NABERS¹, and to create workspaces that not only minimise environmental impact, but also encourage activities that create greater environmental awareness in our employees. Initiatives implemented to date include follow-me printing to reduce paper usage; full recycling of appropriate materials in all operational locations; introduction of automatic lighting and monitor management; and the introduction of hot-desking and activity-based working across a number of our locations.

1 National Australian Built Environment Rating System.

Risk roundtable in Malaysia

In July 2015, QBE partnered with a regional risk management publication to host a roundtable for risk managers. Topics included environmental risks, climate change, political uncertainty and business sustainability.

Association of Risk Managers roundtable in France

In February 2015, QBE participated in discussion of issues faced by the insurance market including climate change, cyber risk, emerging technologies and innovation.

Carbon Disclosure Project (CDP)

QBE is a voluntary participant in the CDP which reports on climate change data for investors.

Project Advance

QBE is improving the working environment at its European headquarters in London. To date, more than 125 tonnes of waste has been diverted from landfill to other forms of recycling.

Our commitment to our people

QBE is focused on creating a dynamic, diverse and inclusive workplace where people are able to achieve their personal and professional ambitions. Equally, we are committed to making a positive impact in the communities in which we operate, whether it is through the work we do with our customers or the range of positive activities we undertake through the QBE Foundation and our social investing initiatives.

Attracting, retaining and developing our people

As an employer of over 14,500 people globally, QBE is constantly exploring ways to attract, retain and develop the very best people. With a range of roles from underwriting through to claims, sales and operations, having a diverse group of employees with a range of skills, backgrounds and experiences is a critical part of our ongoing success.

Through centres of excellence focused on talent, leadership and learning, we have been able to develop an approach that not only builds a sustainable future talent pipeline, but also gives our employees the opportunity to develop a fulfilling career pathway at QBE.

Our promise to our people

At the core of our commitment to our people is our employee value proposition (EVP) which was refined and shared with our people in 2013. The EVP is based on three critical pillars that capture the promise we have made, and keep, with our people across all parts of our business.

We are committed to creating:

- a dynamic, diverse and inclusive **culture**;
- consistent systems that **reward** and recognise contribution; and
- **opportunity** for people to fulfil their personal and professional ambitions

Creating a dynamic, diverse and inclusive culture

Creating a culture where difference is celebrated is not just good business practice, it is also the foundation of differentiation from our competitors. In a business where we rely so heavily on the experience, expertise and intelligence of our people, we are working to embed diversity and inclusion into all aspects of our business, rather than as an “add on” to what we do every day.

Central to this approach was the formation of a Group Diversity and Inclusion (D&I) Council in January 2014 that is chaired by our Group CEO, John Neal. This council ensures we have a clear baseline understanding of the opportunities we have for improved diversity and inclusion across QBE, as well as an understanding of the key metrics that can be used to track progress.

The Group D&I Council reviewed the gender diversity target set in 2010 for 20% representation of women in senior management. Pleasingly, this target has been met and a significantly higher target of 35% has now been set for 2020. In order to meet the new target, we will seek to promote and

hire more women into management roles, together with a focus on retaining the services of women who currently hold such roles.

Locally, our divisions are each working on establishing D&I Councils responsible for setting and monitoring the impact of the D&I strategy. Importantly, divisions are working on comprehensive strategies and enabling initiatives that allow for D&I to be embedded in the operating rhythm of the business.

Driving engagement across our divisions

QBE conducts an annual staff survey that measures four key elements:

- Engagement
- Understanding of QBE’s vision and values
- Embedding of diversity and inclusion
- Priority areas for improvement

Pleasingly, we have seen significant improvements across all our key measures since first conducting the survey in 2013, with all divisions reporting positive improvements in both the drivers and outcomes of engagement. This has been achieved alongside broader progress in stabilising the business and establishing a platform for growth. That said, we know there is much we can do to improve employee engagement across the company. The resetting of our purpose and vision, as discussed in both the Chairman’s Report and CEO’s Report, is a major part of this improvement program, as are the range of initiatives implemented in divisions to better connect our people and their actions to our overall strategy and approach.

Attracting and retaining talent

Attracting and retaining the diverse talent required by our business is fundamental to our future success and we have put in place a range of measures to ensure that we not only attract the best and brightest people to our business, but that we also do all we can to develop and retain great people at all levels of our operations.

As a result of ongoing internal talent reviews, we have identified a pool of existing leaders across the top three levels of our organisation who are meeting or exceeding performance expectations in their current role and may have the potential to progress to more significant leadership roles in the future.

Also, further to reviews of our leadership development, talent and succession practices, we are placing greater focus on identification and progression of female talent.

Following analysis of women in leadership roles to understand their career aspirations, motivations and perceived barriers to and enablers of progression, a number of initiatives have been put in place within the organisation. Group Executives sponsor and actively engage with key women within their divisions and we regularly report on the progress of these initiatives.

To complement our internal focus on talent and broaden the diversity of our talent pipeline, we are actively exploring opportunities to identify specific talent or types of talent within the external market that could fill key roles or improve overall bench strength at the executive level of the organisation within the next five years. This pool of potential candidates will create an external "talent bank" with broader options from outside the insurance industry who have transferable skills, and those with more diverse backgrounds, experiences or capabilities that could support our future strategies.

Developing our people

QBE is one of the few insurers that has invested in a bespoke Leadership Academy and Underwriting Academy, ensuring that our current and future leaders are exposed to innovative, relevant and engaging training to help them progress their careers at QBE.

In its third year of operation, the QBE Leadership Academy had 545 leaders participate in programs globally in 2015, taking the total number of graduates to 1837. Drawing on both internal and external speakers and content, the QBE Leadership Academy continues to be a key pillar in our talent development strategy. Covering critical topics including motivating, leading and engaging others, the Academy is creating both an immediate and long term positive impact across our business. A number of current Group Executive Committee members are graduates of the executive level academy and the majority of other senior leaders promoted into roles in our Group Strategy team have attended either our executive or senior leader program.

The QBE Underwriting Academy will launch in early 2016, with 500 people scheduled to participate in a specific underwriting program by the end of 2017. With underwriting at the core of our business, the objective of the QBE Underwriting Academy is to raise the bar for the industry and our business by establishing a consistent, replicable model of underwriting excellence that incorporates QBE underwriting DNA. Academy content includes QBE modules that explore our markets and products; track networking pathways to knowledge and experience; explore market fluctuations, drive ethical behaviour, ESG considerations and their impact on risk and pricing policy. The program will deliver a level of shared understanding about how QBE does underwriting business globally.

To further enhance the QBE Underwriting Academy, we have chosen three market-based insurance institutes to deliver industry-recognised qualifications to our foundation underwriters in their home regions. The program will provide development for underwriters over two years.

Discrimination and equal opportunity

QBE strives to be an equal opportunity employer in all our locations. We see this as a fundamental part of creating a diverse and inclusive workplace that attracts and retains the best people, irrespective of their point of difference.

Our retention strategies aim to ensure that all our people management practices and decisions are based on fairness and merit, eliminating all forms of discrimination and bias in relation to hiring, identification of talent, and how we reward and develop our people. A recent area of focus has been gender pay equity. This has included analysis of internal and external pay relativity by job family and level, as well as the distribution of performance ratings and merit pools. Our objective in undertaking this analysis is to identify and address any areas of unconscious bias in remuneration decisions.

Talent mapping



USED TO IDENTIFY
**FUTURE
LEADERS
FOR QBE**

QBE Leadership Academy programs

1,837
GRADUATES

QBE Underwriting Academy

500
EMPLOYEES
IDENTIFIED TO
ATTEND IN
2016-2017

Charities supported

OVER
200
IN 2015

Grants and donations to charities

OVER
\$3.4
MILLION

QBE employee volunteer work

OVER
2,300
DAYS
VOLUNTEERED

By QBE employees
to nominated charities
and causes

QBE fundraising initiatives

ALMOST
\$450,000
RAISED

And matched by
QBE Foundation

Our commitment to our community

QBE plays an active role in our communities around the world. We have three main avenues for contribution and participation in each of our divisions, creating opportunities for our people to support and give back to the communities in which they live:

- Through the allocation of grants to registered charities nominated by our people
- Dollar-for-dollar matching of fund-raising efforts by our people
- Designated volunteering day for every employee

In 2015, we supported over 200 charities globally with more than \$3.4 million in grants and donations, in addition to over 2,300 days of volunteering efforts that were made directly by our people.

The QBE Foundation

The QBE Foundation was established in 2011 to partner with charities that help people overcome disadvantage, strengthen their abilities and live more independently, successfully and productively. This philosophy is an extension of our core purpose – to give people the confidence to achieve their ambitions.

Each division has its own QBE Foundation Committee that works with local employees to identify charities that are delivering programs consistent with the purpose and philosophy of the foundation. Through a rigorous application process, including the requirement that no more than 15% of any donation goes to administrative costs, we are able to ensure our philanthropic efforts are directed to charities with whom our people have an affinity or non-financial connection. In 2015, the divisional foundation committees supported many initiatives including 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 that would not be possible but for the support of the QBE Foundation.

Donation matching

With over 14,500 people across our business, there are a range of very personal causes that our people support in their own time to raise much-needed funding. In all our divisions, we work with employees to match their fundraising efforts dollar-for-dollar. This matching program has been very successful and has allowed us to spread the impact of our efforts across a multitude of causes during 2015.

Creating a strong connection through volunteering

Everyone at QBE has the opportunity to give back and support their local communities through a designated volunteer day that can be used to support a cause they are passionate about. Whether individually or with a number of colleagues, the volunteering day has multiple benefits for the participants, the beneficiary and QBE.

The volunteering in 2015 covered a range of activities including rebuilding homes, assisting our charity partners in fundraising campaigns and initiatives, working in kitchens providing meals to the homeless, house and support centre gardening and maintenance, and packing hampers of clothing and food for those in need.

Our commitment to good governance

QBE places great emphasis on robust corporate governance. As a listed company on the Australian Securities Exchange, QBE has adopted the eight principles issued by the ASX Corporate Governance Council that outline the key areas of governance and disclosures to ensure that QBE's corporate governance standards and practices can be readily understood by our shareholders, policyholders and other stakeholders. QBE also continues to focus on other important issues such as the strength of its outstanding claims provision and the quality of its reinsurance protections.

The QBE Corporate Governance Statement can be found on the QBE website, providing a detailed description of QBE's approach to and compliance with the following principles:

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

Beyond the adoption of these principles, QBE has put in place a global *Code of Business Ethics and Conduct* that applies to all employees. A copy of the Code is available on the QBE website. In addition to this Code, QBE also has put in place a range of additional policies in individual jurisdictions, including policies relating to money laundering, anti-bribery and corruption and whistle-blower protections.

The QBE Code of Business Ethics and Conduct includes the following topics:

Ethics

Compliance with laws and policies

Conflict of interest

Diversity and inclusion

Health and safety

Investments and insider trading

Risk management

Information security

Confidentiality

Record keeping

Social media

Honest dealings

Privacy

Complaint handling

Anti-competitive practices

Intellectual property

Political activities and contributions

Community engagement



Supporting our communities

The QBE Foundation strives to contribute to the communities in which we operate to help people overcome disadvantage, strengthen their abilities, and live more independently, successfully and productively. With a focus on staff volunteering and fundraising initiatives, the QBE Foundation has made a positive impact in our communities throughout the year.

EUROPE



A life saving App

The Duchenne Children's Trust (DCT) was set up by Emily and Nick Crossley, after their son was diagnosed with Duchenne Muscular Dystrophy (DMD) in 2012. DMD is the number one genetic killer of children and young people and there is no cure. The Duchenne Children's Trust approached the QBE Foundation for funding for an App. The App will make a real difference to the 2,000 people with Duchenne in the UK and is the first of its kind. All medical information can be saved on a young person's phone, so that in any emergency, a doctor unfamiliar with Duchenne can assess complex medical needs. The App will be released free to all sufferers.

"The App which QBE so kindly funded will make an immense difference to people with Duchenne," says Emily Crossley, who founded DCT. It is a cruel and devastating disease and anything that helps boys, their parents, carers and doctors feel more secure and have instant access to medical information is crucial. It could potentially save lives."

NORTH AMERICA

Getting back home

Supporting our communities in the places where our employees live and work is central to QBE's mission. Last year nearly 100 New York staff (about a third of our NYC office), including CEO Dave Duclos and other executives, helped to rebuild the Yin family's home, which flooded during Hurricane Sandy in 2012. The family, including 5-year-old twins, had been living with relatives since then, while trying to restore their home to a livable condition. Employees used their QBE volunteer day to construct walls, install dry wall, and lay flooring. The QBE Foundation also donated \$75,000 to help with the cost of repairs. The Yin family was onsite for many days, helping with construction, and the team enjoyed getting to know them while helping to get them back home as quickly as possible.



GROUP SHARED SERVICES CENTRE

Our commitment to education

In 2015, the QBE Foundation in the GSSC partnered with Brigada Eskwela to rehabilitate public school facilities in Manila and Cebu. Taking on tasks such as cleaning and repainting, volunteers from the QBE Manila office refurbished classrooms at a neighbouring high school, whilst the Cebu team worked on a local elementary school. The Foundation also donated a total of 307 school kits containing essential school materials such as notebooks, school bags and writing instruments for distribution to the students of the sponsored schools.

The GSSC Executive General Manager, Karen Batungbacal says, "Education is perhaps one of the most important aspects in society, especially for developing countries like the Philippines. Unfortunately, not all Filipino children have the privilege of studying in a school where the facilities and the environment are conducive to learning. It is up to us as fellow Filipinos to give the children a chance at a better future by helping them in whatever way we can today".

**EMERGING MARKETS**

Helping Vanuatu rebuild

In March 2015, Cyclone Pam devastated Vanuatu, a country where QBE is the leading general insurer with a market share of more than 80%. Having been in the country since the 1920s, Vanuatu is more than just a market we serve – it is a community to which we are deeply connected. To assist the people of Vanuatu as they recovered from the enormous destruction caused by Cyclone Pam, QBE Emerging Markets organised a donation program. Along with staff donations from Asia Pacific and Latin America as well as corporate matching, the program raised over US\$35,000. This and an additional donation of US\$25,000 directly from the QBE Group Foundation was given to the Australian Red Cross to help in the relief work in Vanuatu.

**AUSTRALIA & NEW ZEALAND**

Helping Australians achieve independence

Our long-term support of Guide Dogs Australia has helped fund programs that enable children and young people with impaired vision to travel confidently and safely in the community. Their Youth Program helps young people to develop essential skills for future independence, by encouraging them to venture out of their comfort zone by exploring new environments and activities.

**GROUP HEAD OFFICE**

Supporting cancer sufferers

The QBE Group Head Office partnered with the McGrath Foundation in 2015, sponsoring one dedicated Breast Care Nurse to be placed in the Western Sydney community for three years. McGrath Breast Care Nurses are health professionals specially trained to manage the care of breast cancer patients throughout the course of their treatment and importantly, offer vital emotional support to the patient and their families.



Board of directors



**W. Marston
Becker**

JD, BSBA

Chairman

W. Marston (Marty) Becker is based in the US. He was appointed as an independent non-executive director in 2013 and Chairman in April 2014.



**John M
Green**

B JURIS/LLB, FAICD, SF FIN

Deputy Chairman

John M. Green is based in Australia and became an independent non-executive director of QBE in 2010 and Deputy Chairman in January 2015.



**Stephen
Fitzgerald**

B Ec

**Independent
non-executive director**

Stephen Fitzgerald is based in the UK and was appointed as an independent non-executive director of QBE in 2014.



**Margaret
Leung**

B Ec

**Independent
non-executive director**

Margaret Leung is based in Hong Kong, and was appointed as an independent non-executive director of QBE in 2013.



**John
Neal**

**Group Chief
Executive Officer**

John Neal joined QBE in 2003 and was appointed Group Chief Executive Officer in August 2012. He has 30 years' experience in the insurance industry.



**Sir Brian
Pomeroy**

MA, FCA

**Independent
non-executive director**

Sir Brian Pomeroy is based in the UK and was appointed as an independent non-executive director of QBE in June 2014.



**Patrick
Regan**

BSc, ACA

**Group Chief
Financial Officer**

Patrick Regan joined QBE in June 2014 in the role of Group Chief Financial Officer, and became an executive director in October 2014.



**Jann
Skinner**

B Com, FCA, FAICD

**Independent
non-executive director**

Jann Skinner is based in Australia and was appointed as an independent non-executive director of QBE in 2014.

Retired directors

**John
Graf**

BA

**Independent
non-executive director**

John Graf served as an independent non-executive director of QBE from 2012 until his retirement on 31 December 2015.

Group executive committee



John Neal

Group Chief Executive Officer

John Neal joined QBE in 2003 and was appointed Group Chief Executive Officer in August 2012. He has 30 years' experience in the insurance industry.



Jason Brown

B ECON, ACA

Group Chief Risk Officer

Jason Brown was appointed Group Chief Risk Officer in March 2014 and has been involved in the financial services industry for over 20 years.



David Duclos

BSBA

Chief Executive Officer, North American Operations

David Duclos was appointed Chief Executive Officer of QBE North American Operations in 2013 and has more than 35 years' experience in the insurance industry.



Colin Fagen

B COM, MBA

Group Chief Operations Officer

Colin Fagen has worked for QBE for over 16 years. He was appointed Group Chief Operations Officer in February 2016.



David Fried

BA-ECON/ POLI. SCIENCE

Chief Executive Officer, Emerging Markets

David Fried joined QBE in 2013 as Chief Executive Officer, Asia Pacific Operations and was later appointed Chief Executive Officer, Emerging Markets in 2014.



Tim Plant

B AgrSc, MBA, AMP

Chief Executive Officer, Australian & New Zealand Operations

Tim Plant joined QBE in 1992 and was appointed Chief Executive Officer, Australian & New Zealand Operations in 2015.



Richard Pryce

B HIS (HONS)

Chief Executive Officer, European Operations

Richard Pryce was appointed Chief Executive Officer, European Operations in 2013. He has worked in the London insurance market for 33 years.



Patrick Regan

BSc, ACA

Group Chief Financial Officer

Patrick Regan joined QBE in June 2014 in the role of Group Chief Financial Officer, and became an executive director in October 2014.



Jenni Smith

MBA

Group Executive Officer, People and Communications

Jenni Smith joined QBE in 2003 and holds the role of Group Executive Officer, People and Communications. Jenni is also Chair of the QBE Foundation.

Summary financial information

The following provides a summary of QBE's consolidated financial results and balance sheet for the year ended 31 December 2015. Further details can be found in the audited Annual Report which is available online at qbe2015.qreports.com.au.

Summary income statement

FOR THE YEAR ENDED 31 DECEMBER 2015

FOR THE YEAR ENDED 31 DECEMBER	STATUTORY RESULT		ADJUSTED RESULT	
	2015 US\$M	2014 US\$M	2015 US\$M	2014 ¹ US\$M
Gross written premium	15,092	16,332	14,782	15,944
Gross earned premium revenue	14,922	16,521	14,606	16,285
Net earned premium	12,314	14,084	12,213	14,210
Net claims expense	(7,434)	(8,900)	(7,308)	(8,897)
Net commission	(2,114)	(2,363)	(2,116)	(2,349)
Underwriting and other expenses	(2,137)	(2,274)	(2,058)	(2,236)
Underwriting result	629	547	731	728
Net investment income on policyholders' funds	402	527	368	470
Insurance profit	1,031	1,074	1,099	1,198
Net investment income on shareholders' funds	263	287	239	252
Financing and other costs	(244)	(297)	(244)	(297)
Losses on sale of entities	(2)	(17)	-	(17)
Share of net profits of associates	-	1	-	1
Amortisation and impairment of intangibles	(95)	(117)	(95)	(115)
Profit before tax	953	931	999	1,022
Income tax expense	(260)	(182)	(186)	(214)
Profit after tax	693	749	813	808
Profit attributable to non-controlling interests	(6)	(7)	(6)	(7)
Net profit after income tax	687	742	807	801

¹ The adjusted results excludes material items related to the impact of business disposals.

Consolidated balance sheet

AS AT 31 DECEMBER 2015

	2015 US\$M	2014 US\$M
Assets		
Cash and investments	26,708	28,583
Trade and other receivables	4,950	4,748
Deferred insurance costs	2,538	2,031
Reinsurance and other recoveries on outstanding claims	3,204	3,464
Other assets	909	1,981
Fixed and intangible assets	3,867	4,193
Total assets	42,176	45,000
Liabilities		
Trade and other payables	2,101	1,228
Unearned premium	7,006	7,366
Outstanding claims	18,583	20,412
Other liabilities	397	1,331
Borrowings	3,529	3,581
Total liabilities	31,616	33,918
Net assets	10,560	11,082

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	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 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
Financing and other costs	US\$M	244	297	345	324	275	222	191	223	189	115
Operating profit (loss)	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
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	189	140.9
Basic earnings per share - cash basis ²	US cents	65.3	63.5	62.9	89.1	73	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

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.

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Remuneration overview

The following provides a summary of the remuneration for QBE's executives and non-executive directors - collectively called "key management personnel". The detailed Remuneration Report is contained in the 2015 Annual Report on pages 58 to 88 which is available online at qbe2015.qreports.com.au.

Executives

QBE's remuneration strategy is designed to provide market competitive remuneration that motivates and retains QBE's executives, aligned with the creation of sustained shareholder value. QBE's executive remuneration structure comprises a mix of fixed and at-risk remuneration reflecting a balance of short and long-term incentives.

The table below sets out the actual value of the remuneration realised by executives in 2015.

EXECUTIVES	REMUNERATION EARNED IN 2015			DEFERRED EQUITY OUTCOME IN 2015	TOTAL REMUNERATION REALISED IN 2015 US\$000
	FIXED REMUNERATION US\$000	STI CASH ¹ US\$000	OTHER ² US\$000	CONDITIONAL RIGHTS VESTED ³ US\$000	
John Neal	1,631	330	66	259	2,286
Jason Brown	515	310	65	36	926
David Duclos	1,014	729	28	-	1,771
Mike Emmett	692	339	55	-	1,086
Colin Fagen	858	465	97	52	1,472
David Fried	912	501	1,243	-	2,656
Tim Plant	279	140	10	-	429
Richard Pryce	1,085	985	166	342	2,578
Patrick Regan	1,190	412	25	2,550	4,177
Jenni Smith	570	279	51	118	1,018

¹ The STI cash amount in respect of performance in 2015 is payable in March 2016. For further details, refer to section 4.4 of the Remuneration Report.

² "Other" includes provision of motor vehicles, health insurance, spouse travel, staff insurance discount benefits received during the year, life assurance and personal accident insurance and the applicable taxes thereon. It also includes the deemed value of interest-free share loans, the movement in annual leave and long-service leave provisions, tax payments and other one-off expenses. For David Fried, this also includes expatriate benefits including a housing allowance, education assistance, a cost of living adjustment and associated taxes thereon.

³ The value of conditional rights has been determined by reference to the closing share price on the relevant vesting date. For Patrick Regan this includes the first tranche of conditional rights granted on 20 August 2014 which vested on 1 March 2015. For further details, refer to section 6.3.3 of the Remuneration Report.

Non-executive directors

Non-executive director remuneration reflects QBE's desire to attract, motivate and retain experienced independent directors and to ensure their active participation in the Group's affairs for the purposes of corporate governance, regulatory compliance and other matters. QBE aims to provide a level of remuneration for non-executive directors comparable with its peers, which include multinational financial institutions.

The table below sets out the nature and amount of each component of the remuneration of QBE's non-executive directors.

NON-EXECUTIVE DIRECTORS	YEAR	SHORT-TERM EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS		TOTAL ⁴ US\$000
		FEES ¹ US\$000	OTHER US\$000	SUPERANNUATION - SGC ² US\$000	SUPERANNUATION - OTHER ³ US\$000	
Marty Becker	2015	593	-	-	-	593
	2014	584	-	4	-	588
Stephen Fitzgerald	2015	256	-	5	7	268
	2014	72	-	3	1	76
John Graf	2015	285	-	4	-	289
	2014	385	-	5	-	390
John M Green	2015	272	-	14	12	298
	2014	266	-	16	9	291
Margaret Leung	2015	248	-	-	-	248
	2014	288	-	3	-	291
Sir Brian Pomeroy	2015	267	-	-	-	267
	2014	263	-	-	-	263
Jann Skinner	2015	234	-	14	8	256
	2014	88	-	7	1	96
Total	2015	2,155	-	37	27	2,219
	2014	1,946	-	38	11	1,995

1 Travel allowances, additional fees in lieu of superannuation in Australia and amounts sacrificed in relation to the Director Share Acquisition Plan are included in directors' fees.

- Sir Brian Pomeroy, John Graf, Margaret Leung and Stephen Fitzgerald received a travel allowance of \$30,000 (A\$42,000) per annum from 1 January to 31 March 2015 and \$31,000 (A\$43,000) per annum from 1 April to 31 December 2015. John Green and Jann Skinner received a travel allowance of \$31,000 (A\$43,000) per annum from 1 April to 31 December 2015. Marty Becker received a travel allowance of \$45,000 (A\$62,000) per annum for the period 1 January to 31 March 2015 and \$47,000 (A\$64,000) per annum from 1 April to 31 December 2015.
- Sir Brian Pomeroy, John Graf, Marty Becker and Margaret Leung receive additional fees of 9.5% in lieu of superannuation in Australia.
- Stephen Fitzgerald was an Australian tax resident for a portion of the year and received superannuation contributions during this period. For the balance of the year, he was a non-resident and received additional fees of 9.5% in lieu of superannuation in Australia.
- Marty Becker, Margaret Leung, Sir Brian Pomeroy and Stephen Fitzgerald all participate in the Director Share Acquisition Plan.

2 John Green and Jann Skinner are Australian residents. Superannuation is calculated as 9.5% of fees. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director.

3 For Jann Skinner, this includes fees and superannuation of \$14,000 and \$1,000 respectively for her role as a non-executive director on subsidiary boards in QBE Australian & New Zealand Operations to 20 February 2015.

4 Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

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.

American Depositary Receipts (ADRs)

BNY Mellon sponsors QBE's level 1 American Depositary 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.otcm Markets.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

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.

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.

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