MARKET RELEASE

18 August 2015

QBE ANNOUNCES 2015 INTERIM RESULTS [1]

"QBE's 2015 interim result demonstrates improvement in all key metrics despite more challenging market conditions, increased catastrophe activity and substantial foreign exchange headwinds.

Our adjusted combined operating ratio of 93.4%[2] positions us well to meet our unchanged FY2015 combined operating ratio target of 94% − 95%. Similarly, our adjusted insurance profit margin of 10.0%[2] is at the top end of our unchanged FY2015 insurance margin target of 8.5% − 10.0%.

Despite more competitive pricing conditions, gross written premium grew 2%[3] in constant currency and our stable underlying attritional claims ratio[2] is testament to the skill and experience of our underwriters and the effectiveness of recent remediation. While the gross cost of catastrophe claims increased by around $150 million driven by the worst series of weather events in Australia since 2011, the impact was mitigated by our enhanced aggregate reinsurance protection. Pleasingly, the result included further positive prior accident year claims development and our probability of adequacy of outstanding claims liabilities increased to 89.0% from 88.7% previously.

Our operational transformation program coupled with other initiatives, particularly in North America, will have generated total run rate cost savings in excess of $350m by the end of 2015 and our continued focus on operational excellence gives us confidence that a further $100m of run rate savings will be achieved during 2016.

While our commitment to exit non-core businesses has temporarily impacted premium income, these initiatives have significantly strengthened our balance sheet and materially reshaped profitability.

With remediation initiatives largely behind us, it is time to turn our attention to growth. Following recent executive appointments, we now have the platform, strategy, resources, leadership and cost management discipline required to drive profitable growth."

John Neal, QBE Group Chief Executive Officer

2015 INTERIM RESULTS HIGHLIGHTS [1]

- Net profit after tax up 24% to $488m (up 42% in constant currency)
- Net profit before tax up 39% to $679m (up 59% in constant currency)
- Cash profit after tax up 13% to $471m (up 26% in constant currency)
- Combined operating ratio of 95.3% (1H14: 96.5%)
- Adjusted combined operating ratio of 93.4%[2] versus FY15 target of 94% − 95%
- Insurance profit margin of 8.6% (1H14: 7.6%)
- Adjusted insurance profit margin of 10.0%[2] versus FY15 target of 8.5% − 10.0%
- Underwriting profit up 21% to $295m (up 35% in constant currency)

1) All figures in US$ unless otherwise stated

2) Adjusted to exclude sold Argentine workers' compensation and one-off impacts associated with asset disposals

3) Excludes impact of refinement in crop premium estimation between halves

QBE

MARKET RELEASE
18 August 2015

- Adjusted underwriting profit up 6% to $401m[2] (up 17% in constant currency)
- Underlying attritional claims ratio stable at 47.0%[2] despite challenging market conditions
- Adjusted gross written premium up 3% to $8,557m[2] (up 11% in constant currency)
- Adjusted net earned premium down 11% to $6,084m[2] (down 3% in constant currency)
- Probability of adequacy of outstanding claims increased to 89.0% (FY14: 88.7%)
- Debt to equity stable at 32.8% and within our revised benchmark range of 25% − 35%
- Pro forma APRA PCA multiple around 1.72x[4] (FY14: 1.67x)
- Interim dividend up 33% to 20 Australian cents per share fully franked (1H14: 15 Australian cents per share fully franked) based on a cash profit payout ratio of 42% (1H14: 42%)

2015 INTERIM DIVIDEND AND INCREASE IN DIVIDEND PAYOUT POLICY IN 2016

The Group's current dividend policy is to payout up to 50% of annual cash profit by way of dividends to shareholders. Following the completion of our capital initiatives and in light of significantly improved earnings quality, capital is now above our target minimum requirement and provides the opportunity to increase the future dividend payout ratio whilst remaining comfortably within target capital levels.

As a result, the Board has increased the maximum dividend payout ratio to 65% of cash profits, up from the current maximum of 50%, commencing with the 2016 interim dividend.

The Board has also declared a fully franked interim 2015 dividend of 20 Australian cents per share, a 33% increase on the 15 Australian cents declared at the same time last year.

Shares will begin trading ex-dividend on 26 August 2015, the record date is 28 August 2015 and the dividend will be paid on 2 October 2015.

2015 OUTLOOK

We have adjusted our FY2015 target gross written premium and net earned premium for our current view on foreign exchange rates and the disposal of the M&LS business, which is expected to complete on 30 September.

This has resulted in a reduction in our gross written premium target range and a similar reduction in our net earned premium target range.

Our combined operating ratio and insurance margin targets for FY2015 are unchanged.

Gross written premium	$15.2 – 15.6bn (outlook unchanged when adjusted for FX and M&LS) (Previous target range $15.5bn − $15.9bn)
Net earned premium	$12.3 – 12.7bn (outlook unchanged when adjusted for FX and M&LS) (Previous target range $12.6bn − $13.0bn)
COR	94% − 95%
Insurance profit margin	8.5% − 10%

4) Indicative APRA PCA multiple at 30 June 2015 adjusted on a pro forma basis for the sale of the Argentine workers' compensation and M&LS businesses

QBE Insurance Group Limited is listed on the Australian Securities Exchange, is one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 38 countries.

TELECONFERENCE

QBE Group CEO, John Neal and Group CFO, Pat Regan, will hold a teleconference today from 10.30am to 11.30am AEST.

Q&A SESSION (VIA TELECONFERENCE)

PARTICIPANT PIN CODE: 203775

- To participate in the teleconference, you will need a touchtone phone
- 10 minutes prior to the briefing, please dial your call-in number and follow the prompts
- If you are disconnected for any reason during the teleconference, redial your call-in number
- Calls from mobile phones will be charged at the applicable mobile rate

In order to ask a question during the live Q&A session:
*Press * then 1 on your telephone keypad to enter the queue*

DIAL IN NUMBERS:

Australia Toll Free: 1800 908 299
Australia local: +61 2 9007 8048
New Zealand: 0800 452 795
USA / Canada: 1855 624 0077
Hong Kong: 800 968 273
Singapore 800 101 2702
Japan: 0066 3386 8000
UK: 0800 051 1453

ATTENDING IN PERSON:

QBE Group offices
Level 27, 8 Chifley Square, Sydney

WEBCAST:

The results briefing will be available for viewing as a live video webcast. To access the webcast, please follow the link on the home page www.qbe.com. Testing of the webcast facility is available via this link.

For further information, please contact:

Investor Relations
Group Head of Investor Relations
Tony Jackson
Tel: +61 (2) 9375 4364
investor.relations@qbe.com

QBE Insurance Group Limited
ABN 28 008 485 014
Level 27, 8 Chifley Square
SYDNEY NSW 2000
Australia

Media Enquiries
David Symons
Tel: +61 (2) 8306 4244
Cell: +61 (0) 410 559 184
Email: david@catocounsel.com.au

- ENDS -