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21 June 2017

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

Dear Sir/Madam

QBE update on 2017 performance

Please find attached an announcement for release to the market.

Yours faithfully,

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

Carolyn Scobie
Company Secretary

Encl.



QBE

MARKET RELEASE

21 June 2017

QBE UPDATE ON 2017 PERFORMANCE ¹

QBE will report its 2017 interim result on 17 August as previously advised.

While the Group's three large operating divisions are currently on track to report results in line with budget, Emerging Markets has experienced significantly higher than expected claims activity during the first five months of the year which is expected to cause that division to report a first half combined operating ratio of around 110%.

The heightened claims activity in Emerging Markets is due to a combination of increased frequency of medium sized risk claims in Asia, weather related claims in Latin America and adverse experience in legacy portfolios in Latin America. This is likely to add around 1% to the Group's interim and FY17 combined operating ratio resulting in an expected interim and FY17 combined operating ratio of 94.5%-96.0% ^{2,3}.

Premium income is consistent with previously advised targets and in line with expectations.

The interim investment return is currently above expectations thereby increasing the likelihood that the FY17 investment return will be at the top end of the Group's previously advised 2.5%-3.0% target range.

Reflecting the above, the interim insurance profit margin is expected to be 8.5%-9.5% ^{2,3}.

QBE's Group Chief Executive Officer, Mr John Neal, said: "We are encouraged by the improvement in the combined operating ratio in Australia & New Zealand as well as North America while Europe continues to perform well. Nonetheless, heightened claims activity in our Emerging Markets division will increase the Group's interim and FY17 combined operating ratio by around 1%."

(1) All figures in US\$ unless otherwise stated.

(2) Excludes the impact of movements in risk-free rates used to discount net outstanding claims.

(3) Excludes the previously announced pre-tax charge of approximately \$160M for revised discount rates as a result of the Ogden decision in the U.K..

- ENDS -



MARKET RELEASE

21 June 2017

For further information, please contact:

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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 37 countries.

IMPORTANT DISCLAIMER

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no overall reduction in premium rates in excess of business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts; recoveries from our strong reinsurance panel; no significant asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this market release.