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3 May 2017

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

Dear Sir/Madam,

2017 Annual General Meeting of Shareholders - addresses

Please find attached:

1. Chairman's address; and
2. Chief Executive Officer's address.

Yours faithfully,

A handwritten signature in blue ink that reads 'Carolyn Scobie'.

Carolyn Scobie
Company Secretary

Attachments

2017 AGM

CHAIRMAN'S ADDRESS

I am pleased to be with you for this morning's QBE Annual General Meeting. In addition to myself, you will hear from Group Chief Executive Officer John Neal as we discuss QBE's performance and achievements over the past year and our strategy and plans for the future.

In 2016 your company recorded a net profit after tax of \$844 million and an adjusted combined operating ratio of 93%. This result was at the better end of our target range and an important milestone in our journey to delivering steady increases in QBE's fundamental value.

Notably, this was QBE's best financial performance since 2010 and a direct reflection of the significant improvement in QBE's underwriting, the quality of our balance sheet, our strengthened talent pool and our reset cost base.

In May 2016 we provided an update to investors to illustrate how we believe we can further improve underwriting performance and return on equity. As we continue this journey I can assure you we are always striving to find ways to improve the performance of our business and to deliver improved results for shareholders.

It is important in considering this annual result, and our expectations for the future, to make reference to market conditions and trends in the insurance

industry. I will share some thoughts on the market before highlighting the achievements of our operating divisions during the year. Finally, I will provide insights into the Board's priorities for 2017 and our role in guiding QBE's strategy before John Neal provides a more detailed overview of operational performance and the strategies that underpin our confidence in the outlook for QBE.

The external conditions that insurers have been grappling with for several years were maintained in 2016, with the market continuing to be characterised by surplus capital which in turn placed downward pressure on pricing across most of the globe, particularly in commercial lines. These trends have been able to persist for an extended period as industry underwriting profits have generally been maintained by relatively low catastrophe claims and declining reinsurance costs coupled with continued prior accident year claims releases and cost efficiencies.

We expect pricing in 2017 to be more stable, with the near-term pricing outlook broadly flat in most territories other than Australia, where insurance market pricing started to improve in mid-2016 following a period of unsustainable price declines coupled with claims inflation.

This means that as we execute our plans for the current year and beyond, we will be doing so in a market where generating underwriting profits remains

challenging but is nonetheless essential to our ability to continue to improve our operating performance. As a consequence, we will be maintaining our focus on high quality underwriting, efficiency and cost reduction.

The outlook is a little brighter in relation to investment returns. The language of central bankers across the major western economies has changed in recent months, signalling the early stages of the transition from extraordinary monetary stimulus to policy normalisation in the form of higher interest rates. We have seen the US Federal Reserve increase interest rates this year, while language coming from the European Central Bank and the Bank of England increasingly recognises that inflation will place upward pressure on interest rates.

Intertwined with these inflationary pressures is the increased anti-globalisation sentiment and concerns over immigration that contributed to the Brexit vote and that is credited with playing a part in the presidential election in the USA.

We continue to monitor all of these dynamics closely for their impact on our business, from both an underwriting and investment perspective.

While the impact of Brexit on the economy of the United Kingdom will take some time to become clear, with Article 50 now having been triggered the two year period for the UK to formalise its exit is now underway. We need to

prepare our business for this reality, and we are doing so on the assumption the existing access arrangements enjoyed by UK-domiciled insurers to the other 27 European Union countries will not be preserved. This impacts QIEL and QBE Re in addition to our Lloyd's business, which will be subject to a separate Brexit-response plan being put in place by Lloyd's.

I am pleased to be able to report to you that we are well-advanced with our plans and negotiations for the establishment of a new location for our EU-business, and expect to have a solution in place for 2018 renewals.

While in years gone by it might have been appropriate to limit a discussion of the insurance marketplace to the pricing environment and investment returns, this is no longer the case.

As we highlighted in the Annual Review – and again in the video that played as you were entering the room this morning – the business environment is changing at an accelerating pace. Technological, social, behavioural and demographic changes are all playing a part.

This changing environment is creating both opportunity and challenge for insurers the world over. On the positive side there is a clear demand for new products – cyber coverage and new products relating to the Internet of Things are just two examples. We are also taking the opportunity to harness digital

technology and big data to bring increased science to the underwriting process and a more sophisticated approach to providing holistic risk management services.

However, we are also mindful that some applications of technology in society may have a far-reaching impact on the insurance our customers require in years to come – an example is the possibility that autonomous vehicles will be less prone to collision. Meanwhile there are scores of Insurtech startups looking to build a business by attacking components of the traditional insurance value-chain.

As an incumbent insurer operating in this changing environment, we can do no better than be guided by our vision for QBE to be the insurer that builds the strongest partnerships with customers. If we have the mindset and capabilities our customers are looking for, they will continue to value their partnership with QBE.

Tapping into new technologies to get closer to our customers is essential to delivering on this objective, and we are working hard to do so right across the business. Our Group Digital Innovation Lab is experimenting with emerging technologies while embedding data & analytics into all our decision-making is one of the six themes that forms our strategy for QBE.

Our challenge is to harness the benefits of incumbency. While Insurtech startups have raised more than \$4 billion in early stage funding over the last couple of years, generally with the goal of bringing smart technology to market, many of these companies lack a holistic product offering or a clear path to market. That's where QBE comes in. Earlier this year we started a formal and rigorous process to comb the Insurtech landscape for early stage businesses that would add greatest value to our business and to our customer relationships, with a view to partnering with – and investing in – the businesses with greatest potential. We are planning to invest up to approximately \$50 million in these opportunities in 2017.

While we are planning for and investing in the future, this needs to be balanced with an unrelenting focus on delivering results in the present. I'm pleased to report that, thanks in no small part to the quality of QBE's underwriting DNA, our performance in 2016 demonstrates that we are striking the right balance. Pleasingly, each of our operating divisions once again produced an underwriting profit.

Analysis of underwriting risk and a preparedness to make tough decisions underpins the turnaround that commenced in our Australian & New Zealand Operations in the second half of the year. After years of pricing declines in our Australian business coupled with heightened claims inflation in several short-

tail classes, exacerbated by deterioration in the NSW compulsory third party scheme, it was clear at the half year that prompt action to restore pricing to more sustainable levels was required. While it will take more than a year for the full impact of the comprehensive actions taken by Pat Regan and the Australian & New Zealand management team to be reflected in financial results, the Board was encouraged by the meaningful improvement in the division's combined operating ratio that was achieved between June and December 2016.

Our North American Operations welcomed Russ Johnston as CEO during the year in a seamless transition from Dave Duclos's mid year retirement, and the division continued its trajectory of performance improvement. Portfolio rationalisation and a tighter focus on core businesses, together with the ongoing growth of Specialty, have all played important roles here.

Our European Operations, under Richard Pryce's strong leadership, had another good year in a marketplace that is increasingly difficult and our Emerging Markets business, led by David Fried, continues to make progress, adding meaningfully to our future growth opportunities. One of our top priorities is assuring our Emerging Markets growth also delivers a satisfactory enhancement in the division's profitability.

Looking to the future, and your Board's primary focus is on providing governance, stewardship and accountability in relation to setting and delivering on QBE's strategy.

In the middle of last year, management announced six strategic themes that build on our company's differentiated position as one of only a handful of insurers that operate on a truly global basis.

In his address John Neal will provide an update on progress in relation to each of the six themes. We are focused on ensuring the Board has the right blend of skills and experience to oversee the execution of this strategy.

To this end, we recently accepted with regret Margaret Leung's decision to not stand for re-election as a Director. We want to thank Margaret for her service and contributions to QBE. Fortuitously, we have made two outstanding appointments to the Board in the last twelve months. Kathy Lisson was appointed a non-executive director in September, while Mike Wilkins joined the Board in November.

You will have the opportunity to hear from both of our new Directors later in this morning's proceedings before shareholders have the opportunity to vote on their election to the Board. You will hear that Kathy and Mike each bring a wealth of knowledge and experience relating to the QBE business and strategy.

Kathy Lisson, who is based in Canada, has a rare skillset spanning digital technology, cyber security, IT risks and data analytics that is essential across our six strategic themes, but with particular application to our focus areas of Data & Analytics and Operational Efficiency. Recognising the growing importance of these areas, Kathy is chairing a new Board committee focused exclusively on technology and operational transformation.

Mike Wilkins would be well-known to many of our Australian shareholders due to his prominent role in the insurance industry in Australia and Asia over the last two decades. As Managing Director and Chief Executive Officer of Insurance Australia Group, and before that Promina Group, Mike made an exceptional contribution to the insurance industry in Australia and internationally during his executive career. He has a well-earned reputation for strengthening the fundamentals of the businesses that he has led.

Your Board is confident that we have the right strategy in place to enable us to appropriately reward you, our shareholders, for the support that you provide to QBE. We have already substantially increased the dividend as QBE returned to more stable and predictable earnings over the last three years.

In 2016 our new dividend policy to pay out “up to 65%” of cash profits became effective, which supported an increase in the dividend from 50 cents in 2015 to 54 cents in 2016.

Our dividend policy is designed to ensure we reward shareholders relative to cash profit while also maintaining an appropriate level of capital for further investment and growth of the business. Pleasingly, QBE's performance in 2016 supported a further improvement in all of our capital metrics.

Recognising both the quality of the our balance sheet and our confidence in the business, the Board has established a three year A\$1 billion, on market, share buy-back facility which was announced with the full year result in February.

This buy-back facility will be a useful additional tool as insurance stocks, by their very nature, periodically trade below their intrinsic value due to market conditions, interest rate fluctuations and other events. We intend to use this facility opportunistically to deliver maximum value to shareholders if and when these opportunities arise.

It is pleasing for QBE to be in a position to reward shareholders both through an increased dividend and the buy-back facility, while continuing to balance returns to shareholders with the needs of the business.

One further area where QBE continues to innovate is in the way we go about making a real, sustainable difference to our communities. Last month we announced a QBE Green Bond that will give other institutional investors the

opportunity to finance QBE's investment in securities that are focused in areas such as renewable energy, energy efficiency, green buildings and sustainable forestry.

As far as we are aware, QBE is the first global insurance company to issue a Green Bond, and we are delighted to be at the forefront of initiatives to direct more institutional capital to projects that make a positive, sustainable difference. This is an area of ongoing focus for the Board, and I look forward to reporting on our progress at future Annual General Meetings.

In closing today, I would like to acknowledge that – since the start of 2016 - there have been a number of catastrophic events that have caused enormous suffering and hardship for our policyholders and all those affected. The insurance industry has responded quickly to Cyclone Debbie in Queensland, the earthquake in Ecuador and Cyclone Winston in the South Pacific. Enabling communities to rebuild following catastrophes is core to our purpose as an insurer, and our commitment to assist policyholders in their time of need is something that everyone at QBE takes extremely seriously.

Finally, I would like to thank John Neal, his leadership team and all of the 14,000 people who work for QBE around the world for the results delivered in 2016 and their commitment to delivering on our plans for the future. I thank

my fellow Directors for their dedication and significant time commitment to QBE and I thank you, our shareholders, for your ongoing support.

I will now ask John to talk about the results in more detail and to describe the strategic themes that together form the blueprint for QBE's ongoing success.

2017 AGM

CEO'S ADDRESS

Thank you Marty.

I'm very pleased to be speaking to you after a second successive year where QBE performed well against our targets, delivering our best underwriting result in six years.

Those of you who have attended these meetings in previous years will recall that my address typically includes a detailed discussion of the financial result and an update on the progress we have made to remediate and transform our business.

Today I will be taking a different approach. Remediation and transformation won't be a big part of my presentation as I believe QBE is well through this phase. We've done the hard yards to realign our activities around our core business – global commercial specialty insurance and reinsurance – and to embed the principles of operational excellence into our day to day operations.

Our success is reflected in a transformed balance sheet and underwriting account that has the respect of our peers, our business partners and our customers. With our restructuring complete, today I will be talking to you

about a QBE which has a clear strategy that builds upon our position as one of only a handful of truly global property and casualty insurers.

0. Agenda

So there are three main topics that I would like to discuss today:

- I'll share with you some of the feedback we received following the full year 2016 result announcement;
- Then I will provide an overview of our medium-term targets and the strategies we intend to deploy to achieve these targets; and
- I will summarise our 2017 targets and comment briefly on our 2017 first quarter performance.

1. Feedback

Over the last nine weeks we have met with a range of key stakeholders in your business.

What these people think of QBE is important to all of us in this room. It doesn't matter how good I think QBE's strategy is – if key stakeholders, both large and small, aren't confident in what we are doing it's inevitably going to be much more difficult to deliver attractive returns for you, our shareholders.

But not only that – every stakeholder also brings a perspective on our strategy and performance, whether that's through personal experience as a

policyholder making a claim, or well-researched views on the strategy and performance of both QBE and our major global competitors.

I'm pleased to report that – following three years of solid and consistent progress towards delivering predictable performance and consistent strategy execution - our 2016 performance and positioning for the future have both been well received.

While there will always be some variation in perspectives, I'll try to summarise these messages for you.

- After five consecutive halves of prior year reserve releases, you can be positive about the quality of QBE's claims reserves;
- Our commitment to operational efficiency is delivering cost reductions as well as setting the business up for scalability. Our credibility with all of our strategic partners increases as we continue to deliver on our targets;
- Many have viewed positively our success in reducing the cost of our reinsurance program by more than \$350 million for 2017, without adding significant risk to the portfolio. Likewise, the strength and quality of our balance sheet and capital position and the resultant announced share buyback was positively received;

Our operating divisions have each contributed to this positive feedback:

- With respect to our operating divisions, we have been able to quickly show improvement in our Australian and New Zealand division and I have every confidence that, assisted by increases in price, 2017 will see further improvement to provide a meaningful contribution to the group's profit margins;
- In North American Operations, legacy issues have now largely been addressed, and our focus turns to our core Property & Casualty business and continued profitable growth in Specialty. Following our first underwriting profit in five years in 2015, we were pleased to report a further 2% improvement in the insurance margin for this division in 2016 and indeed we are forecasting further improvements in 2017 and 2018;
- European Operations has shown strong resilience in the most challenging of markets. The quality of this business is evidenced by this division producing the group's best underwriting result for a second year in succession.
- Our Emerging Markets business operates in 22 of the world's emerging economies in Asia and Latin America, and continues to contribute positively to the group.

As a result, you will have seen a marked improvement in the fundamentals of your company:

- The QBE global insurance and reinsurance franchise is attractive, operating in all of the major insurance hubs around the world and this coupled with our strong distribution and customer relationships in our Australia home market positions us well for future growth.
- We have demonstrated that we can improve our operating performance in areas such as underwriting and claims, driving greater efficiency in the way in which we do business.
- Our management and performance and cash flow is allowing us to increase our dividend payment.
- We have positioned our balance sheet, not only to be strong in absolute terms but also to be resilient to downside scenarios whether these come from insurance or market investment risk

2. Medium term targets and strategic themes

Now I want to talk a bit about our medium-term focus. Whilst it is pleasing that our strategy has resulted in improved performance in 2016, there is undoubtedly more we can do.

As the Chairman referenced, in May 2016 we gave the market direction on what we believed we could achieve by 2018.

Our goal is to grow GWP revenues at a compound annual growth rate of 3% across the pricing cycle. We also see the opportunity to consistently achieve a Combined Operating Ratio of 93% or better.

By achieving these, we believe we can generate a Return on Equity of greater than 10%, positioning us to further reward shareholders with continued increases in dividend payments as well as capital initiatives such as the share buyback we announced with the annual result.

While these objectives were described as “medium term” targets when they were first announced in May 2016, we are now talking about our goals for the next year and a half. Nonetheless, while the timeframe is getting closer, the targets remain as valid today as they were when first announced.

We have established QBE as a distinctive Top 20 global Property & Casualty insurer with operations in all the major insurance hubs, a focus on commercial and specialty lines and an integrated business that allows our global capabilities to be delivered locally.

Now, we believe we can deliver on our financial targets by focusing on six strategic themes that build on this differentiated market position:

- First, QBE is built on the strength of underwriting performance and **underwriting excellence** will always remain our overarching focus.

While tremendous progress has been made, we have more work to do.

In the near term, we will continue to execute on remediation plans for ANZO, continue our improvement in our North American P&C lines, and be robust in the actions we take to reduce risk in our Emerging Markets business, particularly in Latin America.

- While the competitive environment did not support significant growth in 2016, we believe that strong **customer and partner** relationships are key to success in achieving our premium growth target of 3% and an important focus for future business development.
- Thirdly, we see an enormous opportunity to think smartly about how we develop **world class talent**. This is an area where in the past the insurance industry has lagged the broader financial services sector, but we're thinking differently. It is four years now since we launched our Leadership Academy in partnership with Duke University, and since then over 2,350 of our leaders have participated in Academy programs and we continually refresh our Academy modules to support leadership development. Following pilot programs in 2016, this year will also see the full launch of our Underwriting Academy. Our aim is for every QBE underwriter to be accredited by our academy, resulting in a qualification that is recognised by many of the insurance bodies around the world;

- Achieving **operational efficiency** is essential if we are going to deliver improved profitability in a challenging underwriting environment. We met our target of \$150 million in expense savings in 2016 and are on track to deliver a further \$150 million in expense savings by the end of 2018, with some of these savings to be reinvested in technology.
- **Claims excellence** also has a big part to play in reducing costs across QBE. We've set a target of \$200 million in claims run-rate savings for the end of 2018, and expect half of this goal to be met in 2017. Initiatives to combat claims fraud are an ongoing focus, as well as targeting improved efficiency in claims management through the sharing of global standards.
- Finally, **Data and Analytics** was established as a global function in 2016 and in 2017 our focus will be directed towards projects that support customer service and risk analysis, improving claims anti-fraud, and portfolio optimisation.

I'd also like to outline our plans to partner with early-stage Insurtech companies. The Chairman has already shared some thoughts on our positioning in this area, but let me say that it's a fascinating journey that we commenced in earnest a few months ago.

We screened over 200 companies with solutions that looked beneficial to our business. Our bias is towards analytics, digital and Internet of Things solutions, which we believe can add value to our underwriting and claims processes, providing efficiency and service benefits for QBE and for our customers.

Detailed discussions with our seven short-listed companies have been well received. This comes as no surprise - as the Chairman noted, many of these companies are not well placed to “disrupt” any element of the insurance industry on their own, requiring the knowledge, experience and expertise of established players to succeed.

Over the coming months, following due diligence I expect we will form initial partnerships with three or four Insurtech companies, and I look forward to sharing more detail of our progress at the Annual General Meeting next year.

3. 2017 Targets

Turning now to our 2017 targets, when you look at this slide you’d be excused for thinking we are paddling hard without making much forward progress.

Starting with the top line, while we are expecting to see modest growth in GWP, we also recognise that there are some currency headwinds, particularly with respect to a weaker Sterling. As a consequence, we are expecting 2017 gross written premium to be “relatively stable” in US dollar terms. In this

challenging market environment, we will continue to focus on providing excellent service to our current clients to retain the business we have and will seek selective and carefully managed growth from Emerging Markets and targeted pockets within European Operations and North American Operations.

Whilst our target combined operating ratio target of 93.5 – 95.0% - which excludes the one time impact for Ogden discount rate changes in the UK - superficially implies no improvement on the 93.2% figure recorded in 2016, our business is now configured to deliver a higher quality result.

One further area of clear improvement is in our investment return, where our target range of 2.5 – 3.0% is higher than the 2.4% recorded in 2016.

Whilst we don't provide formal quarterly updates, our internal review of the first quarter performance continues to indicate our ability to execute against these targets for 2017.

Looking at each of our divisions, the good progress made in the latter part of 2016 in ANZO has continued into 2017, so we remain confident that by 2018 we will have completed the job of restoring profitability to the level that we would expect in our home market. The major contributor to this turnaround has been achieving rate increases of 6% or more across large parts of the portfolio, with customer retention broadly unchanged.

In North America we doubled underwriting profit in 2016 and are expecting a third consecutive year of improvement in underwriting performance in 2017. By 2018 we expect this business to be performing more in line with our other major divisions and contributing meaningfully to ongoing performance improvement at a Group level.

For the second year in succession EO produced our best underwriting performance in 2016, demonstrating the quality of our underwriting in one of the most challenging markets in the world. We believe this performance will continue in the near and medium term.

We believe there is value in being a participant in the high growth emerging economies of the world, and that we have struck the right balance of control while also pursuing carefully managed growth.

4. Final Remarks

In closing, we have executed effectively on our targets and plans since the second half of 2014. We are confident in our ability to meet the performance targets we have set out for 2017 and importantly, our ability to continue to improve our business through the medium term.

The 2016 result represented our best underwriting performance in six years and QBE's balance sheet stands comparison to any of our global peers.

We continue to buy reinsurance protections against the downside risks of running an insurance company, and our claims reserves have shown consistent improvement for five consecutive reporting periods.

Your company has made, and continues to make, a substantial investment in building, developing and maintaining the very best talent. Our people will continue to deliver the best outcomes for both our customers and for you, our shareholders.

The Board's confidence in our forward plans is now being reflected in both in a healthy increase in dividend payment in 2016 and the announcement of an on market share buyback facility.

I believe there is a great deal to look forward to as a shareholder in QBE and I'd like to echo Marty's thanks to all of our stakeholders, our customers, our people, our business partners and of course you our shareholders for your continued support and trust.