QBE Insurance Group

2012 full year results announcement

John Neal • Group Chief Executive Officer
Neil Drabsch • Group Chief Financial Officer

26 February 2013

All figures in US$ unless otherwise stated

Year in review

Key highlights

Results in line with November guidance	• NPAT up 8% to $761M • Cash profit up 32% to $1,042M • Insurance profit margin 8%
Underlying insurance business sound	• Underlying FY12 insurance profit margin 11.8% • Attritional claims ratio improving due to rate and remediation • Large individual risk and catastrophe claims within allowance despite risk claims frequency and US drought • Action on prior accident year provisions and remediation provides stable base for 2013
Capital strengthened	• Net tangible assets up 22% • MCR multiple 1.7x (2011 1.5x) • PCA multiple 1.6x
Dividend	• Final dividend 10 Australian cents per share, fully franked • Full year dividend 50 Australian cents per share
Positive outlook	• Insurance market conditions stable with forecast 5% rate increases, continuing FY12 trend • Operational transformation program to deliver at least $250M run-rate savings by 2015 • Senior management succession

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2012 financial results summary

For the year ended 31 December		2012	2011	% change
GWP	$M	**18,434**	**18,291**	1
NEP	$M	**15,798**	**15,359**	3
Underwriting profit	$M	**453**	**494**	(8)
COR	%	**97.1**	**96.8**	-
Insurance profit	$M	**1,262**	**1,085**	16
Insurance profit to NEP	**%**	**8.0**	**7.1**	**-**
Investment income	$M	**1,216**	**776**	57
Amortisation and impairment, pre-tax	$M	**407**	**133**	206
Net profit before tax	$M	**941**	**868**	8
Net profit after income tax	**$M**	**761**	**704**	**8**
Amortisation and impairment, net of tax	$M	**281**	**87**	223
Cash profit	**$M**	**1,042**	**791**	**32**
EPS (diluted)	US cents	**61.6**	**61.3**	-
Dividend per share	AU cents	**50.0**	**87.0**	(43)

Key highlights: insurance profit performance

Premium income maintained despite lower US crop and LPI	• Modest growth, GWP up 1% to $18.4Bn • Premium rate increases slightly in excess of 5% • Acquisitions added $620M • Remediation, lower crop prices and LPI volumes led to a reduction in North American Operations of $960M
Underwriting result impacted by prior accident year claims	• 97.1% COR (2011 96.8%) • 10.4% cost of large individual risk and catastrophe claims includes US crop of 2.1% • $464M prior accident year development – US program and other non-performing portfolios $316M – 2011 catastrophes and higher central estimate on non-US casualty business in Equator Re • $88M net risk margin top-up • $102M adverse discount rate impact • Commission and expenses up 2.5% to 31.1%
Insurance profit benefited from stronger investment returns	• Up 16% to $1,262M • Insurance profit margin 8.0%, up from 7.1% in FY11 • Stronger than expected investment returns margin contribution of 5.1% (2011 3.9%) • Underlying insurance profit margin 11.8%

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FY12 underlying insurance profit margin analysis

(1) Prior accident year development $464M
(2) Risk margin adjustment $88M
(3) Discount rate impact $102M
(4) Investment margin 5.1% actual vs 3.9% (budget 3.0% x 1.3 years)
(5) Attritional claims ratio 49.4% vs 49.0% underlying
(6) Large individual risk & catastrophe claims 10.4% vs 10.5% allowance
(7) Combined commission and expense ratio 31.1% actual vs 30.5% underlying

Key highlights: 2012 financial results

Net investment income higher than expected

- Up 57% to $1,216M
- Net yield of 4.1% (2011 2.9%)
- Realised/unrealised gains of $504M (2011 $181M)

Operational cash flow strong

- Up 29% to $2.7Bn
- Period premium held increased to 1.35 years from 1.24

Higher amortisation and impairment of intangibles

- Mainly due to US restructure
- $407M compared with $133M in 2011
- $92M write down of US brand names, agencies and distribution rights
- $80M acceleration of Balboa LPI distribution rights relevant to earnings
- $58M write-off of intangibles on recent acquisitions

Tax rate slightly lower than anticipated

- 17% of profit before tax
- Lower UK company tax rate
- Prior year adjustments
- US losses at higher rate of tax

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Overview of FY12 divisional results

FY12	Group	North America	Latin America	Europe	Australia & New Zealand	Asia Pacific	Equator Re
GWP ($M)	18,434	6,569	1,223	5,077	4,987	578	3,710
GEP ($M)	18,341	6,978	1,170	4,854	4,794	545	3,712
NEP ($M)	15,798	3,501	1,018	3,331	4,123	415	3,410
Claims ratio (%)	66.0	77.6	55.7	62.4	60.3	42.4	70.5
Commission ratio (%)	16.2	6.3	22.2	17.0	13.5	22.7	26.2
Expense ratio (%)	14.9	22.9	16.8	15.2	16.8	20.7	3.0
COR (%)	97.1	106.8	94.7	94.6	90.6	85.8	99.7
Insurance profit margin (%)	8.0	(4.9)	11.9	9.8	18.9	15.9	4.1

Australian & New Zealand Operations

Excellent underwriting performance and return to profit	• COR 90.6% (2011 99.6%) • Insurance profit up 222% to $779M • Insurance profit margin 18.9% (2011 6.3%)
Premium rate increases of 8%	• GWP up 6% to $4,987M • Strong renewal retention despite tough underwriting and pricing action
Successful remediation and careful risk selection rewarded	• Disciplined scenario analysis to ensure all portfolios managed for changing economic and weather conditions • Claims ratio 60.3% (2011 69.2%) • Significant reduction in attritional claims ratio with further improvement expected • Lower exposure to catastrophe prone areas as evidenced by recent catastrophe experience relative to peers
Market leading insurer	• Awarded NIBA general insurer of the year for the 11th consecutive year

North American Operations

2012 underwriting result impacted by prior accident year claims and catastrophe losses	• COR 106.8% (2011 90.6%) • Includes 5.2% for abnormal crop and catastrophe losses • Adverse prior accident year claims 6.6% • Risk margin top-up 3.4%
Full year review of prior accident year claims - reserves strengthened	• $316M (including $85M ceded to Equator Re); – program business in run-off and remediation $236M – reinsurance, intermediary and FPS $80M
FY13 higher crop prices expected	• Higher crop prices to drive 10% increase in GWP to $1.8Bn • Underwriting profitability expected to match QBE's long term average crop COR of 88%
FY13 LPI volumes to reduce	• Overall average annualised rate reduction <9%, consistent with guidance • GWP to fall to ~ $1.2Bn due to pricing and economic recovery coupled with restructuring by Bank of America
Underlying COR fundamentally sound	• Average rate increases of 5% (excluding specialty) expected for FY13 • FY13 COR expected to be around 92.0%

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Capital, funding and investments

Balance sheet

As at	31 Dec 12	31 Dec 11
Summary balance sheet	**$M**	**$M**
Investments and cash	31,525	28,024
Trade and other receivables	5,232	5,514
Intangibles	6,068	6,065
Other assets	954	1,009
Assets	43,779	40,612
Insurance liabilities, net	24,365	22,621
Borrowings	4,932	4,757
Other liabilities	3,065	2,796
Liabilities	32,362	30,174
Net assets	11,417	10,438
Non-controlling interests	59	52
Shareholders' equity	11,358	10,386

- **Shareholders' equity up $972M due to:**
  - A$600M capital raising in 1H12
  - higher cash profit up 32% to US$1,042M; and
  - lower dividend payout
- **Insurance liabilities – outstanding claims provision:**
  - Central estimate up 8% $17,079M
  - Risk margins up 11% $1,333M
  - $18,412M
  - Probability of adequacy 87.5%

Goodwill and intangibles

- **Goodwill - comfortable with headroom over carrying value for all divisions**
  Subject to recoverability test for impairment relevant to expected cash flows and allowance for risk factors
- **Identifiable intangibles - $1,091M with a finite life to be mostly amortised over 9 years**
  Expect annual amortisation for 2013 to be around $120M after tax

		31 Dec 2012			31 Dec 2011
		Goodwill	Identifiable Intangibles	Total	Total
Opening balance	$M	**4,666**	**1,399**	**6,065**	**5,387**
Acquisitions	$M	156	204	360	821
Additions / disposals/ reclassifications	$M	25	(6)	19	5
Amortisation/impairment	$M	**(53)**	**(354)**	**(407)**	**(133)**
Foreign exchange	$M	34	(3)	31	(15)
Closing balance	$M	**4,828**	**1,240**	**6,068**	**6,065**

Capital levels: tangible improvement

Capital		2012	2011
Net assets	$M	11,417	10,438
Intangibles		(6,068)	(6,065)
Net tangible assets		5,349	4,373
Interest bearing liabilities		4,932	4,757
Total tangible capitalisation		**10,281**	**9,130**

Net tangible assets up 22%

Regulatory capital	$M	2012	2011
APRA MCR		5,230	4,984
QBE's regulatory capital base		8,915	7,525
Regulatory capital surplus		**3,683**	**2,541**
MCR multiple		**1.7**	**1.5**
PCA multiple		**1.6**	**na**

Significant increase in regulatory capital surplus

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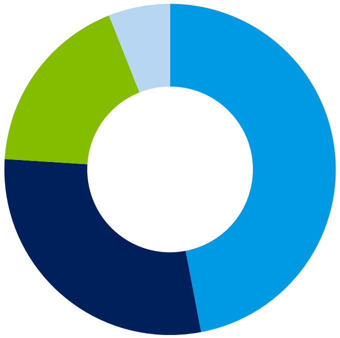
Borrowings

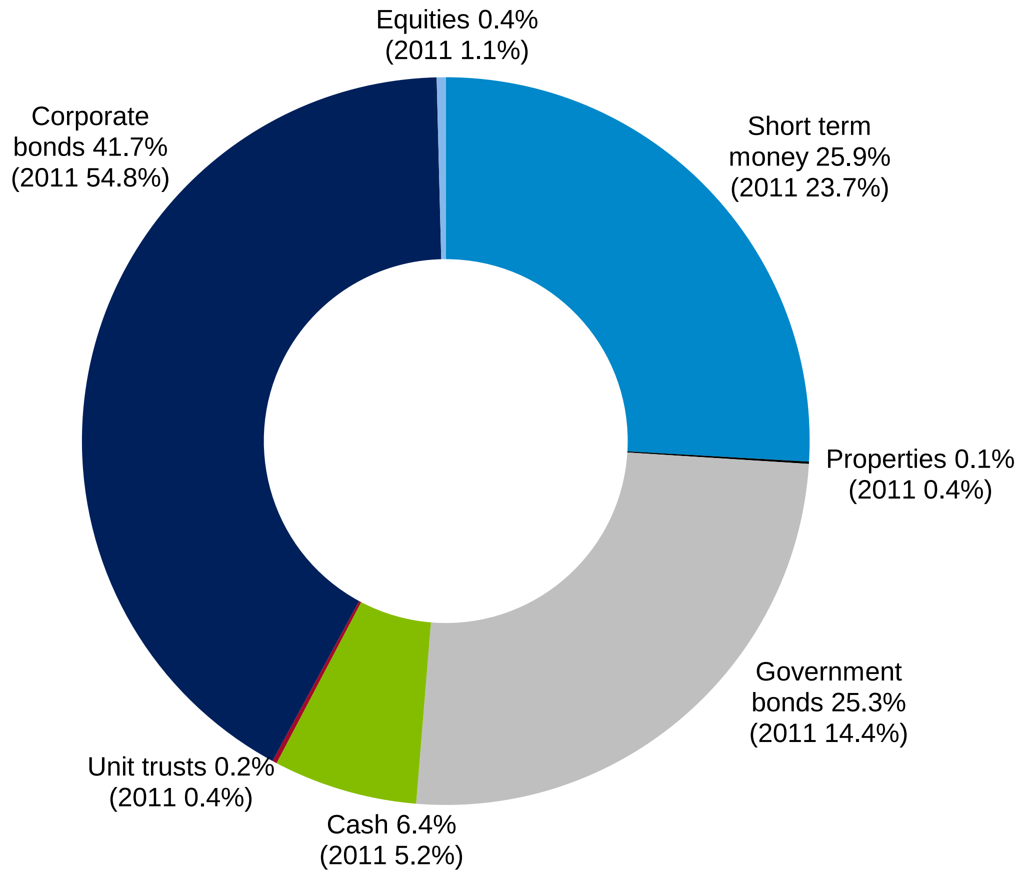
Borrowings profile as at 31 December	%	2012	2011
Subordinated debt		47	49
Senior debt		29	28
Hybrid securities		18	18
Capital securities		6	4
Bank loans		-	1



Repayment profile	$M	2012	2011
Less than 1 year		1,195	662
1 – 5 years		1,723	2,449
More than 5 years		2,014	1,646
Total		**4,932**	**4,757**
Debt/equity ratio		43.4%	45.8%

- **Capital initiatives**
  - $500M issue of Tier 2 subordinated convertible securities
  - $150M of Tier 1 perpetual capital securities resold in December 2012
  - Expected 2013 re-financing
  - $1.1Bn of hybrid and subordinated debt securities due for call in 2013
- **Debt/equity ratio** targeting to be around 40% or lower by end of 2013
- **Weighted average annualised cost of borrowings** at 31 Dec 2012 was 6.2% (2011: 5.9%)

Investments



- **Total investments and cash, up due to strong operational cash flow**
  - $31.5Bn (2011 $28.0Bn)
- **Fixed interest and cash** portfolios highly liquid
- **Policyholders' funds** now include equities
- **Fixed interest portfolios**
  - average duration 0.6 years
  - average credit maturity 2.3 years
- **Further portfolio diversity** subject to market conditions, likely to increase exposure to equities, property and infrastructure securities in 2013

Reinsurance – 2013 program enhancements

Business as usual	• Credit risk profile enhanced • Further increases to divisional retentions and pricing to match current market conditions • Worldwide P&C catastrophe retentions unchanged
Increased aggregate catastrophe protection	• Increased group aggregate catastrophe cover (GACC) with lower attachment: \$400M xs \$800M (FY12 \$200M xs \$1Bn) • Equator Re \$250M xs \$250M aggregate catastrophe cover which inures to the GACC
US FPS catastrophe cover reassessed	• Vertical limit reduced to \$700M from \$1.3Bn in line with lower peak zone aggregate exposures following reduced LPI business • Savings to partially offset LPI margin pressure
Broader cover at a lower cost	• Overall reinsurance cost savings of \$50M • Significantly improved aggregate protection • Applying 2011 catastrophe experience: 2013 vs 2012 – \$55M additional recoveries – \$271M remaining limit (2012 aggregate limit would have been exhausted)

Refer slide 39 and 40 for further detail

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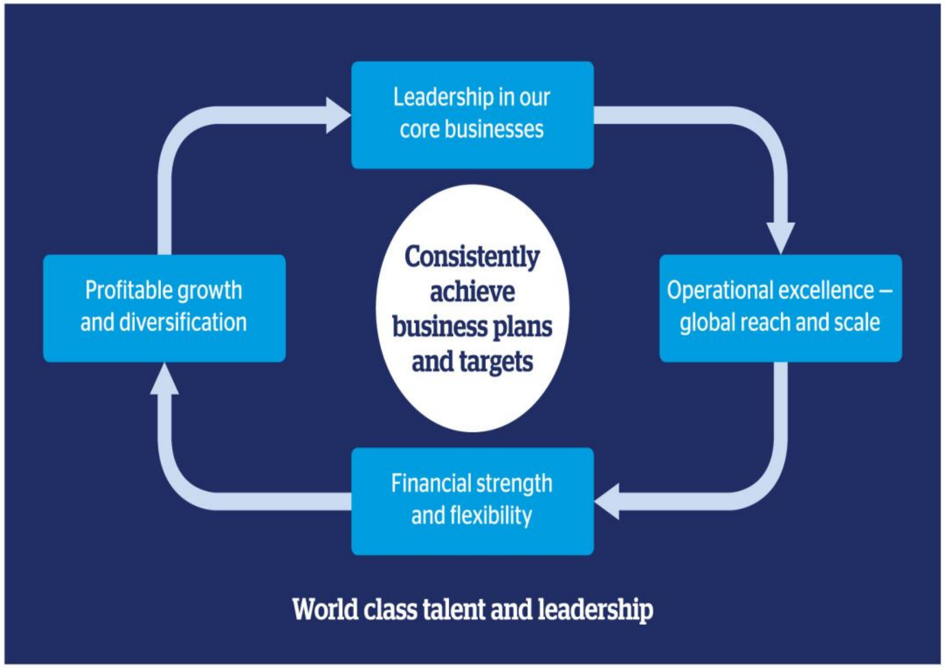
Value creation strategy

Confidence in immediate (FY13) business plans

Leveraging the value opportunities of our global business

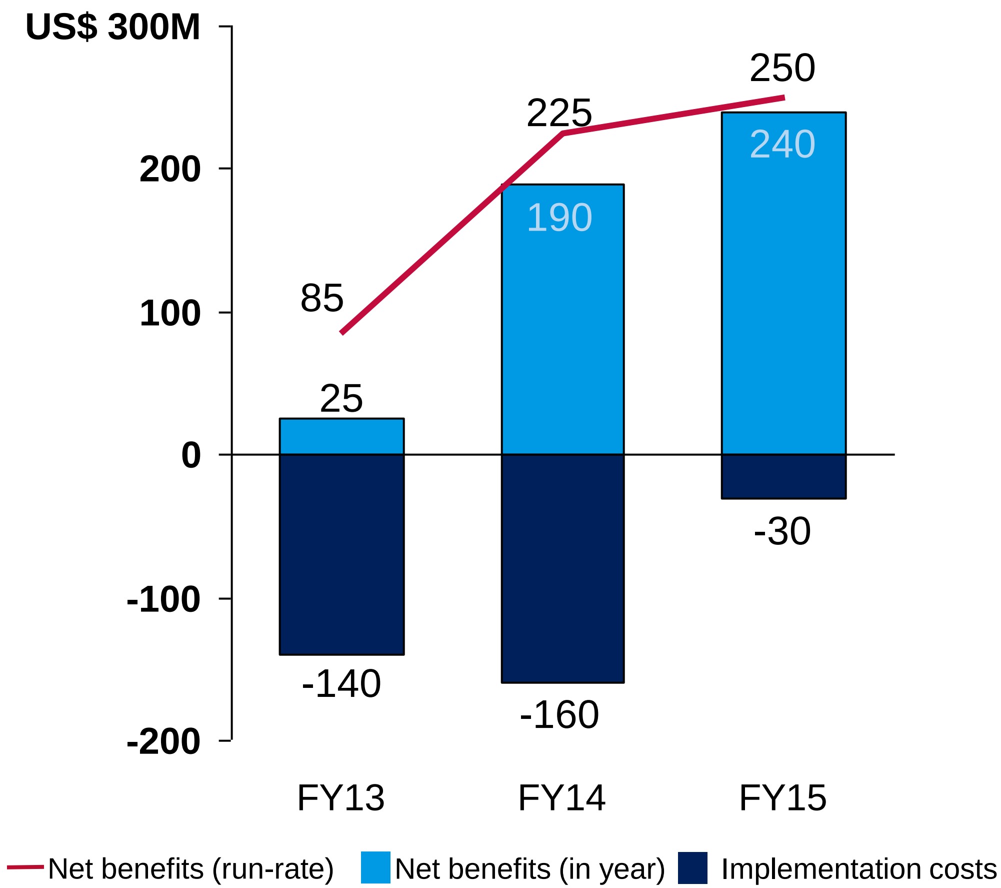
Implementing Group wide programs of change to improve performance

Value creation model



Operational excellence initiatives will deliver annual run-rate benefits of at least $250M by the end of FY15

COST AND BENEFIT IMPACT (P&L)



PROGRAM SCOPE

- The focus of the transformation is to optimise process efficiency with minimal investment in technology
- The majority of the benefits are operational expense savings

Functions in scope

- Claims
- Operations
- Finance
- IT
- HR
- Procurement

Focus of activity

- Australia
- North America
- Europe

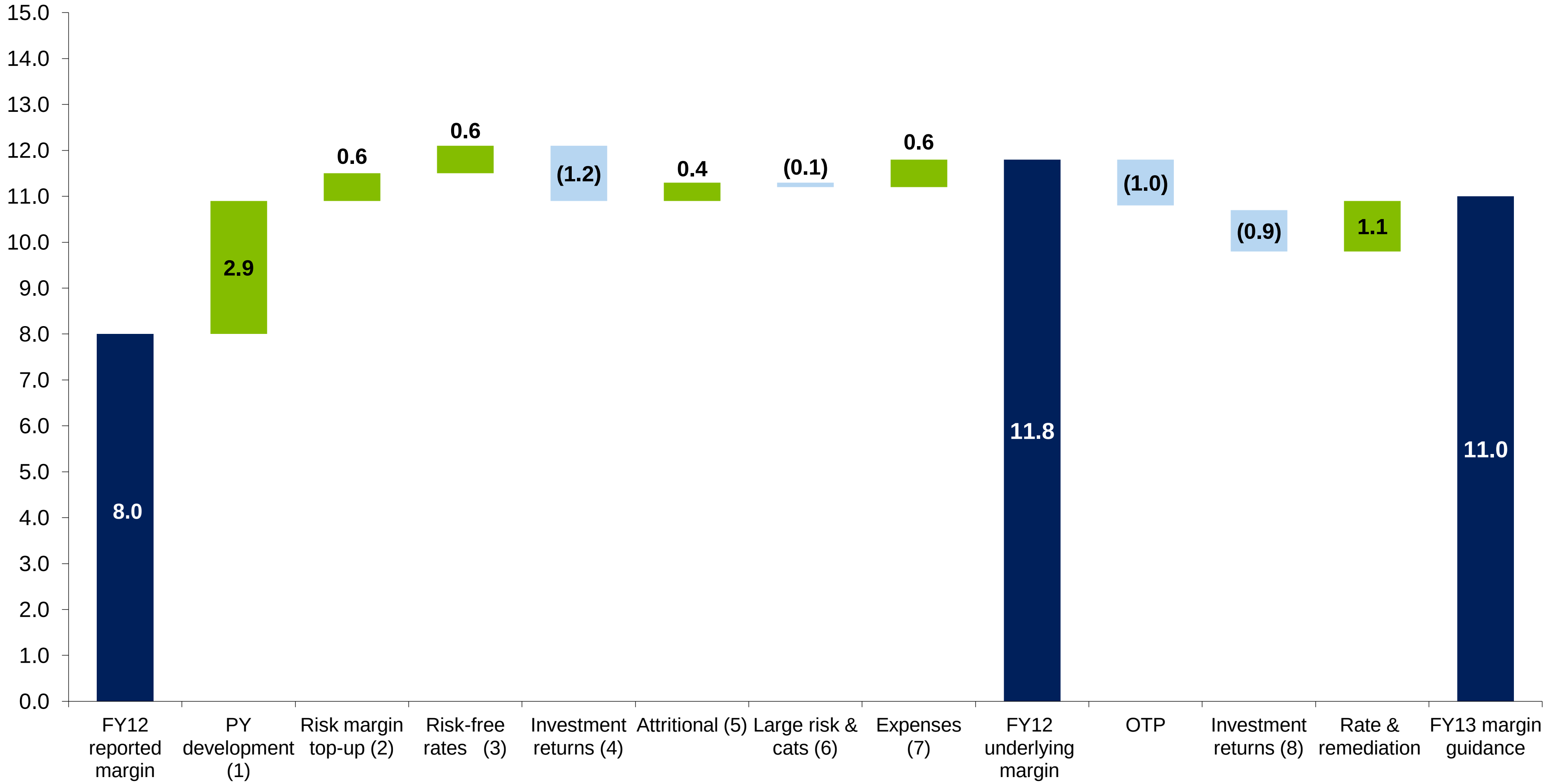
New operational units being created

- Centres of excellence
- Group Procurement

Outlook 2013

Premium rates to firm	• Expect to increase 5% on average across the Group
Premium growth targets modest	• GWP \$18.5Bn to \$19.0Bn • NEP \$15.5Bn to \$16.0Bn • No material acquisitions planned
Large individual risk and catastrophe claims allowance maintained	• Allowance of 10.5% of net earned premium • Broader reinsurance cover
Attritional claims expected to be lower	• Benefits of premium rate increases • Impact of remediation initiatives
Expenses and commission stable including allowance for transformational costs	• Target 31.5% commission and expense ratio • Includes up to 1% allowance for transformational costs before savings
Underlying insurance profit margin of 11.0%	• Assumes lower investment yield on policyholders' funds of 2.25% with 1.35 years premium period held • COR 92.0%
Dividend policy revised	• Dividend payout of up to 50% of cash profit

FY13 insurance profit margin guidance analysis



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(7) Combined commission and expense ratio 31.1% actual vs 30.5% underlying
(8) 3.9% underlying versus 3.0% forecast (2.25% x 1.35 years)

Closing remarks

Implementing plans around our new strategy	• Senior management succession complete • ONE QBE global business • Transformational program underway
Strong fundamentals underpin our target FY13 COR of 92.0% and 11.0% insurance profit margin	• Premium rates up • Strengthened claims provisions • Focus on core profitable business • Medium term target of COR 90.0% or better achievable
Focus on maintaining and improving financial strength	• Initiatives to reduce capital charges for regulatory and rating agencies • Appropriate dividend policy to provide future flexibility and growth
A year of transition ahead	• Aim to stabilise earnings and to position the company for profitable growth

Important disclaimer

The information in this presentation provides an overview of the results for the year ended 31 December 2012.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange ("ASX"). Copies of those lodgements are available from either the ASX website www.asx. com.au or QBE's website www.qbe.com.

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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; 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; 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 presentation.

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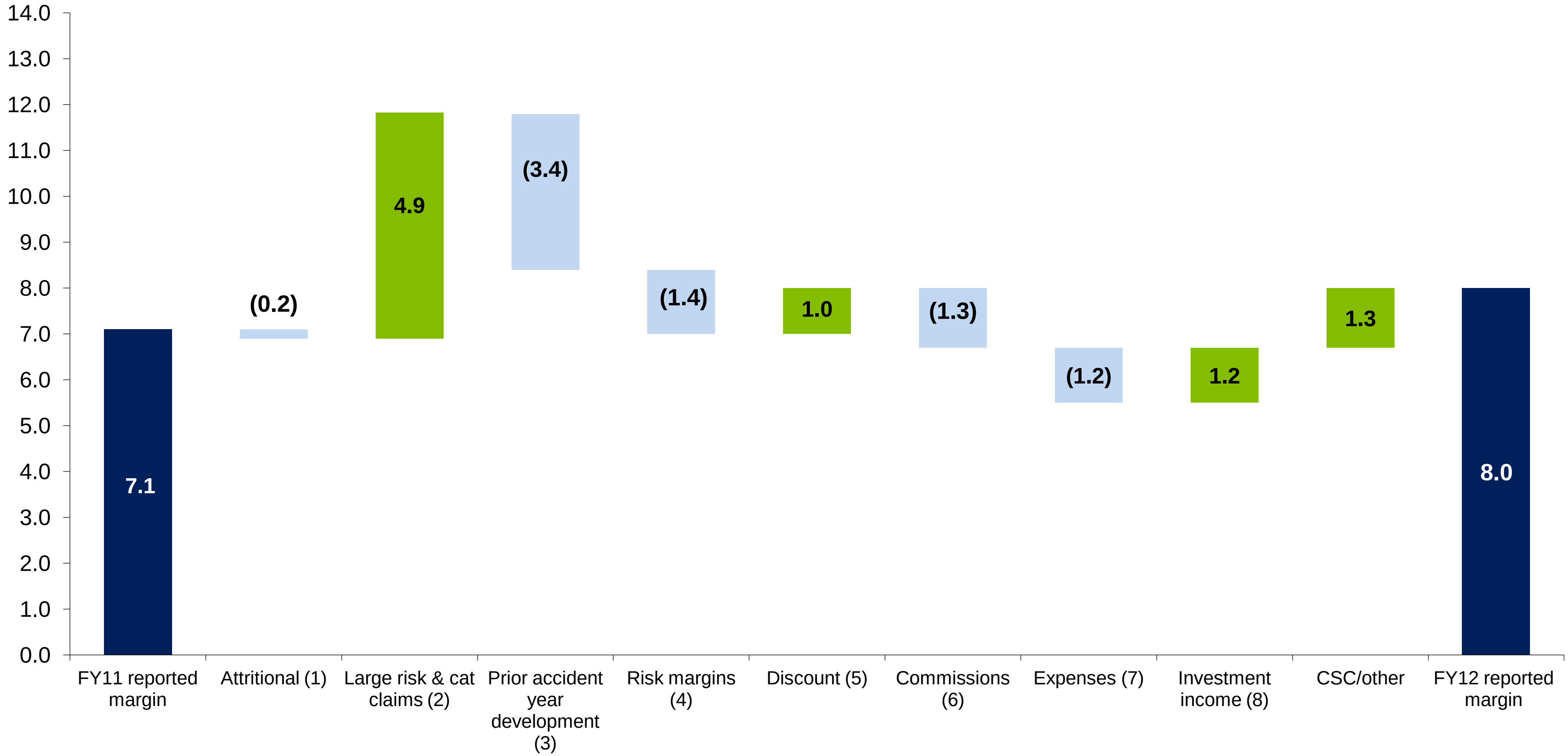
Questions

Appendices

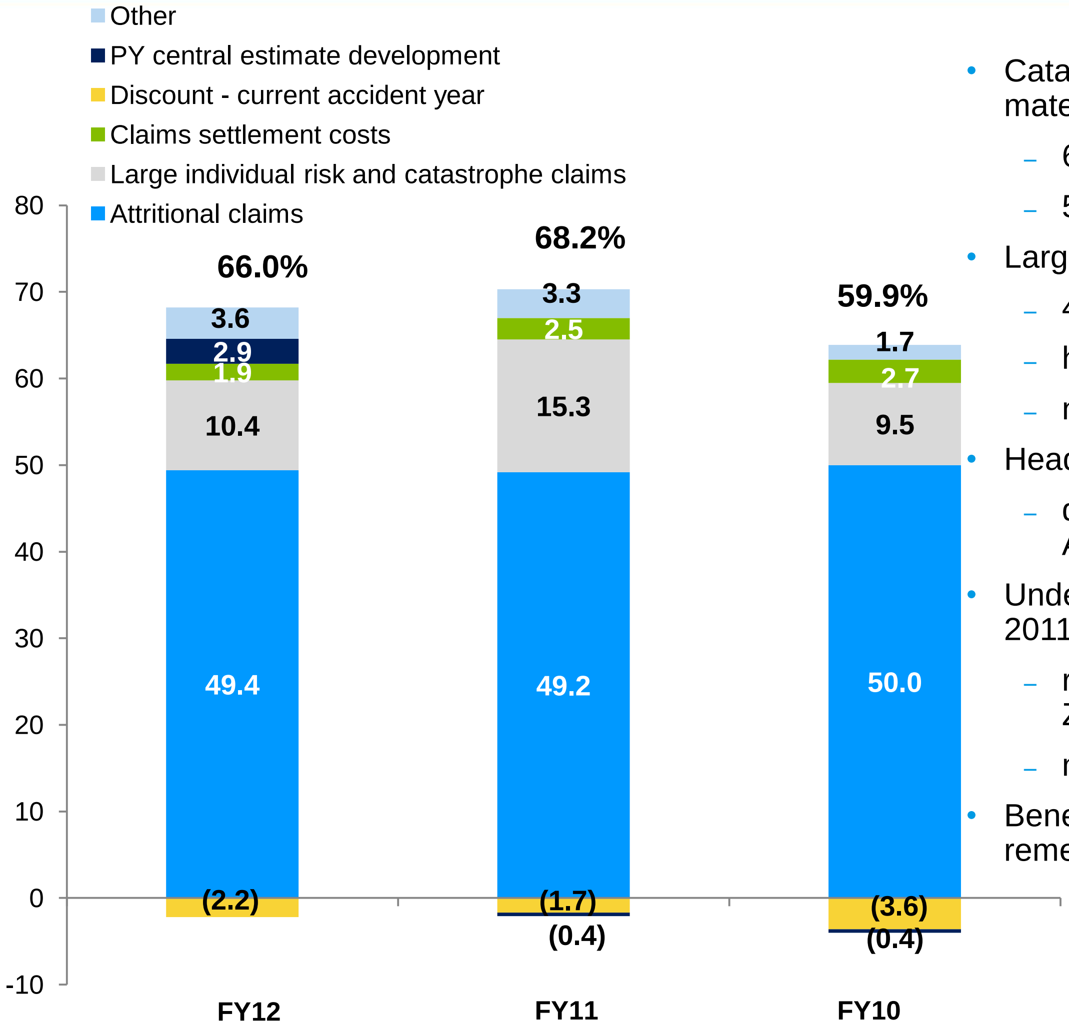
1. Insurance profit margin analysis
2. Claims ratio analysis
3. Risk margin analysis
4. Discount rates
5. Divisional results summary
6. 2013 reinsurance program enhancements
7. Regulatory capital
8. Nov guidance insurance profit margin analysis
9. 2013 premium outlook

FY11 versus FY12 insurance profit margin



(1) Attritional 49.4% (2011: 49.2%)
(2) Large individual risk & cat claims $1,643M (2011: $2,355M)
(3) Prior accident year development $464M (2011: $64M release)
(4) Risk margin adjustment $88M (2011: $124M release)
(5) Discount rate impact $102M (2011: $252M)
(6) Commission ratio 16.2% (2011: 14.9%)
(7) Expense ratio 14.9% (2011: 13.7%)
(8) Investment income $809M (2011: $591M)

2012 claims incurred



- Catastrophe experience improved significantly despite material drought related crop claims:
  - 6.1% versus 11.3% in 2011
  - 5.0% with normal crop cat allowance of 1.0%
- Large individual risk losses:
  - 4.3% versus 4.0% in FY11
  - higher than expected but within tolerances
  - no pattern to increase (by region or class)
- Headline attritional ratio up slightly
  - due to increased relative premium contribution from Australia & New Zealand and Latin America
- Underlying attritional improved to 49.0%[1] from 49.2% in 2011:
  - rate increases, particularly in Australia & New Zealand and North American Operations
  - marginally higher attritional claims in Europe
- Benefit of premium rates, terms and conditions and remediation initiatives yet to fully earn

(1) 2012 attritional loss ratio by division applied to 2011 divisional NEP split and allowance for abnormal items

2012 accident year central estimate claims ratio:

		2012			2011		
		1H	2H	FY	1H	2H	FY
NEP	$M	7,359	8,439	15,798	6,778	8,581	15,359
Attritional	%	**48.5	**50.2	*49.4	49.3	49.1	49.2
Large individual risk and catastrophes	%	8.0	12.5	10.4	15.9	14.8	15.3
Claims settlement costs	%	2.0	1.9	1.9	2.4	2.7	2.5
Discount	%	(2.1)	(2.3)	(2.2)	(3.4)	(0.4)	(1.7)
Accident year claims ratio	**%**	**56.4**	**62.3**	**59.5**	**64.2**	**66.2**	**65.3**
PY central estimate development	%	1.6	4.1	2.9	(0.1)	(0.6)	(0.4)
Other (including release of prior year discount and movement in risk margins)	%	3.6	3.5	3.6	1.8	4.5	3.3
Financial year claims ratio	**%**	**61.6**	**69.9**	**66.0**	**65.9**	**70.1**	**68.2**

* 2012 includes attritional claims ratio of 67% for US crop (2011:65%)

** Excluding crop, 1H12 and 2H12 attritional claims ratio was 48.0% and 48.1% respectively i.e. stable across halves

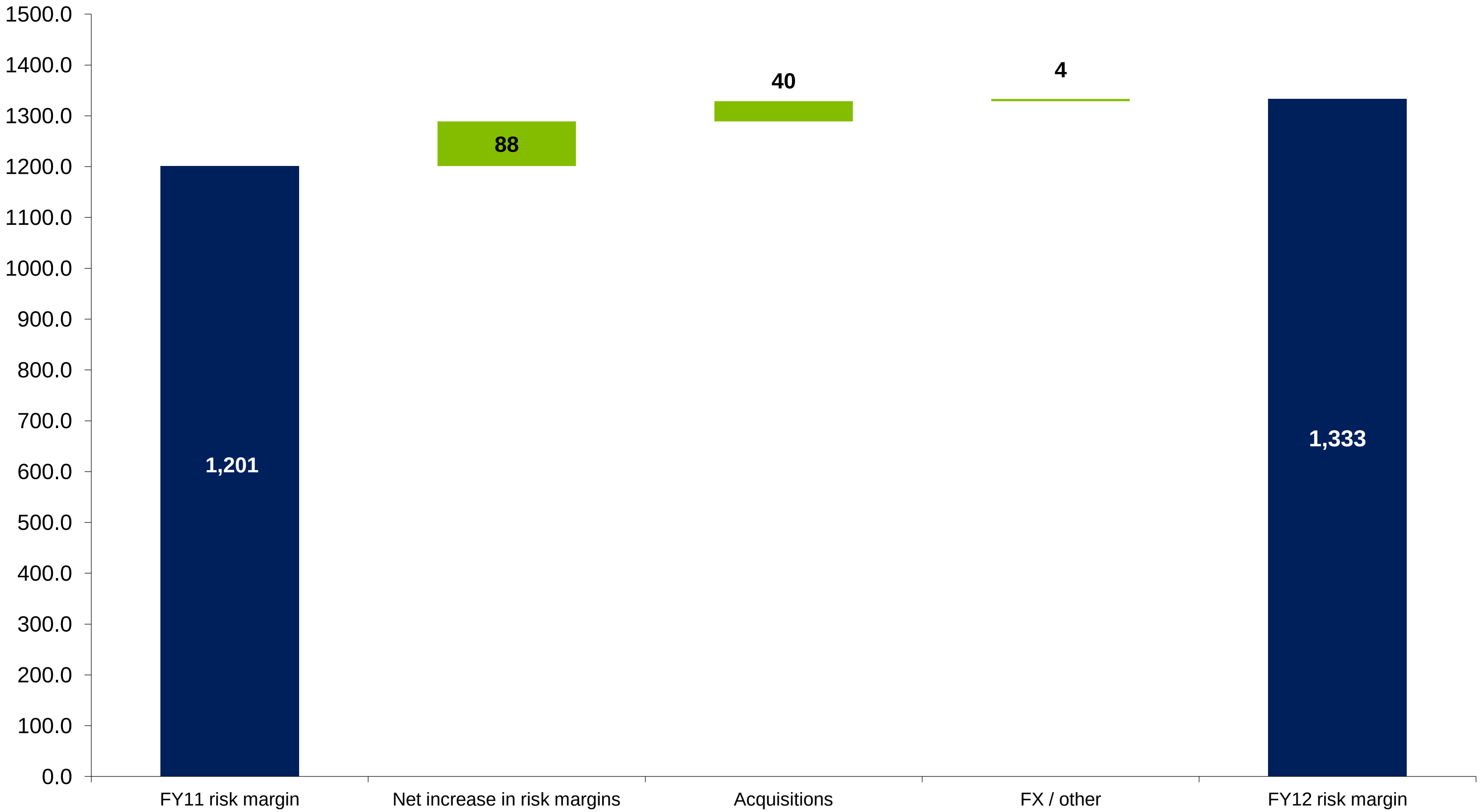
2012 accident year results

		2012	2011	2010
Net central estimate claims ratio (pre risk margins)	%	59.5	65.3	58.6
Commissions	%	16.2	14.9	15.5
Expenses	%	14.9	13.7	14.3
Central estimate COR	%	**90.6**	**93.9**	**88.4**
Accident year underwriting profit	$M	**1,485**	**937**	**1,314**
Accident year underwriting profit margin	%	**9.4**	**6.1**	**11.6**

2012 insurance profit

	2012		2011		2010	
	$M	Ins. profit margin %	$M	Ins. profit margin %	$M	Ins. profit margin %
Central est. accident year underwriting profit	1,485	9.4	937	6.1	1,314	11.6
PY central estimate development	(464)	(2.9)	64	0.4	49	0.4
Release of discount and other from prior years net of movement in risk margins	(568)	(3.6)	(507)	(3.3)	(195)	(1.7)
Reported underwriting profit	**453**	**2.9**	**494**	**3.2**	**1,168**	**10.3**
Investment income on policyholders' funds	809	**5.1**	591	3.9	535	4.7
Reported insurance profit	**1,262**	**8.0**	**1,085**	**7.1**	**1,703**	**15.0**

FY12 risk margin analysis



Impact of movement in weighted average discount rates

Currency		Weighted average risk-free discount rates on outstanding claims % 31 Dec 2011	30 June 2012	31 Dec 2012
Australian dollar		3.65	2.90	3.04
US dollar		0.95	0.85	0.87
Sterling		1.20	1.15	1.27
Euro		1.95	1.75	1.26
Argentine peso		-	13.85	17.78
Group weighted average		[(1)] **2.10**	**2.12**	**2.16**
Estimated impact of discount rate movement	**$M**	**(452)**	**(105)**	**(102)**

(1) The 31 Dec 2011 weighted average discount rate was 2.32% restated to include Argentina (post the LBA acquisition)

North America

		2012	2011
Gross written premium	$M	6,569	7,529
Gross earned premium	$M	6,978	7,431
Net earned premium	$M	3,501	4,018
Claims ratio	%	77.6	65.2
Commission ratio	%	6.3	6.6
Expense ratio	%	22.9	18.8
Combined operating ratio	**%**	**106.8**	**90.6**
Insurance profit margin	**%**	**(4.9)**	**11.0**
Return on equity (1)	%	1.9	16.5

- Claims ratio of 77.6% and COR of 106.8%, impacted by prior accident year development ($231M(3)), severe crop drought conditions ($113M(2)) and Superstorm Sandy ($117M)
- Large individual risk and cat allowance exceeded by 2.0% (excluding crop)
- Rate increases averaging in excess of 6% overall (excluding crop and FPS)
- GWP down 13% despite rate increases, primarily due to reductions in FPS and crop as well as portfolio remediation initiatives in P&C lines
- Higher reinsurance expense driven by increased cessions to Equator Re and higher reinsurance rates across all segments, and particularly for crop
- Expense ratio up from 18.8% in 2011 to 22.9%, mainly due to reduced premium and costs associated with the Balboa integration
- 2013 GWP and NEP is forecast at $6.5Bn and $3.2Bn respectively, with premium rate and commodity price increases offset by an expected further reduction in FPS premium

(1) ROE based on the management result before internal reinsurance to Equator Re using the capital allocated to the division. All other numbers and ratios are net of internal reinsurance to Equator Re.

(2) Crop net loss ratio of 98.4% comprised 67% attritional loss ratio and 31.4% of drought catastrophe losses which is 17% above normalised level

(3) Prior accident year development $316M before quota share to Equator Re

Latin America

		2012	2011
Gross written premium	$M	1,223	768
Gross earned premium	$M	1,170	752
Net earned premium	$M	1,018	620
Claims ratio	%	55.7	56.7
Commission ratio	%	22.2	19.0
Expense ratio	%	16.8	14.0
Combined operating ratio	**%**	**94.7**	**89.7**
Insurance profit margin	**%**	**11.9**	**16.3**
Return on equity (1)	%	17.5	32.5

- GWP up 59% primarily driven by the HSBC Argentina and Optima Puerto Rico acquisitions
- Organic GWP growth was 7% in USD or 12% on a constant currency basis
- Claims ratio improved slightly to 55.7%, reflecting business mix changes partially offset by adverse motor claims experience in Colombia and Ecuador
- Combined commission and expense ratio increased to 39.9% from 33.0% in 2011 due to the HSBC acquisition in Argentina and the higher premium contribution from Brazil
- COR increased to 94.7% from 89.7% in 2011, reflecting the HSBC acquisition and higher motor claims costs in Colombia and Ecuador
- Premium rates tracking in line with inflation
- 2013 GWP and NEP is forecast at $1.5Bn and $1.3Bn respectively

(1) ROE based on the management result before internal reinsurance to Equator Re using the capital allocated to the division. All other numbers and ratios are net of internal reinsurance to Equator Re.

Europe

		2012	2011
Gross written premium	$M	5,077	4,828
Gross earned premium	$M	4,854	4,635
Net earned premium	$M	3,331	3,150
Claims ratio	%	62.4	65.3
Commission ratio	%	17.0	17.0
Expense ratio	%	15.2	13.2
Combined operating ratio	**%**	**94.6**	**95.5**
Insurance profit margin	**%**	**9.8**	**9.5**
Return on equity (1)	%	18.1	16.3

- GWP up £185M or 6% in local currency, mainly due to the Brit UK regional acquisition supplemented by modest organic growth in property, casualty and motor
- Reinsurance expense ratio fell slightly to 31.4% (2011: 32.0%) due to benefits from the Group's global reinsurance program
- Claims ratio fell to 62.4% from 65.3% in 2011, with improved catastrophe experience partially offset by a slight uptick in attrition in some portfolios and reduced prior year releases
- Lower discount rates impacted underwriting profit by $68M
- Commission ratio stable at 17.0% despite changes in the business mix and increases in commission rates across many portfolios
- Expense ratio increased to 15.2% (2011: 13.2%) due to Brit UK regional acquisition costs and completion of the IT transformation project

(1) ROE based on the management result before internal reinsurance to Equator Re using the capital allocated to the division. All other numbers and ratios are net of internal reinsurance to Equator Re.

QBE

Australia & New Zealand

		2012	2011
Gross written premium	$M	4,987	4,699
Gross earned premium	$M	4,794	4,531
Net earned premium	$M	4,123	3,868
Claims ratio	%	60.3	69.2
Commission ratio	%	13.5	13.3
Expense ratio	%	16.8	17.1
Combined operating ratio	**%**	**90.6**	**99.6**
Insurance profit margin	**%**	**18.9**	**6.3**
Return on equity (1)	%	21.3	9.4

- Excellent underwriting performance and return to profitability for 2012, achieving a COR of 90.6% (2011 99.6%) and insurance profit margin of 18.9% (2011 6.3%)
- Premium rate increases averaging in excess of 8% drove GWP growth by 6% to $5.0Bn and NEP by 7% to $4.1Bn
- Claims ratio improved to 60.3% from 69.2% in 2011, due to a material decline in the attritional claims ratio and favourable catastrophe activity
- Expense ratio slightly lower at 16.8%, largely due to stable controllable expenses in the ongoing operational efficiency program, which will continue in 2013
- Lower discount rates impacted underwriting profit by $38M
- NIBA general insurer of the year for the 11th consecutive year
- 2013 GWP and NEP is forecast at $5.0Bn and $4.0Bn respectively

(1) ROE based on the management result before internal reinsurance to Equator Re using the capital allocated to the division. All other numbers and ratios are net of internal reinsurance to Equator Re.

QBE

Asia Pacific

		2012	2011
Gross written premium	$M	578	467
Gross earned premium	$M	545	457
Net earned premium	$M	415	341
Claims ratio	%	42.4	43.7
Commission ratio	%	22.7	21.4
Expense ratio	%	20.7	22.3
Combined operating ratio	**%**	**85.8**	**87.4**
Insurance profit margin	**%**	**15.9**	**17.6**
Return on equity (1)	%	23.7	10.0

- Strong return to profitability due to the benefits of portfolio remediation activities taken post the catastrophe activity in 2011 in the region
- GWP up 24% to $578M, which included 18% organic growth assisted by the acquisition of Hang Seng Insurance and the related 10 year distribution agreement with Hang Seng Bank
- Obscured by the Hang Seng acquisition, reinsurance costs as a result of adverse 2011 catastrophe incidence
- Commission and expense ratio increased to 43.4%, higher than expected due to increased reinsurance costs
- 2013 strategy will focus on growth, particularly around specialty and commercial business in Singapore, Hong Kong and Malaysia
- 2013 GWP and NEP is forecast at $690M and $525M respectively

(1) ROE based on the management result before internal reinsurance to Equator Re using the capital allocated to the division. All other numbers and ratios are net of internal reinsurance to Equator Re.

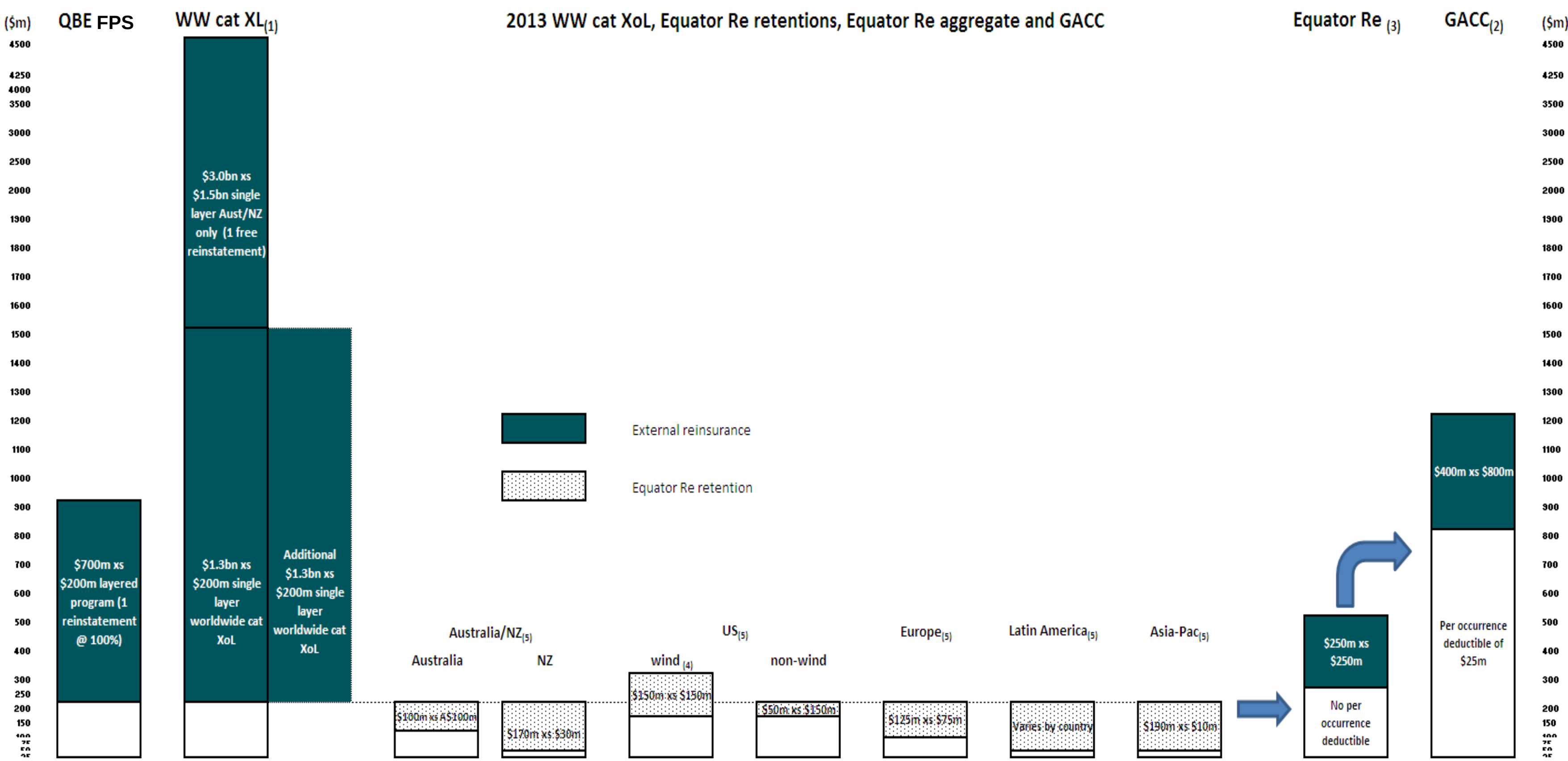
Equator Re

		2012	2011
Gross written premium	$M	3,710	3,807
Gross earned premium	$M	3,712	3,697
Net earned premium	$M	3,410	3,362
Claims ratio	%	70.5	77.8
Commission ratio	%	26.2	23.3
Expense ratio	%	3.0	3.4
Combined operating ratio	**%**	**99.7**	**104.5**
Insurance profit margin	**%**	**4.1**	**(1.7)**

- Despite improved catastrophe experience, the 99.7% COR was disappointing, impacted by prior year development, severe crop drought conditions and Superstorm Sandy
- Equator Re's catastrophe risk profile will fall further in FY13 via increased divisional retentions and additional aggregate protection
- Lower discount rates impacted by $12M
- Insurance profit rose strongly to $139M struck on a profit margin of 4.1% compared with a negative margin of 1.7% in 2011
- Significant improvement in investment income on p/holders' funds to $129M (2011 $95M), reflecting gains from narrowing credit spreads on the fixed interest portfolio
- Increase in commission ratio due to higher commissions payable on proportional business
- 2013 GWP and NEP is forecast at $3.5Bn and $3.3Bn respectively, reflecting increased divisional catastrophe retentions and reduced LPI premium in North America Operations

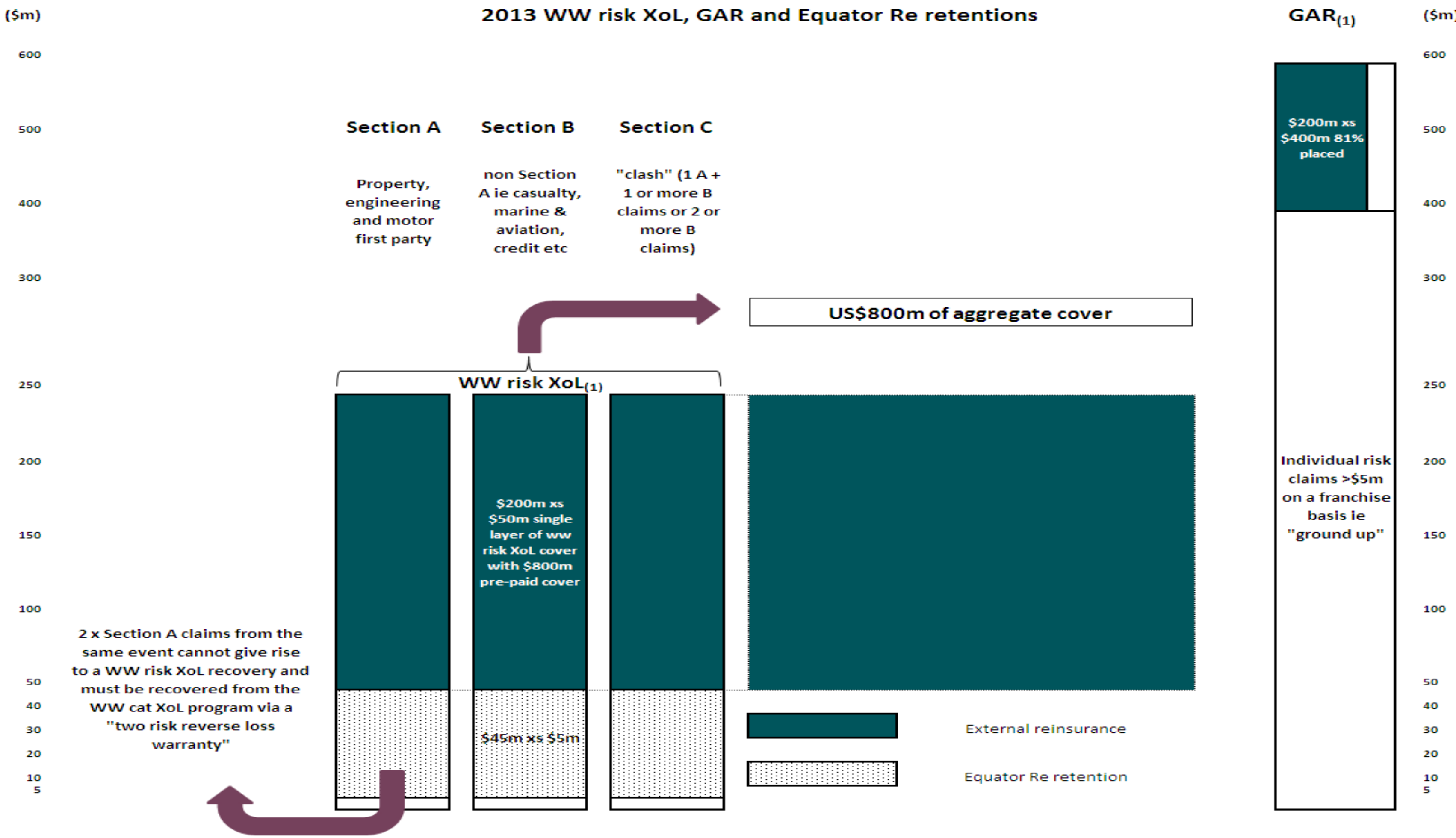
QBE

Reinsurance – 2013 worldwide cat XoL



1 Worldwide cat XoL reinsurance covers all QBE business except inwards reinsurance, marine and energy (Lloyd's syndicate 1036), QBE LMI, QBE FPS (with lenders-placed covered by a separate QBE FPS treaty) and crop, all of which have their own reinsurance protection 2 GACC - Group Aggregate Catastrophe Cover includes all classes that apply to the WW cat Xol but also inwards reinsurance, marine and energy (Lloyd's syndicate 1036) and QBE FPS ie excludes crop and inwards retro only 3 Equator Re aggregate cover inures to the benefit of the GACC. The first $250m of loss to Equator Re erodes both the Equator Re aggregate and GACC deductibles but the next $250m loss to Equator Re is ceded to Equator Re aggregate reinsurers not GACC. Recoveries under the GACC occur if Equator Re losses exceed $500m in the aggregate. 4 US wind retention is usually $300m including QBE FPS per reconciliation on next slide 5 Pre quota share to Equator Re ie management versus legal entity basis

Reinsurance – 2013 worldwide risk XoL



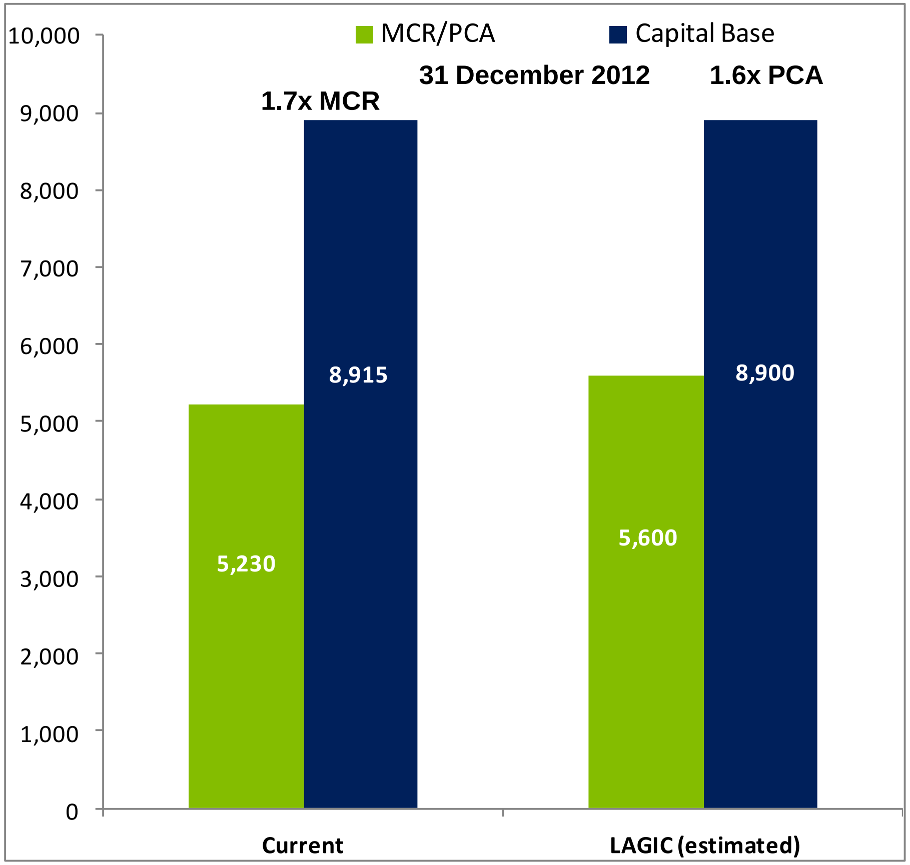
1 Worldwide risk XoL reinsurance covers all QBE business except inwards reinsurance, marine and energy (Lloyd's syndicate 1036), QBE LMI, QBE FPS (with lenders-placed covered by a separate QBE FPS treaty) and crop, all of which have their own reinsurance protection

APRA minimum capital requirement

As at 31 December	2012 $M	2011 $M
Tier 1		
Share capital and reserves	11,290	10,248
Perpetual securities	316	164
Excess risk margins (net of tax)	1,139	967
Deductions	(6,075)	(6,072)
	6,670	5,307
Tier 2		
Subordinated debt and hybrid securities	2,243	2,218
Total capital base	8,915	7,525
Insurance risk charge	3,351	3,180
Concentration risk charge	710	610
Investment risk charge	989	1,017
Reinsurance risk charge	180	177
Minimum capital requirement	5,230	4,984
Excess capital	3,683	2,541
Capital adequacy multiple	1.7	1.5

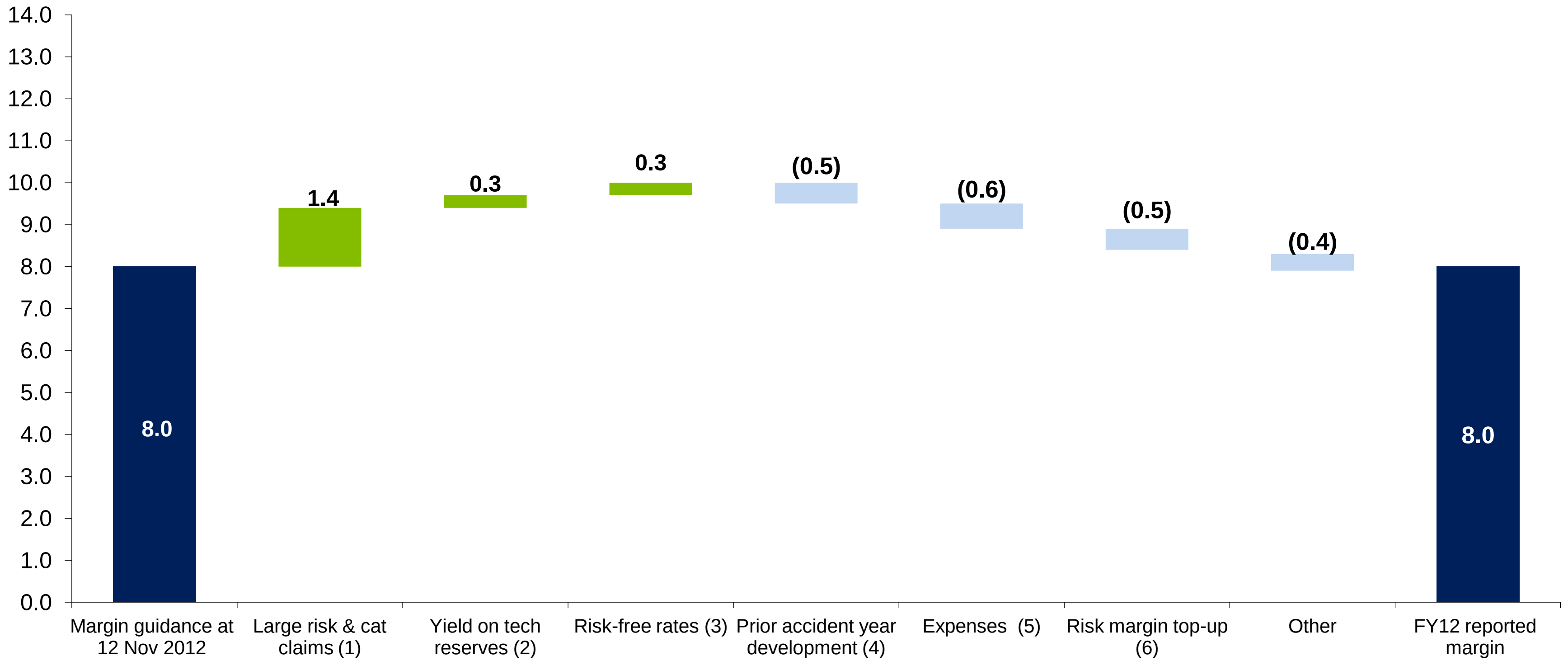
QBE

Regulatory capital – estimated LAGIC impact



- Regulatory capital coverage at 31 December 2012:
  - 1.7 x MCR
  - estimated PCA 1.6x
  - estimated CET1 (multiple of PCA) 113% versus minimum requirement of 60%
- US $1.5Bn tier 2 securities issued in 2011 will continue to receive 100% capital treatment to 2015 - amortisation to 2021 call date thereafter
- Capital well in excess of regulatory requirements

2012 insurance profit margin versus Nov 12 guidance



(1) $1,865M guidance versus $1,643M actual

(2) 3.7% X 1.3 years period held guidance versus 5.1% actual

(3) Around $150M guidance versus $102M actual

(4) $380M guidance versus $464M actual

(5) 30.5% guidance versus 31.1% actual

(6) $88M explicit risk margin adjustment

2013 premium outlook

Full year 2013	GWP in local currency Bn	GWP guidance $USBn (1)	NEP in local currency Bn	NEP guidance $USBn (1)
North America	6.5	**6.5**	**3.2**	**3.2**
Latin America	1.5	**1.5**	**1.3**	**1.3**
Europe	3.2	**5.1**	**2.3**	**3.6**
Australia & New Zealand	4.9	**5.0**	**4.0**	**4.0**
Asia Pacific	0.7	**0.7**	**0.5**	**0.5**
Equator Re	3.5	**3.5**	**3.3**	**3.3**
Equator Re	(3.5)	**(3.5)**	**-**	**-**
Group total		**18.8**		**15.9**

(1) Based on projected exchange rates of – A$/US$1.012 and, £/US$1.561