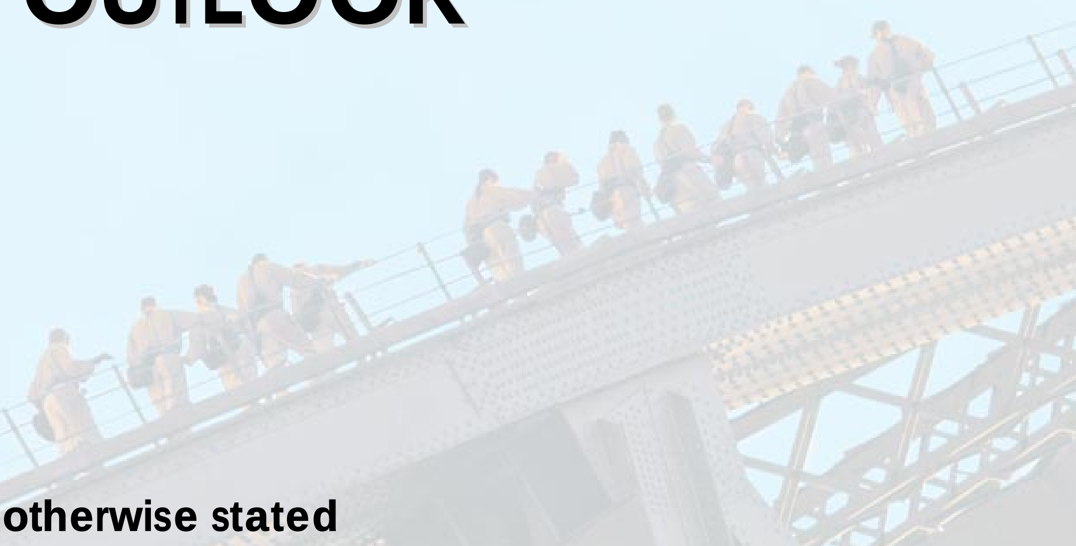
QBE INSURANCE GROUP LIMITED
RESULTS
for the half year ended 30 June 2004
& OUTLOOK



All amounts in Australian dollars unless otherwise stated

Highlights

half year to 30 June 2004

- Net profit after tax up 33% to $320 million (2003 : $241 million)
- Insurance profit up 58% to $409 million (2003 : $259 million) or 13.1% of net earned premium (2003 : 8.4%)
- Cash flow from operations up 24% to $898 million (2003 : $726 million)
- Return on equity increased to 18.5% of average shareholders' funds (2003 : 16.0%)
- Diluted earnings per share including hybrid securities increased 28% from 32.7 cents to 41.8 cents per share

Highlights

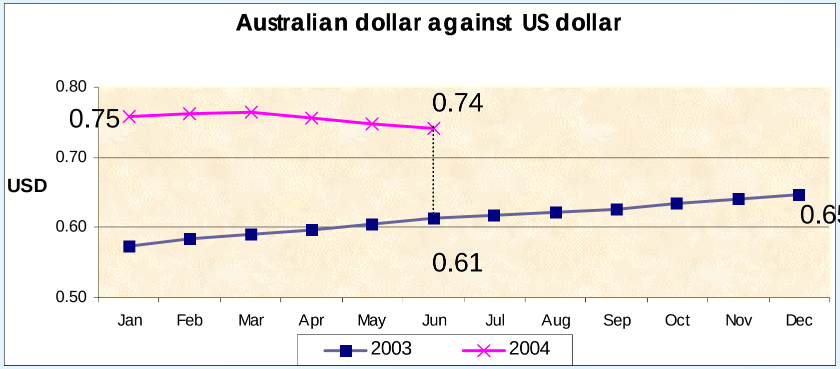
half year to 30 June 2004

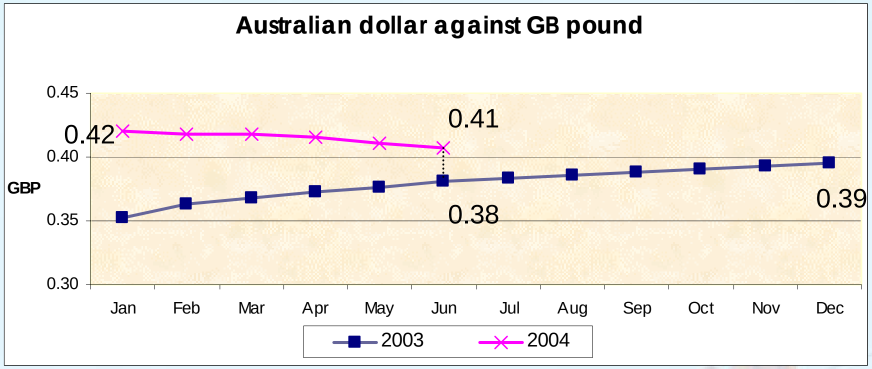
- Gross written premium down 1% to $4,763 million due to stronger Australian dollar compared with same period last year
- Using consistent rates of exchange, gross written premium was up 9%
- Growth assisted by small overall increases in premium rates, increased retention of business and new business including acquisitions
- Gross earned premium up 3% to $3,982 million impacted by stronger Australian dollar – up 12% using consistent rates of exchange

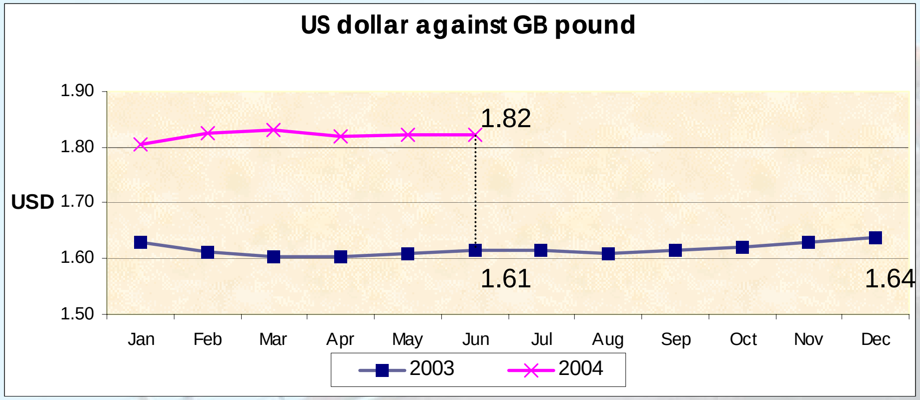
Foreign exchange movements

half year to 30 June 2004

2004 cumulative average exchange rate movements







Foreign exchange movements

half year to 30 June 2004

	2004 Actual $M	2004 at 2003* Exchange rates $M	Exchange rate impact %
Gross written premium	4,763	5,276	(10)
Gross earned premium	3,982	4,397	(9)
Net earned premium	3,114	3,408	(9)
Net investment income	120	133	(10)
Profit after tax	320	345	(7)
Total investments and cash	14,435	13,650	6
Total assets	25,750	24,252	6
Gross outstanding claims	12,573	11,955	5
Total liabilities	22,073	21,057	5

* Profit and loss items are restated to 30 June 2003 average rates of exchange and balance sheet items to 31 December 2003 closing rates of exchange

Highlights

half year to 30 June 2004

- Reinsurance costs increased from 21% to 22% of gross written premium due to proportional reinsurance treaties on US programme business
- Gross claims ratio reduced from 66.2 % to 57.8%
- Net claims ratio reduced from 65.1% to 62.0%
- Improvements in the claims ratio were achieved from:
  - small overall increase in premium rates;
  - a lower frequency and severity of claims;
  - improved insurance terms; and
  - higher deductibles achieved over the last two years
- Prudential margins in outstanding claims strengthened – probability of adequacy at the high end of our internal range at 93.7%

Highlights

half year to 30 June 2004

- Commission ratio decreased from 18.7% to 16.8% reflecting a change in mix of business
- Expense ratio decreased from 12.2% to 12.0% with total underwriting expenses reducing slightly to $373 million
- Expense ratio impacted by increased investment in systems to improve efficiencies, increased costs of compliance and higher staff incentive payments due to improved insurance results
- Combined operating ratio (COR) decreased from 96.0% to 90.8%
- All insurance divisions achieved improved underwriting profits with CORs ranging from 88.0% to 92.1%

Highlights

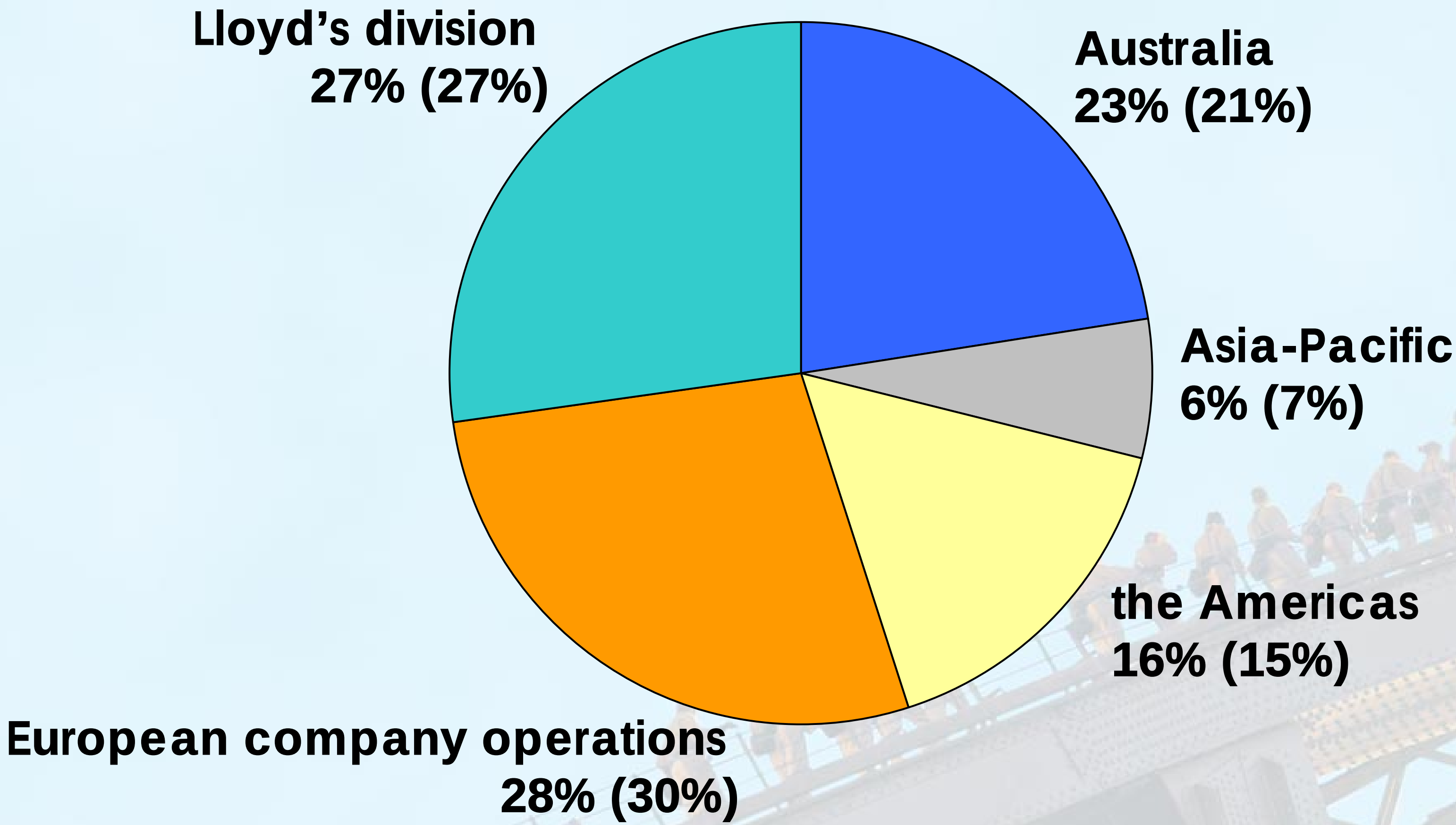
half year to 30 June 2004

- Investment income for the half year excluding realised and unrealised gains and losses on investments increased 6% to $186 million (2003 : $176 million)
- Flat equity markets and unrealised losses on our short duration fixed interest portfolio due to expected interest rate rises reduced net investment income to $120 million (2003 : $189 million)
- Investment income includes realised and unrealised losses before tax of $66 million (2003 : gains of $13 million)
- Income tax reduced to 20.0% of profit before tax (2003 : 22%) reflecting benefits from dividend rebates and the release of prior year provisions
- Operating profit after tax using the seven year spread basis of accounting was $369 million (2003 : $233 million). This basis of accounting is used to measure the performance of head office management

Geographical diversification

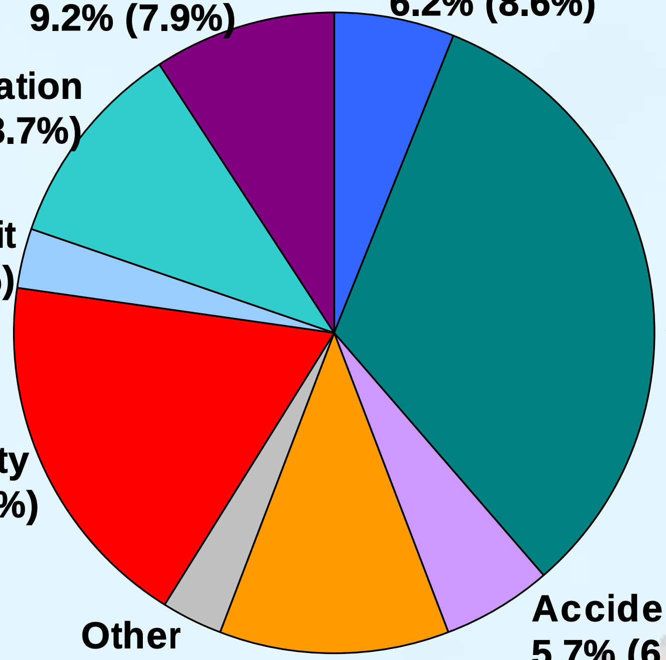
Gross earned premium

half year to 30 June 2004



Worldwide portfolio mix

half year to 30 June 2004
gross earned premium



Short tail 49% (54%), Long tail 51% (46%)

Growth in long tail business is due to higher premium rate increases on the longer tail classes of business

Shareholder returns

half year to 30 June 2004

- Interim dividend 24.0¢ per share, 50% franked (2003: 20.0¢, 15% franked)
  - Ex dividend date 24 August 2004
  - Record date 30 August 2004
  - Payment date 20 September 2004
- Dividend payout $164 million for 2004, up 23% from the interim dividend paid September 2003
- Shares on issue of 683 million (2003 : 663 million)
- Dividend reinvestment plans continue at 2.5% discount

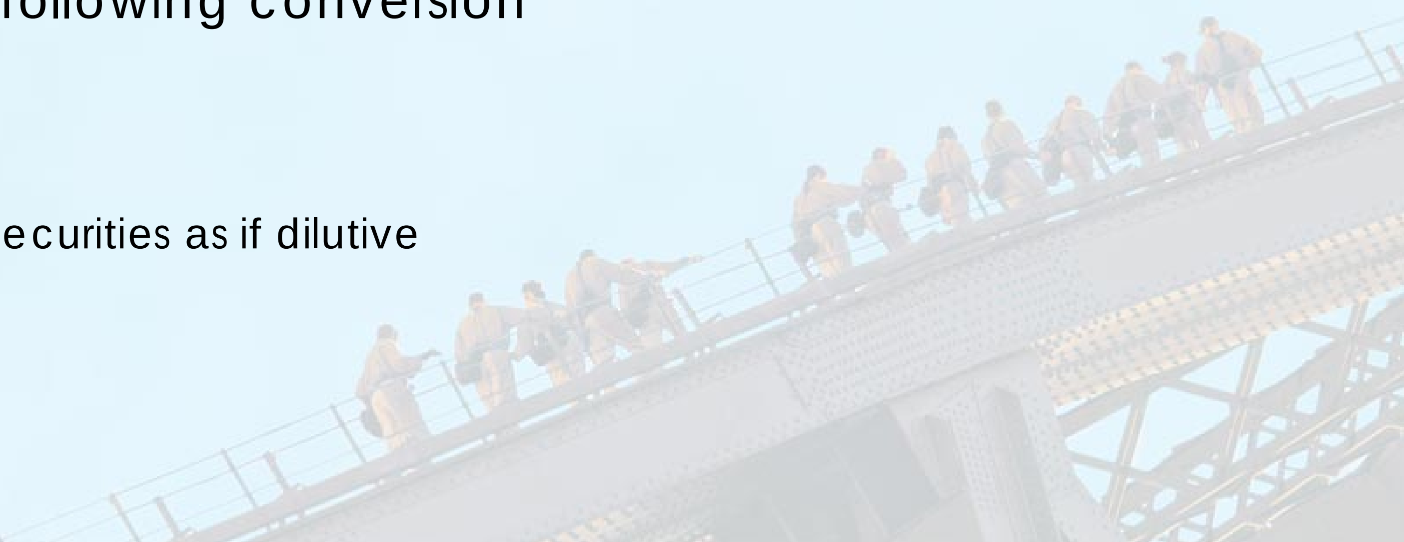
Shareholder returns

half year to 30 June 2004

	2004	2003
• Earnings per share	**2004**	**2003**
• basic	47.2 cents	37.3 cents
• diluted	41.8 cents	32.7 cents *

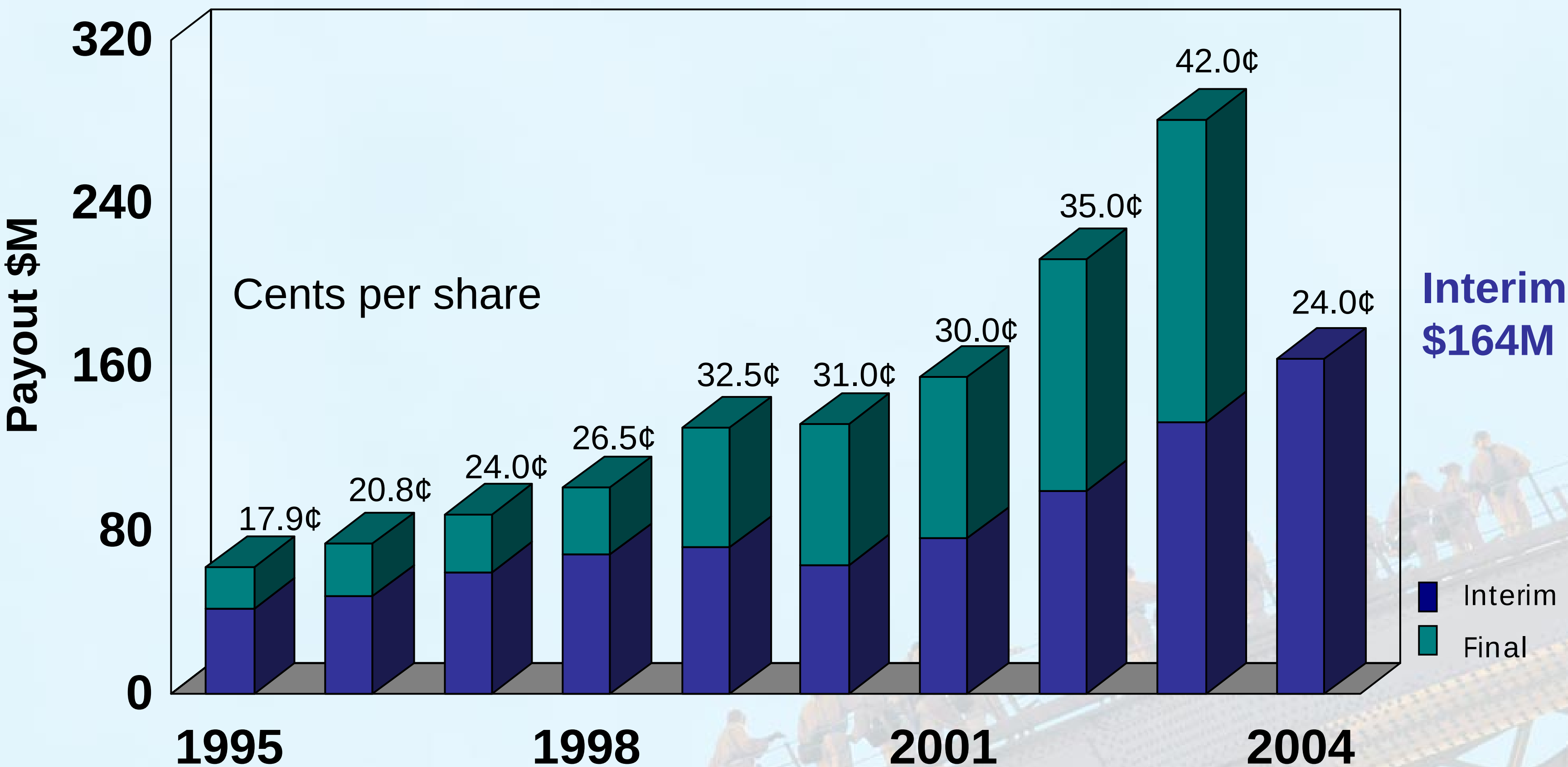
- Estimated 65% of LYONs hybrid securities to convert in September 2004
- Shareholders' funds expected to increase by approximately $420 million following conversion

* Includes hybrid securities as if dilutive



Dividend performance

half year to 30 June 2004



Interim
$164M

Worldwide operations

	HALF YEAR		FULL YEAR	
	June 2004	June 2003	Dec 2003	Dec 2002
Gross written premium $M	**4,763**	**4,821**	**8,350**	**7,723**
Gross earned premium $M	3,982	3,882	7,816	7,197
Net earned premium $M	3,114	3,083	6,036	5,642
Claims ratio %	62.0	65.1	63.3	67.6
Commission ratio %	16.8	18.7	18.2	17.7
Expense ratio %*	12.0	12.2	12.3	12.4
Combined operating ratio %	**90.8**	**96.0**	**93.8**	**97.7**
Underwriting profit $M	285	124	372	130
Investment income - insurance funds $M**	124	135	255	276
Insurance profit $M	409	259	627	406
Insurance profit % to NEP	**13.1**	**8.4**	**10.4**	**7.2**
Investment income – s/holders' funds $M	(4)	54	138	(95)
Net profit before tax $M	**405**	**313**	**765**	**311**

* All expenses other than investment expenses, borrowing costs and amortisation of goodwill are allocated to the underwriting result

** Investment income on insurance funds includes 50% allocation of borrowing costs

Worldwide operations

half year to 30 June 2004

	GWP	Growth *	COR		Net profit after tax and minorities	
	2004 $M	2004 %	2004 %	2003 %	2004 $M	2003 $M
Australia	951	11	90.4	96.2	121	75
Asia-Pacific	247	(10)	88.0	93.3	15	9
the Americas	692	(5)	91.8	95.7	22	19
European companies	1,371	(5)	92.1	96.4	90	66
Lloyd's division	1,502	(1)	90.1	96.2	72	72
Group	**4,763**	**(1)**	**90.8**	**96.0**	**320**	**241**
General insurance	3,460	4	91.5	96.9	226	174
Inward reinsurance **	1,303	(13)	89.1	92.7	94	67
Group	**4,763**	**(1)**	**90.8**	**96.0**	**320**	**241**

* The stronger A$ reduced reported growth by approximately 10%

** Inward reinsurance reduced as a proportion of GWP - 27% compared with 31% in 2003 Excluding facultative reinsurance, inward reinsurance business is 24% (2003 : 25%) of total GWP

Balance sheet

	30 June 2004 $M	31 Dec 2003 $M	30 June 2003 $M
ASSETS			
Investments and cash	14,435	11,823	11,495
Receivables	4,321	2,954	4,157
Recoveries on outstanding claims	3,273	2,885	3,289
Deferred insurance costs	1,680	1,167	1,620
Intangibles	931	511	502
ABC investments pledged for funds at Lloyd's	787	731	–
Fixed and other assets	323	407	369
TOTAL ASSETS	**25,750**	**20,478**	**21,432**
LIABILITIES			
Outstanding claims	12,573	10,480	11,088
Unearned premium	4,722	3,320	3,861
Borrowings	1,452	1,334	1,452
ABC securities for funds at Lloyd's	787	731	–
Other creditors and provisions	2,539	1,245	1,904
TOTAL LIABILITIES	**22,073**	**17,110**	**18,305**
NET ASSETS	**3,677**	**3,368**	**3,127**
EQUITY			
Equity attributable to shareholders	3,615	3,313	3,064
Outside equity interests	62	55	63
TOTAL EQUITY	**3,677**	**3,368**	**3,127**

Net invested funds

	30 June 2004		31 Dec 2003	
	$M	%	$M	%
Cash	1,127	7.8	717	6.1
Short term money	3,960	27.4	3,499	29.5
Fixed interest securities and other	7,796	54.0	6,216	52.6
Equities	1,426	9.9	1,272	10.8
Property	126	0.9	119	1.0
Total investments and cash [2]	**14,435**	**100.0**	**11,823**	**100.0**
Borrowings [2]	(1,452)		(1,334)	
Net invested funds [1]	**12,983**		**10,489**	

[1] $0.8 billion of consideration in respect of the acquisition of the remaining 50% share in QBE Mercantile Mutual joint venture was settled on 1 July 2004

[2] Excludes ABC investments and ABC securities

Balance sheet

30 June 2004

- Net invested funds increased by $1.7 billion after settlement of acquisition of the QBE Mercantile Mutual joint venture on 1 July 2004
- Approximately 88% of fixed interest and cash is AA rated or better
- Approximately 98% of investments are liquid
- We continue to adopt a conservative approach to our fixed interest portfolios, which average 1.0 years duration at balance date (December 2003 : 1.0 years)and 0.8 years at today’s date

Balance sheet

30 June 2004

- Receivables over 90 days have reduced with conservative provision held for doubtful premium debtors. Bad debt experience during the period continues to be low
- Reinsurance recoveries on outstanding claims increased from $2.9 billion to $3.3 billion due to the impact of acquisitions and the weaker A$. Included is $1.55 billion for incurred but not reported claims.
- Provision for doubtful reinsurance debtors and recoveries of $165 million considered adequate
- Intangible assets have increased from $511 million at 31 December 2003 to $931 million, mainly due to additional goodwill arising from the acquisition of the QBE Mercantile Mutual joint venture and UK acquisitions

Balance sheet

30 June 2004

- Group policy of matching assets and liabilities in local currency and using borrowings and hedges to protect shareholders' funds in overseas subsidiaries was beneficial in a half year of extreme currency volatility
- Borrowings increased by $118 million due to the weakening A$
- Borrowings* to shareholders' funds unchanged from 31 December 2003 at 40%
- Weighted average cost of borrowings* at 30 June increased to 5.0% per annum from 4.9% at 31 December
- Long term borrowings (i.e. greater than five years) are 94% of total borrowings

* Excludes ABC securities

Capital adequacy

30 June 2004

- QBE estimates the Group capital adequacy multiple is around 1.8 times the minimum capital requirement*

  (31 December 2003 : 2.1 times)
- Reduction reflects the impact of acquisitions and foreign exchange
- Subordinated debt and hybrid securities are included as tier 2 capital for determining the Group's capital adequacy multiple
- All subsidiaries maintain strong capital adequacy margins for local regulatory purposes
- Standard & Poor's A+ rating retained for main insurance subsidiaries and also rated A+ by Fitch

* using APRA's risk weighted capital adequacy model applicable to Australian licensed insurers

Australian general insurance

half year to 30 June 2004

	2004	2003
Gross written premium $M	951	857
Gross earned premium $M	899	816
Net earned premium $M	767	679
Claims ratio %	63.6	71.6
Commission ratio %	12.6	11.3
Expense ratio %	14.2	13.3
Combined operating ratio %	**90.4**	**96.2**
Insurance margin %	**14.1**	**9.0**

- Gross written premium up 11% from organic growth, small overall increases in premium rates and higher customer retention
- All classes of business produced insurance profits
- Expense ratio impacted by increased systems and compliance costs

Asia-Pacific general insurance

half year to 30 June 2004

	2004	2003
Gross written premium $M	247	273
Gross earned premium $M	250	277
Net earned premium $M	209	223
Claims ratio %	51.6	56.1
Commission ratio %	17.7	18.4
Expense ratio %	18.7	18.8
Combined operating ratio %	**88.0**	**93.3**
Insurance margin %	**14.4**	**11.2**

- Gross written premium down 10%, impacted by the stronger A$
- In local currencies, most operations produced reasonable growth
- All 16 ongoing operations recorded an underwriting profit

the Americas

half year to 30 June 2004

	2004	2003
Gross written premium $M	692	729
Gross earned premium $M	641	584
Net earned premium $M	380	395
Claims ratio %	62.5	67.4
Commission ratio %	23.2	22.0
Expense ratio %	6.1	6.3
Combined operating ratio %	**91.8**	**95.7**
Insurance margin %	**9.5**	**5.6**

- Gross written premium growth in US$ was 14% due to premium rates increases and new programme business
- On translation to A$, gross written premium reduced by 5%
- Reinsurance expense was 41% (2003 : 32%) due to higher proportional reinsurance on programme business
- Improved COR achieved in both the general insurance and reinsurance businesses

European company operations

half year to 30 June 2004

	2004	2003
Gross written premium $M	1,371	1,445
Gross earned premium $M	1,110	1,157
Net earned premium $M	964	1,005
Claims ratio %	66.1	69.0
Commission ratio %	15.2	15.4
Expense ratio %	10.8	12.0
Combined operating ratio %	**92.1**	**96.4**
Insurance margin %	**12.8**	**6.5**

- Gross written premium in sterling up 4% due to small overall increases in premium rates and inclusion of Ensign
- For 2002, 2003 and 2004 underwriting years, the profit on our reinsurance and general insurance operations in London is well ahead of plan

Lloyd’s division (Limit)

half year to 30 June 2004

	2004	2003
Gross written premium $M	1,502	1,517
Gross earned premium $M	1,082	1,048
Net earned premium $M	794	781
Claims ratio %	58.3	55.8
Commission ratio %	19.5	27.7
Expense ratio %	12.3	12.7
Combined operating ratio %	**90.1**	**96.2**
Insurance margin %	**14.1**	**11.0**

- Largest manager and second largest capacity provider at Lloyd’s
- Premium growth was 13% in sterling mainly due to the Ensign acquisition and organic growth. Gross written premium down 1% primarily as a result of the impact of the weaker US$ when converted to sterling and the stronger A$
- Generally still achieving stable premium rates or small increases sufficient to protect current insurance margins

Investment income

	2004 $M	2003 $M
Dividends	30	28
Interest	220	193
Other income	7	9
Exchange (losses) gains	(9)	1
Interest expense and other borrowing costs	(37)	(39)
Other expenses	(18)	(16)
Net cost of ABCs	(7)	-
	186	**176**
Realised (losses) gains on fixed interest securities	(13)	2
Realised gains (losses) on equities and properties	36	(74)
Unrealised losses on fixed interest securities	(39)	(3)
Unrealised (losses) gains on equities and properties	(50)	88
Investment income	**120**	**189**

Investment income

half year to 30 June 2004

- Investment income excluding realised and unrealised gains and losses increased 6% to $186 million
- Growth due to positive cash flows, acquisitions in 2004 and interest rate increases
- Stronger A$ when compared with last year, flat equity markets and unrealised losses due to expected interest rate rises have offset the growth in investment income
- We outperformed investment benchmarks for the majority of our fixed interest portfolios. The higher interest rate yields in the USA and UK and weaker $A at 30 June will assist investment income in the next six months
- Our low risk investment strategy continues with an exposure to listed equities of 9.5% and fixed interest and cash portfolios at an average maturity of 1 year
- We continue to monitor the world's key economies, particularly the USA, and may slightly increase our exposure to equities by year end

Comparison of cash yield versus actual yields

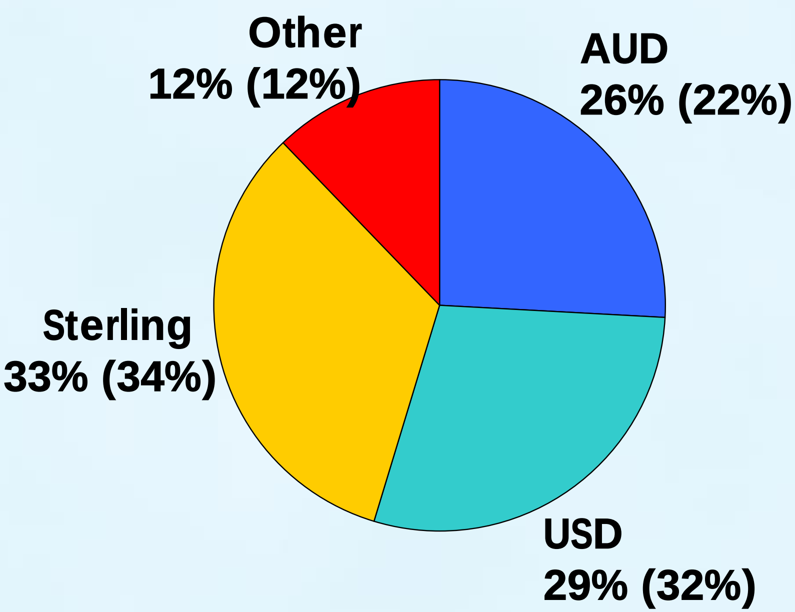
	Average cash yields %	Actual yields %
2000	5.81	6.54
2001	4.63	5.50
2002	3.39	2.70
2003	3.06	4.63
2004 (half year)	3.29	3.03

Investment mix 30 June 2004	%	Current cash rate %
Australian dollar	25.7	5.25
US dollar	28.6	1.50
Sterling	33.0	4.75
Other	12.7	2.00
Average yield		3.61

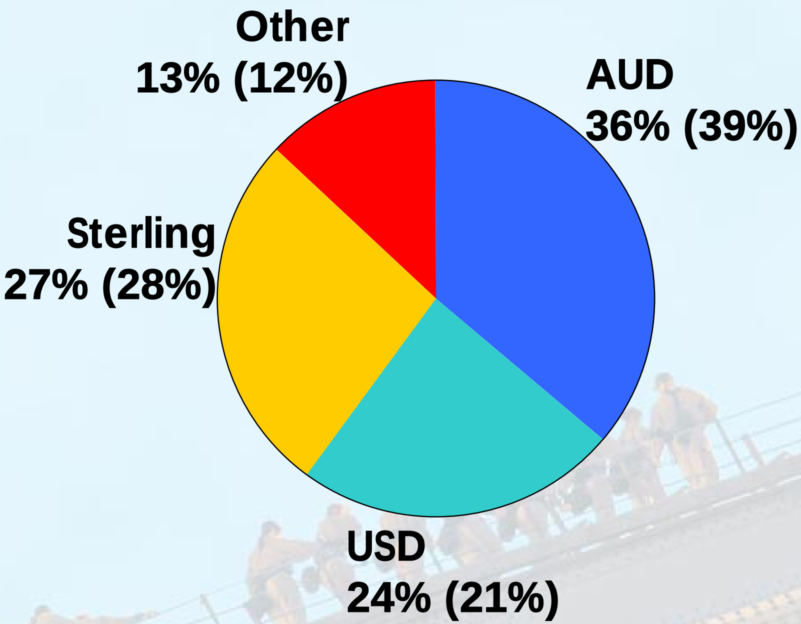
Currency mix

at 30 June 2004

Market value of investments and cash



Market value of listed equities



Acquisitions

half year to 30 June 2004

- Acquisition of the remaining 50% in the QBE Mercantile Mutual joint venture, ING's general insurance subsidiaries in Australia and the Zurich insurance business in Singapore were completed on 30 June 2004
- These acquisitions will add approximately $325 million of gross written premium in the second half of 2004 and $675 million in 2005
- Synergies of approximately $30 million before tax are expected by 2006
- Ensign motor business was acquired in February 2004. This has added $153 million of gross premium in the first half
- We are confident that the acquisitions will be earnings per share accretive in the second half and going forward

2004 outlook

Subject to no material movement in current exchange rates; large losses and catastrophes not exceeding the allowance in our business plans; and no major fall in equity markets or interest rates:

- Target insurance profit margin upgraded to 12.0% -13.0% through 2005
- Insurance liabilities at 30 June 2004 include substantial allowances for large losses and catastrophes in second half of 2004 (after Hurricane Charley)
- Half year and 30 June 2004 renewals show small overall increases in premium rates for QBE's worldwide businesses (following three years of cumulative premium rate increases)
- Prudential margins at 30 June 2004 are at the high end of our target range
- Improved insurance policy terms and conditions are holding
- More competition has emerged, particularly for large risks (reflecting favourable conditions, such as tort reform in Australia)
- Expect to achieve 2004 gross written and net earned premium targets of $9.2 billion and $6.8 billion respectively

2004 outlook

- Weaker A$ in past three months will assist growth in second half
- Acquisitions completed will assist growth
- We continue to look at a number of small acquisitions in Australia, the Asia-Pacific region, the Americas and Europe
- Our strong capital position, the expected conversion of hybrid securities later this year and new funding and dividend reinvestment will cover any potential growth from acquisitions through to the end of 2004
- Reinsurance costs to reduce to around 21% of gross earned premium
- Maintain commission ratios
- Continue focus on expense management – expense ratio target 12.2% or less
- Target tax expense rate of 22%

2004 outlook

- Continue low risk strategy for investments (target gross investment yield of 4% or higher in second half)
- Increase exposure to listed equities if appropriate
- Net investment income to benefit from strong cash flow and higher interest yields e.g. average cash yield increased from 3.29% to 3.61% in past 6 months
- Maintain borrowing and capital adequacy ratios within S&P AA rating category
- Continue to invest in our people

2004 projected gross written premium

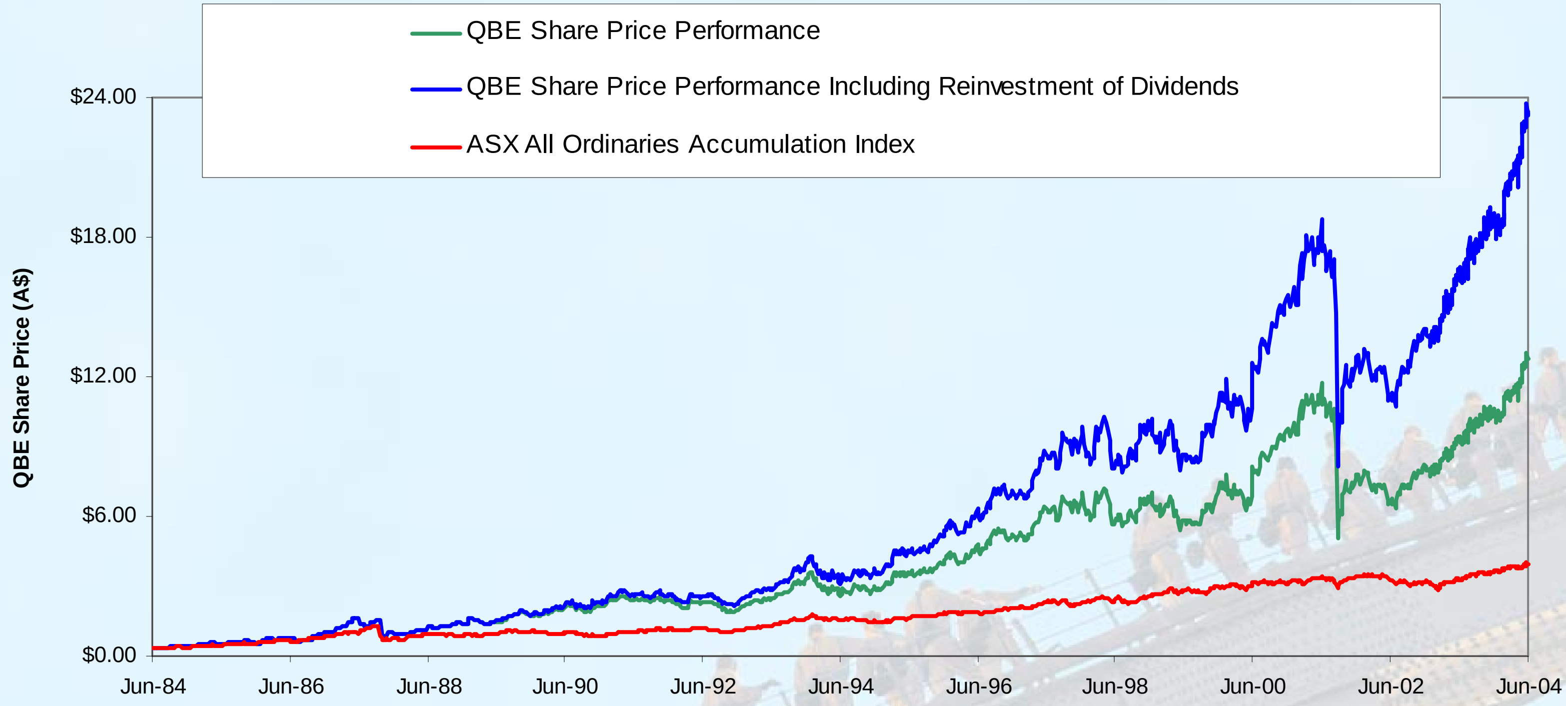
		$A Bn
Australia	A$2.20 billion	2.20
Asia-Pacific (16 countries)	A$0.60 billion	0.60
USA / Latin America	US$1.00 billion	1.40
European company operations**	£1.02 billion	2.60
Lloyd's**	£0.94 billion	2.40
		***9.20**

* Assumes A$ to US$ 72c and A$ to £ 39p, average rates

** Includes Ensign motor business. Also affected by fall in US dollar against sterling exchange rates.

Historical share price performance

An investment in QBE has outperformed the Australian All Ordinaries Index and inflation with a compound average annual growth rate of 21.9% over 5 years, 21.1% over 10 years and 23.7% over 20 years



Internet

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