QBE INSURANCE GROUP

Investor update

London, 16 June 2010

All amounts in Australian dollars unless otherwise stated

Today's agenda

Time	Topic	Presenter
2.00pm	Welcome and opening remarks	Frank O'Halloran - Group Chief Executive Officer
2.15pm	Americas operations	John Rumpler - President & CEO, the Americas
2.45pm	European operations	Steven Burns - CEO, European operations
3.15pm	Australian operations	Vince McLenaghan - Group Chief Operating Officer
3.45pm	Asia Pacific operations	Mike Goodwin - CEO, Asia Pacific operations
4.00pm	Global distribution strategy	Terry Ibbotson - Global Head of Distribution
4.10pm	Capital and finance	Neil Drabsch - Group Chief Financial Officer
4.20pm	Summary and closing remarks	Frank O'Halloran - Group Chief Executive Officer

Opening remarks

- Frank O'Halloran – Group CEO

Today's presenters

Frank O'Halloran

Neil Drabsch

Vince McLenaghan

Terry Ibbotson

John Rumpler

Steven Burns

Mike Goodwin

Introduction

- QBE has operations in 48 countries and has consistently been in the top 10% of the top 50 insurers in terms of COR and ROE
- QBE's business model is based on:
  - Focus on selected segments in the commercial lines market – commercial lines represents over 90% of total premium income
  - Targeting specific market segments that enhance geographic and product spread to produce our minimum 15% ROE requirement by product
  - Growth through acquisitions – 130 acquisitions in the past 25 years
- Over the last 10 years we have created and developed specialised franchises in the American and European markets – representing 67% of QBE's forecast annualised GWP
- Many potential opportunities to leverage off these substantial businesses

Introduction

- Acquisitions in 2010 to date will add over US$1.3bn additional annualised GWP of which US$0.4bn was included in our initial premium target
- Projected FY 2010 premium income to exceed initial 3% target growth
- Outlook for FY 2010* GWP up 7% to $15.4bn and NEP up 7% to $13.0bn
- In US$, forecast GWP up 18% to US$13.3bn and NEP up 19% to US$11.2bn
- Premium forecasts for FY 2010 at 2009 FX rates – GWP up 16% to $16.7bn and NEP up 17% to $14.2bn
- NEP for 1H 2010 will be slightly down compared with last year due to the impact of the stronger cumulative A$, up 29% against the US$ and 23% against sterling

* Based on cumulative average FX rates for A$ to US$ 86.4 cents and sterling 57.8 pence

Introduction

- Pricing in QBE's segments overall up 2% to 3% on renewed business
- New business still competitive with signs of stabilising rate environment
- QBE's share of large risk and catastrophe claims within allowance of $1.1bn or 8.5% of full year NEP with reinsurance protection of $180m above this amount
- Slightly higher than normal level of large risk and catastrophe claims compared with same time last year
- Estimated large risk and catastrophe claims in excess of $2.5m to 31 May 2010 of $555m (2009: $458m) including claims for:
  - Perth storms $108m
  - Chilean earthquake $91m
  - Melbourne storms $76m
  - Deepwater Horizon $29m
- Attritional claims in line with expectations

Introduction

- Year to date insurance margins impacted by lower investment yields and a higher large claims experience
- Full year targeted investment yield on policyholders’ funds to be slightly higher than 3% guidance
- Subject to the usual caveats
  - We expect our half year insurance profit margin to be at the lower end of our targeted range of 16% to 18% notwithstanding difficult market conditions
  - We maintain targeted full year insurance margin range at 16% to 18%
- Yields on US$, sterling and euro cash and fixed interest investments at historical lows with signs of increase – but timing uncertain
- QBE has no direct exposure to sovereign bonds in Greece, Portugal or Spain
- Our investment portfolio includes fixed interest securities with the highly rated Spanish banks, Santander $180m and BBVA $100m

Top 10 P&C insurers: competitor performance 2005 - 2009

Average combined operating ratio

Rank	Company	Combined Operating Ratio 2005 %	2006 %	2007 %	2008 %	2009 %	Weighted Average %
1	FM Global	77.0	74.9	75.4	98.8	69.5	79.3
2	Tryg Vesta	86.4	83.8	82.6	89.0	92.0	86.9
3	**QBE**	**89.1**	**85.3**	**85.9**	**88.5**	**89.6**	**87.8**
4	Chubb	94.4	85.5	84.4	90.9	88.3	88.7
5	Berkshire Hathaway	99.7	82.2	88.5	87.8	93.8	90.2
6	Ace	98.9	88.1	87.9	89.6	87.4	90.4
7	Progressive	88.0	86.7	92.6	94.6	91.6	90.7
8	Partner Re	116.0	84.3	80.2	94.0	81.4	91.0
9	Sampo	90.9	90.1	90.9	91.9	92.3	91.2
10	USAA	93.4	83.7	93.0	99.3	89.0	91.6
	Top 50 Average	**101.1**	**94.0**	**95.9**	**98.5**	**97.3**	**97.3**

Average return on equity

Rank	Company	Return on Equity 2005 %	2006 %	2007 %	2008 %	2009 %	Weighted Average %
1	Tryg Vesta	28.0	35.0	23.0	9.0	22.0	23.2
2	**QBE**	**23.9**	**26.1**	**26.1**	**20.9**	**18.4**	**22.4**
3	Sampo	23.1	22.6	19.2	19.9	22.3	19.5
4	Progressive	25.0	25.3	19.5	(1.5)	21.4	18.8
5	Zurich	15.1	27.8	26.4	11.8	10.4	17.1
6	W R Berkley	21.0	25.0	23.0	7.8	10.1	16.9
7	Mapfre	12.4	16.1	17.5	19.5	16.7	16.8
8	Chubb	16.2	19.2	19.8	12.9	15.0	16.6
9	ACE	8.9	18.5	17.9	16.8	16.2	15.8
10	Royal Bank of Scotland	18.2	19.0	19.9	18.3	1.6	15.1
	Top 50 Average	**7.7**	**12.9**	**12.0**	**4.4**	**6.9**	**8.6**

Notes:
1. Tables reflect the top 10 performers of the worlds top 50 P&C insurers
2. Information sourced from published accounts and company websites for insurance and reinsurance business
3. The CORs include all identifiable expenses related to insurance activities and the COR is expressed as a % of NEP
4. The ROEs are as reported or where not reported are based on average shareholders equity of general insurance and reinsurance assets
5. The weighted average CORs are the sum of the 5 years NEPs divided by total claims, commissions and expenses for the 5 years
6. The weighted average ROEs are the sum of the 5 years NPAT divided by the sum of the net assets for the 5 years
7. The industry averages are the total of all the top 50 P&C insurers

Introduction: market conditions update

- 2010 likely to be a tough year for the insurance market
- Pricing for new business remains competitive
- Insurance margins affected by low interest yields and currently higher than normal large loss activity
- Distribution and acquisition opportunities for QBE are increasing

the Americas

John Rumpler – President & CEO, QBE the Americas

the Americas: market position

- Forecast 2010 GWP including recent acquisitions of US$5.1bn, up 27% compared with 2009
- Represents only 0.8% of the US non-life insurance market
- QBE's US focus currently on specific SME sectors targeting selected commercial, personal and agricultural risks
- QBE now has approximately 10% of the US agricultural market and growing
- Reinsurance business focused on regional insurance markets
- Latin American business in five countries with focus in SME and commercial segments
- Agency acquisitions in specific segments are an integral part of our strategy to meet our minimum 15% ROE requirements

the Americas: historical overview

1991 1993 1997 2001 2005 2006 2007 2008 2009 2010

US representative office set up

American Royal Re (Reinsurance) acquired and Specialty Insurance business unit created

QBE Argentina and QBE Brazil acquired

QBE Colombia acquired

National Farmers Union and QBE Agri business added

Winterthur US acquired: Regional business unit formed

Praetorian Financial Group and North Pointe Insurance acquired

QBE Mexico acquired

Sterling National acquired

US Agencies formed

NAU Acquired*

CNA Argentina acquired

Seguros Colonial Ecuador acquired*

* Subject to regulatory approval

the Americas: historical overview

		Year ended 31 December				
		2009	**2008**	**2007**	**2006**	**2005**
Gross written premium	US$m	4,001	3,740	3,062	1,467	1,137
Net earned premium	US$m	2,527	2,605	2,156	871	643
Combined operating ratio	%	89.7	93.6	93.6	89.7	92.9
Insurance profit	US$m	372	300	276	121	66
Insurance profit margin	%	14.7	11.5	12.8	13.9	10.3
Return on equity[1]	%	17.1	17.7	17.6	23.8	17.3

5 year average

GWP growth	%	31.4
COR	%	92.0
ROE[1]	%	18.7

Significant growth in profit achieved despite historically low interest yields

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

the Americas: distribution and product mix

2010 forecast GWP US $5.1bn

Reinsurance

Robert Mezzasalma

US$470m

(9%)

Treaty	89%
Health	9%
Facultative	2%
	100%

Latin America

Jose Sojo

US$500m

(10%)

Oblig Pers Auto	30%
Other P&C	27%
Workers' Comp	32%
Dir Mkt /Affinity	8%
Life	3%
	100%

Regional

Peter Christen

US$1.37bn

(27%)

Commercial	53%
Personal	34%
AGRI	13%
	100%

Specialty

Stephen Fitzpatrick

US$2.18bn

(43%)

Specialist Prop	31%
Multi	21%
Auto	20%
Spec & Affinity	14%
Health	7%
Workers' Comp	5%
Trade Credit	2%
	100%

NAU

Greg Deal

US$580m

(11%)

Crop/MPCI	100%

Includes GWP for acquisitions expected to close in June and July

the Americas:
market conditions

- Disciplined growth in our portfolio with average 1% rate increases across the Americas in Q1 2010
- Targeting to move up towards 2% average rate increases by year end despite general market conditions
- Competition continues to be intense in the US, particularly for new business
- Commercial lines pricing in broader market still soft although showing signs of bottoming out in a still weak but improving economy
- Personal lines pricing is starting to improve
- Latin American markets remain competitive but rate environment is conducive to maintaining rates and achieving some rate increases

the Americas: acquisitions in 2010

- NAU Crop Insurance estimated GWP of US$580m in 2H 2010 and US$900m+ for FY 2011 – close expected early July 2010
- CNA Workers' Comp (Argentina) with annual GWP of US$135m – closed June 2010
- Seguros Colonial, largest non-life insurer in Ecuador, with annual GWP of US$120m signed earlier this week – close expected in Q3
- Examining the establishment of a Chilean unit in 2H 2010 with initial activity in mid to late 2011
- Reviewing other small and selected acquisition/growth opportunities in North and Latin America

the Americas: key initiatives

- Target COR improvement of greater than 3% over next three years in both claims and acquisition costs
  - Regional Insurance claims – four operations consolidated into one
  - Specialty Insurance claims – aligned with distribution streams and enhancing claims handling practices
  - Functional centres of expertise implemented, including QBE Connect/bodily injury claims
  - Single, web-based framework for claims cost leakage measurement implemented across the Americas to identify and action cost savings
  - TeleClaim Center (TCC) fully operational following initial consolidation
    - Bellevue to be consolidated into Sun Prairie in 2010
    - Claim handling unit cost differential: TCC $89 versus non-TCC $300

the Americas: key initiatives

- Continued consolidation of IT infrastructure to be completed in 2011
- Increased investment in straight through processing capabilities for all personal and SME commercial lines over 2011 to 2013 to increase speed to market and operational efficiency
- Financial, payroll and HR systems integration/consolidation to be completed by December 2010
- Number of regulated entities to be nearly halved by 2011 as compared to 2009 – simplify state and rating agency relations, lower costs and optimise capital reallocation
- Creation of service company to centralise purchasing, control expenses and consolidate employee administration

the Americas: looking ahead

- Opportunities
  - Acquisition opportunities in specific segments continue to emerge
  - Opportunities to create broader penetration in SME/middle market segments
  - Achieve potential benefits from the Group's global distribution initiatives
  - Deliver on COR initiatives to reduce claims and acquisition costs
- Challenges
  - Price competition continues, particularly for new business
  - Remaining soft market conditions in absence of catastrophes
  - Low interest yield environment to continue to impact insurance margin and investment returns

European operations

Steven Burns – CEO,
QBE European operations

European operations: market position

- Integrated London-based insurer and Lloyd's syndicates
- QBE is the third largest manager and provider of capital at Lloyd's with 6% market share of Lloyd's and £1.36bn premium capacity for the 2010 underwriting year
- QBE's London company business at £1.14bn is ranked fourth overall in size by GWP with approximately 6% of the UK commercial lines market (ex-Lloyd's)
- Main lines are casualty, property, motor, reinsurance, marine, energy and aviation
- Separately capitalised reinsurance company in Dublin
- 15 branches and subsidiaries throughout mainland, central and eastern Europe

European operations: historical overview

		Year ended 31 December				
		2009	**2008**	**2007**	**2006**	**2005**
Gross written premium	£m	2,552	2,297	2,148	2,135	2,066
Net earned premium	£m	1,633	1,491	1,528	1,578	1,600
Combined operating ratio	%	91.3	85.6	84.8	86.1	92.3
Insurance profit	£m	255	377	398	357	232
Insurance profit margin	%	15.6	25.3	26.0	22.3	14.5
Return on equity(1)	%	23.1	34.5	33.9	32.9	23.4

5 year average		
GWP growth	%	5.8
COR	%	88.0
ROE(1)	%	29.6

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

European operations: business update

- The integration of our London and Lloyd's businesses that commenced in 2004 has been very successful
- We continue to develop our business model to suit our market segments in the London, National UK and mainland European markets
- Underwriting and distribution structures integrated and scaleable for future growth and profitability
- Radical operational transformation programme launched to position QBE Europe to be scaleable for growth and to deliver market leading business support and client service
- Well prepared for Solvency II regulation and in the first wave of UK companies accepted by the FSA for the Internal Model Application Process (IMAP)

European operations: diversified underwriting product mix

2010 forecast GWP £2.6bn

Casualty & Motor

Ash Bathia

£1.3bn
(50%)

Int. (ex- US) GL	30%
UK & Ireland GL	27%
Motor	22%
Professional & Financial lines	21%
	100%

Property & SME

Bernard Mageean

£0.35bn
(14%)

UK & Europe	39%
Int. & London market	33%
Comm. & SME	28%
	100%

Marine & Energy

Colin O'Farrell

£0.42bn
(16%)

Ener. - offshore	26%
Ener. - onshore	10%
British Marine	29%
Liability & Spec.	26%
Cargo & Specie	9%
	100%

Reinsurance & Specialist

Jonathan Parry

£0.53bn
(20%)

Reinsurance:	
- Prop. & retro	41%
- Casualty	17%
- Specialist	9%
Aviation	24%
Credit Lines	9%
	100%

European operations: global geographic and distribution reach

	London market £bn	Other distribution £bn	Total £bn	% of EO
UK & Ireland	0.8	0.2	1.0	38
Mainland Europe	0.3	0.3	0.6	23
US & Canada[1]	0.5	0.1	0.6	23
Australia & Asia	0.2	-	0.2	8
Other	0.2	-	0.2	8
	2.0	**0.6**	**2.6**	**100**
	77%	**23%**	**100%**	

[1] Includes business classed as worldwide

European operations:

European markets comprises 15 countries writing projected £250m GWP for 2010

SWEDEN
Torkel Lindberg
GWP £3m

DENMARK
Claus Bang Henson
GWP £11m

GERMANY
Petko Tonchev
GWP £33m

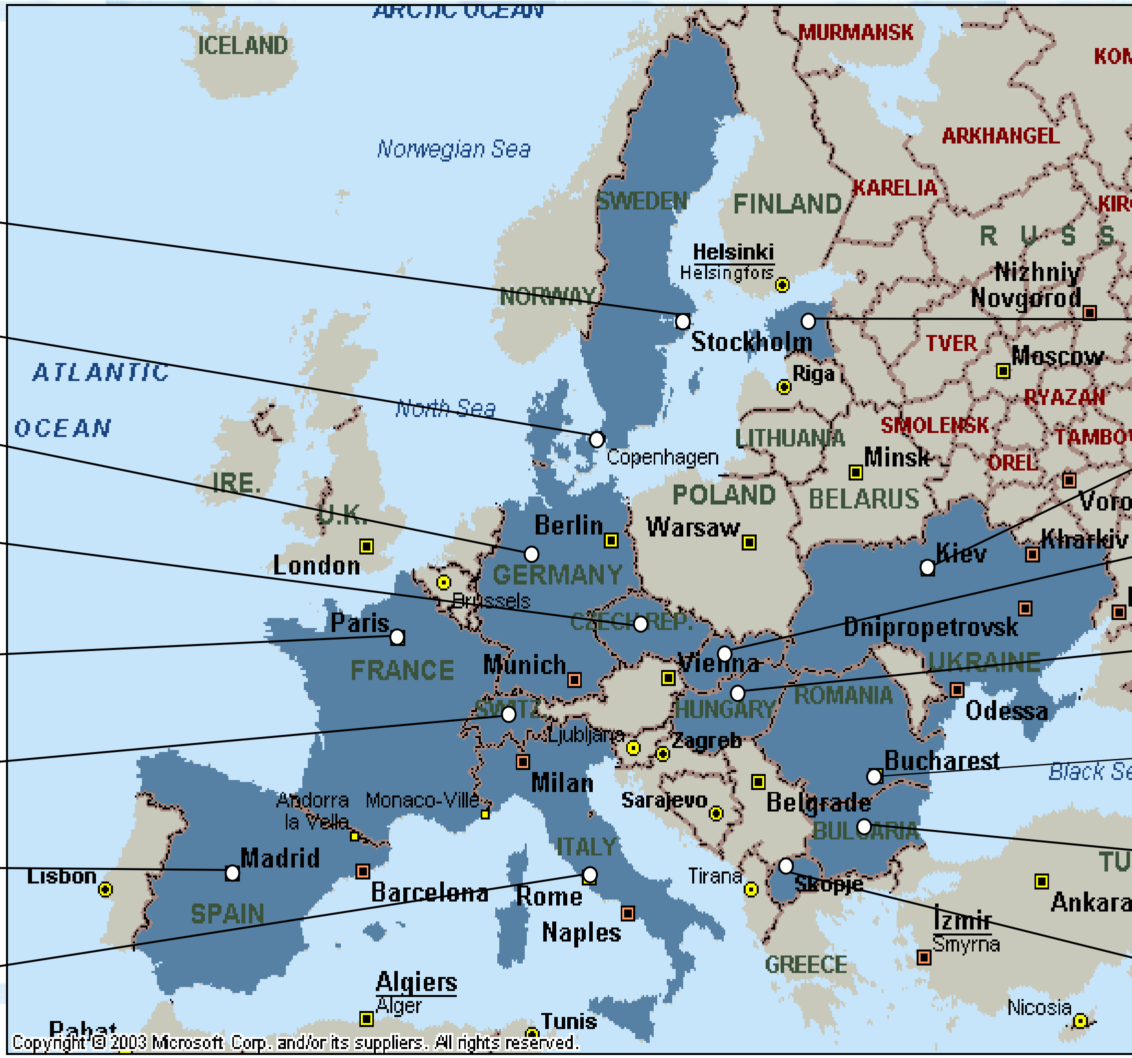
CZECH REPUBLIC
Ger Twomey
GWP £7m

FRANCE
Jean Basset
GWP £84m

SWITZERLAND
Felix Jenny
£14m

SPAIN
Constanza Gállegos
GWP £17m

ITALY
Piero Asso
GWP £12m



ESTONIA
Aivar Vahi
GWP £8m

UKRAINE
Oleg Sosnovsky
GWP £7m

SLOVAKIA
Peter Cisar
GWP £13m

HUNGARY
Attila Denes
GWP £20m

ROMANIA
Gabriel Sauer
GWP £1m

BULGARIA
Petko Tonchev
GWP £7m

MACEDONIA
Bosko Andov
GWP £13m

European operations: operational transformation programme

- A radical operational transformation project was launched in June 2009
- Main component is a major outsourcing of IT delivery with “Change” (development) principally to Accenture and “Run” (operations & infrastructure) to IBM
- Internal IT headcount (including contractors) has been reduced from close to 300 to a core team of 80 going forward
- Outsourcing will fast track the decommissioning of multiple legacy systems with consolidation onto a core suite of IT platforms.
- Short term incremental costs will add around 1% (£15m) to the EO expense ratio for each of 2010 and 2011
- Target completion by end of 2011, with expense and claims savings resulting in a COR reduction of around 2% from 2012
- The end goal is an EO operational support model that is market-leading, delivers superior client service and is scaleable to support acquisitions integration as well as organic and distribution-led growth

European operations: market conditions

- Challenging year with prevailing soft markets – some encouraging signs that we are at the bottom of the cycle for most classes with an upturn expected by the end of 2011
- Overall premium increases of 2% anticipated for 2010, with 1.7% achieved for year to date
- Catastrophe and large risk loss activity for year to date (principally Chilean earthquake and Transocean oil rig) will harden Latin American reinsurance and offshore energy rates
- Other specialist classes, e.g. trade credit and aviation, are still achieving a higher level of increases due to previous years' loss activity
- Motor rates being driven higher by surge of bodily injury claims in 2009, although QBE is not a personal lines carrier in the UK and carries significant claims inflation margins within claims provisions
- Deteriorating results, tougher regulatory environment and potential increased costs of capital for those less well placed to be Solvency II compliant should refocus competitors on need for improved pricing

Europe: a stable 2010 positioning for future growth and diversification

- We will maintain a disciplined underwriting stance to protect and retain our position in the London market
- Our UK National business has grown by 150% in two years and in Europe we have grown by 50% over the same period
- Soft markets are restricting organic growth and deferring our advance into the UK regions and Europe – profitable performance must prevail over growth
- We have successfully launched our Canadian and Dubai offices to support our growing Lloyd's businesses in these markets
- We are successfully building our brand through a number of internal and external initiatives, including rugby sponsorship
- Acquisitions meeting our criteria are scarce at this stage. Solvency II and deteriorating market results should drive new opportunities
- Patience and discipline are key pending the next cycle upturn with target GWP remaining stable at £2.6bn

Australian operations

Vince McLenaghan – Group COO

Australian operations: historical overview

		Year ended 31 December				
		2009	**2008**	**2007**	**2006**	**2005**
Gross written premium	$m	3,509	2,914	2,596	2,491	2,431
Net earned premium	$m	2,749	2,363	2,141	2,051	2,015
Combined operating ratio	%	89.0	90.6	82.9	82.9	83.6
Insurance profit	$m	587	494	548	506	488
Insurance profit margin	%	21.4	20.9	25.6	24.7	24.2
Return on equity[1]	%	20.8	21.0	42.8	42.5	41.6

5 year average

GWP growth	%	10.8
COR	%	86.1
ROE[1]	%	33.7

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

Australian operations: market conditions

- We are a major commercial lines insurer (18% market share) and lower level personal lines player (6% market share) – mostly via intermediaries
- Significant diversification across our business – 20 major market segments
- Our market segmentation approach allows us to actively underwrite better risk segments
- Q1 2010 rate increases of around 6% are tracking above previous guidance although markets remain competitive
- Lower investment yields and catastrophes (Melbourne, Perth and Queensland) will reduce insurance profit in 1H 2010 – expected to improve by year end
- Lenders' mortgage insurance market remains positive with stable housing markets, employment and economic conditions
- Trade Credit & Surety results on track with rate increases above 25%

Australian operations: distribution and product mix

2010 forecast GWP $4.2bn

Intermediary Distribution	Corporate Partners and Direct	Elders	LMI	Credit and Surety	Workers' Comp. Managed Funds (not included in reported GWP)
Colin Fagen	Tony MacRae	Tim Plant	Ian Graham	Richard Wulff	
$2.1bn	$1.1bn	$500m	$280m	$195m	$1.1bn
(50%)	(26%)	(12%)	(7%)	(5%)	

Property & Ancillary	Liability	Trade & Consumer Credit, Surety and LMI	Workers' Compensation
$2.0bn	$1.4bn	$500m	*$300m (risk)*
48%	33%	12%	*7%*

Australian operations: looking ahead

- Opportunities
  - Acquisition growth via agencies
  - Organic growth from rates plus Corporate Partners initiatives
  - Organic growth from the Group's global distribution initiatives
  - Organic growth from continued leveraging of global capabilities
- Challenges
  - Improving our utilisation of technology
  - Continued competitive environment driven by aggressive competition for market share rather than pursuit of underwriting profit
  - Improving our speed to market and enhancing the product offering

Asia Pacific operations

Mike Goodwin – CEO,
QBE Asia Pacific operations

Asia Pacific operations: historical overview

		Year ended 31 December				
		2009	**2008**	**2007**	**2006**	**2005**
Gross written premium	$m	706	661	583	583	554
Net earned premium	$m	479	451	416	446	415
Combined operating ratio	%	88.1	82.9	82.7	82.7	78.0
Insurance profit	$m	71	112	104	104	110
Insurance profit margin	%	14.8	24.8	25.0	23.3	26.6
Return on equity[1]	%	25.8	33.3	37.2	31.5	34.0

5 year average		
GWP growth	%	6.3
COR	%	83.0
ROE[1]	%	32.3

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

Asia Pacific operations: distribution and revenue mix

2010 forecast GWP $800m

Asia

$460m (58%)

Hong Kong
Indonesia
Macau
Malaysia
India
Philippines
Singapore
Thailand
Vietnam

Pacific

$120m (15%)

Fiji
Solomon Islands
French Polynesia
Vanuatu
New Caledonia
Papua New Guinea

New Zealand

$220m (27%)

Asia Pacific operations: operations overview

- Differentiation through specialist products
- Good geographic and product diversity
- Licensed India JV is writing business on a very selective basis given market conditions
- China strategy is being developed to review method of entry
- Acquisition opportunities are available – subject to QBE's strict acquisition criteria
- Increasing regulatory changes to align with International Association of Insurance Supervisors, professional development of intermediaries and policy holder protection
- Growth through collaboration with brokers and affinity partners
- Markets generally competitive with expected overall rate increases of 1% to 2% on renewed business for the year
- Premium growth in original currency of around 4%; however, reported premium subject to FX movements

Global distribution strategy

Terry Ibbotson –
Global Head of Distribution

Global distribution: overview

- New role key objectives:
  - Immediate – target new business of $1bn over a three year period in key global markets
  - Longer term – improve strategic alliances with all major distributors
- Underlying logic:
  - Major international brokers looking for growth in new markets and also increasing their penetration and market share in existing sectors to enable them to achieve scale and business efficiencies
  - Traditional insurer and intermediary business models unlikely to generate required investor returns in the future given increased competition in middle and small business markets

Global distribution: underlying logic

- Makes sense for QBE to invest in aligning our business with strategic initiatives of major distributors both by geography and market sector
- Global head of distribution created to support QBE's divisional intermediary strategy as a consequence of changing market circumstances
- Targeting delivery of significant additional value through our existing businesses and underwriting capacity and through development of aligned business processes and technology
- Enables QBE to be more effective in deployment of resources – ensuring that we have the right resources where we need them, when we need them

Global distribution: current activity

- Significant potential opportunities for QBE in the short and long term
- Detailed review of our mutual business interests with our major intermediaries to improve and better align our geographic distribution, product delivery, technology and customer service for now and the future
- Ensures that the investment that we make in future technology is linked to intermediary systems and processes
- Currently working on developing comprehensive strategic and operational programmes to enhance the working relationship with intermediaries globally

Capital and finance

Neil Drabsch – Group CFO

Capital and finance update

- Operating cash flow strong and on target for around $2bn in 2010
- Recent refinancing of hybrid convertibles (raising US$850m) aimed to lock in lower cost of funding
- Eurobonds subordinated (Tier 2) borrowings called for redemption in August 2010
- Excess debt capacity up to $1.5bn (post Eurobonds settlement) to fund growth and assist regulatory and rating capital
- Capacity to acquire up to a further $1bn of GWP in 2010

Borrowings – lower debt to equity ratio

	31 Dec 2009 $m	31 May 2010 $m
Short term		
- Senior debt (up to 5 years maturity)	1,558	1,509
- Eurobonds	326	320
Long term		
- Preferred securities	199	207
- Subordinated debt	329	352
- Hybrid convertibles	535	976
- Various bank loans	24	25
Total borrowings	**2,971**	**3,389**
Debt/equity ratio	**29.1%**	**33.7%**
Average interest rate (annualised)	**6.8%**	**5.7%**

Capital adequacy

- Capital levels at operating subsidiary level are sound, well in excess of regulatory minimum capital requirements (MCR)
- Financial strength ratings for our main insurance subsidiaries at equivalent A+ level
- Regulatory developments update:
  - EU Solvency II
  - APRA supervision of conglomerate groups (March 2010)
  - APRA review of capital standards for general and life insurers (May 2010)
- QBE is comfortable and well prepared for regulatory changes
- APRA expects general insurers to maintain a buffer of at least 20% over the MCR – QBE's benchmark 50% buffer more than adequate

Closing remarks

Frank O'Halloran – Group CEO

Key messages

- Insurance profit margin for FY 2010 confirmed at 16% to 18%
- Premium rate increases tracking slightly ahead of expectations
- Premium for the full year to benefit from acquisitions and a weaker A$
- Full year targeted gross investment yield on policyholders' funds expected to be slightly higher than 3.0%
- Our short duration policy for our fixed interest and cash portfolios will assist QBE to benefit from rising interest rates – timing uncertain

Key messages

- Strengthening US$ and sterling to benefit results reported in A$ in the second half
- Balance sheet capacity to convert acquisitions and distribution opportunities
- With over 50% of QBE’s annualised premium income written in US$ we are considering presenting financial results in US$
- QBE’s businesses all in great shape and well positioned for the expected rise in premium and interest rates and further acquisitions and distribution opportunities

Disclaimer

The information in this presentation is general background information intended to provide an overview of our operations as at 16 June 2010.

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.

Prior to making a decision in relation to QBE’s securities, products or services, investors, potential investors and customers must undertake their own due diligence as to the merits and risks associated with that decision, which includes obtaining independent financial, legal and tax advice on their personal circumstances.

This presentation may contain statements which constitute forward-looking statements for the purposes of the U.S. Private Securities Litigation Reform Act of 1995. We caution investors or potential investors that such forward-looking statements involve uncertainties, both general and specific, and risks exist that the forward looking statements will not be achieved.

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; and no material change to key inflation and economic growth forecasts.

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