Results announcement 2004

QBE Insurance Group

All amounts in Australian dollars
unless otherwise stated

Highlights

year ended 31 December 2004

- Net profit after tax up 43% to $820 million (2003: $572 million)
- Net profit before tax up 41% to $1,080 million (2003: $765 million)
- Insurance profit up 45% to $908 million (2003: $627 million) or 13.4% of net earned premium (2003: 10.4%)
- The significant increase in profit was achieved in a year where the industry experienced record catastrophe losses
- Cash flow from operations was again very strong at $2,110 million (2003: $2,089 million)
- Return on equity 21.2% of average shareholders' funds (2003: 18.3%)
- Earnings per share:

Earnings per share:	2004	2003
– basic - up 36%	117.8 ¢	86.5 ¢
– diluted* - up 35%	104.5 ¢	77.5 ¢

* *assuming all hybrid shares are dilutive*

Highlights

year ended 31 December 2004

- Gross written premium up 5% to $8,766 million and gross earned premium up 10%
- Using 2003 rates of exchange gross written and gross earned premium growth would have been 11% and 16% respectively
- Growth supported by improved retention of business and acquisitions made in 2003 and 2004
- Acquisitions in 2004 added over $1.5 billion of annualised gross premium of which $0.7 billion was written in 2004
- Net earned premium up 12% to $6,781 million (up 18% using 2003 exchange rates)
- Combined operating ratio (COR) improved from 93.8% to 91.2%
- All insurance divisions achieved improved underwriting profits with CORs ranging from 85.4% to 94.3%
- 35 of 36 countries achieved underwriting profits

Highlights

year ended 31 December 2004

- Gross claims ratio increased from 61.7 % to 62.3% mainly as the result of higher catastrophe losses during 2004
- Net claims ratio reduced from 63.3% to 61.4% reflecting the benefit of our reinsurance protections
- Net claims are after increasing prudential margins in outstanding claims to provide a probability of adequacy of 94% (2003: 91%)
- Net claims incurred includes $320 million from large catastrophe losses* (2003: $27 million) – well within the allowances in our 2004 business plans
- Large catastrophes for 2004 include:

	Gross	Net
– Four US and Caribbean hurricanes	$670M	$230M
– Asian earthquake/tsunami	$165M	$80M

* catastrophe losses are defined as those with a net cost to QBE in excess of $10 million

Market conditions

Catastrophe losses

Our conservative approach to risk management has worked for QBE as 2004 was one of the most expensive in history for property insurance catastrophe claims

Total market insured losses		*US$ Billion*
1992	(includes hurricane Andrew)	38
1999	(frequency of large storms includes Lothar and Martin winter storms)	36
2001	(includes September 11 terrorist attack)	37
2004	(includes US hurricanes and Asian tsunami** est.)	**46**

* *source: Sigma-Swiss Re, December 2004 – losses adjusted for inflation*

** *tsunami estimate US$4 billion*

Highlights

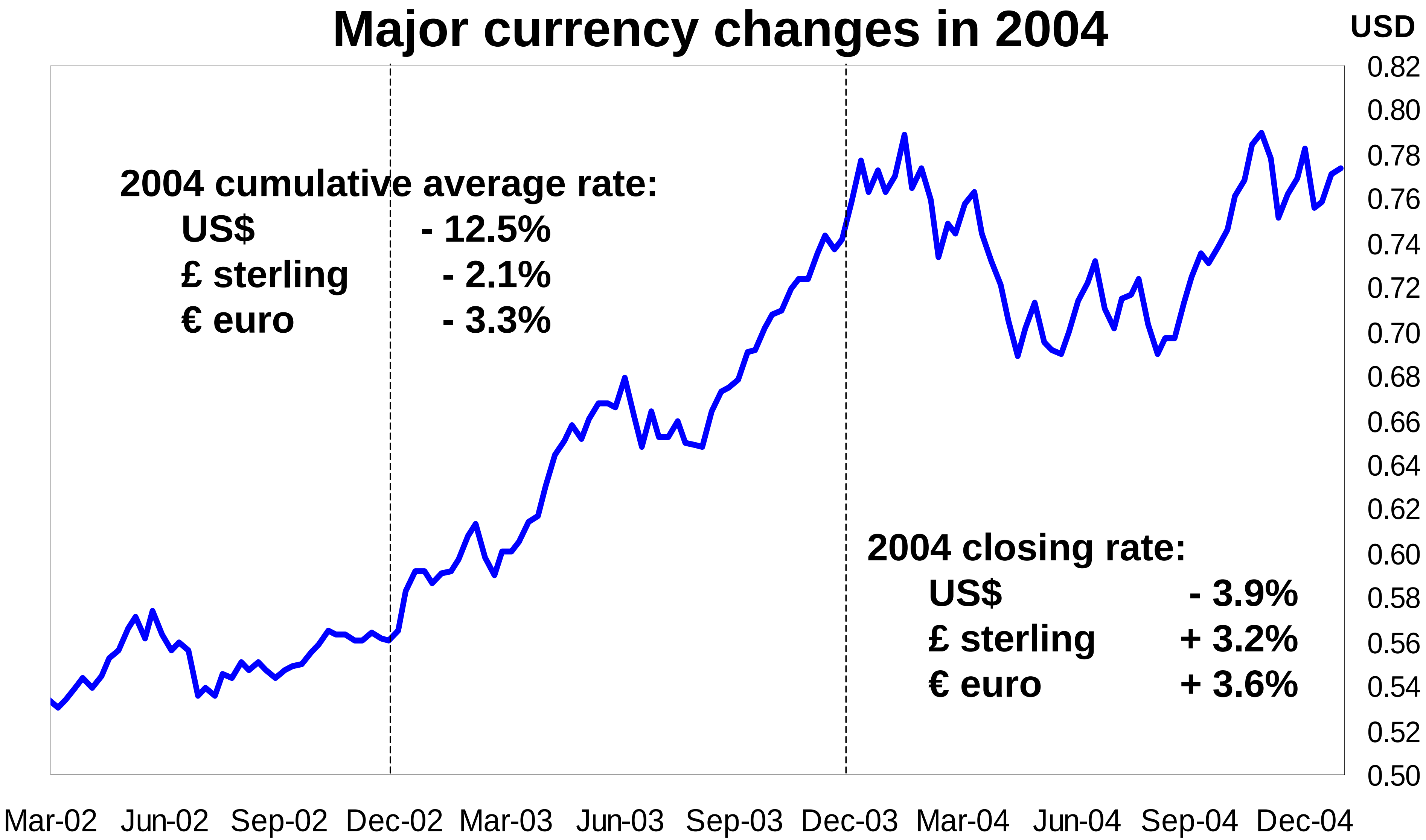
year ended 31 December 2004

- Reinsurance costs decreased from 23% to 21% of gross earned premium in line with targets
- Risk profile further reduced with the maximum event retention from our largest realistic disaster scenario decreasing 14%
- Commission ratio decreased from 18.2% to 17.5% reflecting a change in mix of business
- Expense ratio unchanged at 12.3% with synergies from acquisitions offset by higher staff incentives, redundancy costs and other provisions for the restructure of European operations, new UK guarantee levy and increased costs of corporate governance and compliance

Highlights
year ended 31 December 2004

- Gross investment income up 19% to $640 million
  (2003: $537 million)
- Gross investment yield before borrowing costs and expenses unchanged at 4.6%
- Investment income includes realised and unrealised gains before tax of $91 million (2003: gains of $110 million)
- Net investment income was $508 million with a net yield of 4.2% (2003: $413 million and 4.0%)
- Income tax expense was 23.4% of profit before tax – a slight improvement from 24.6% last year

Stronger A$ in 2004



Impact of stronger Australian dollar

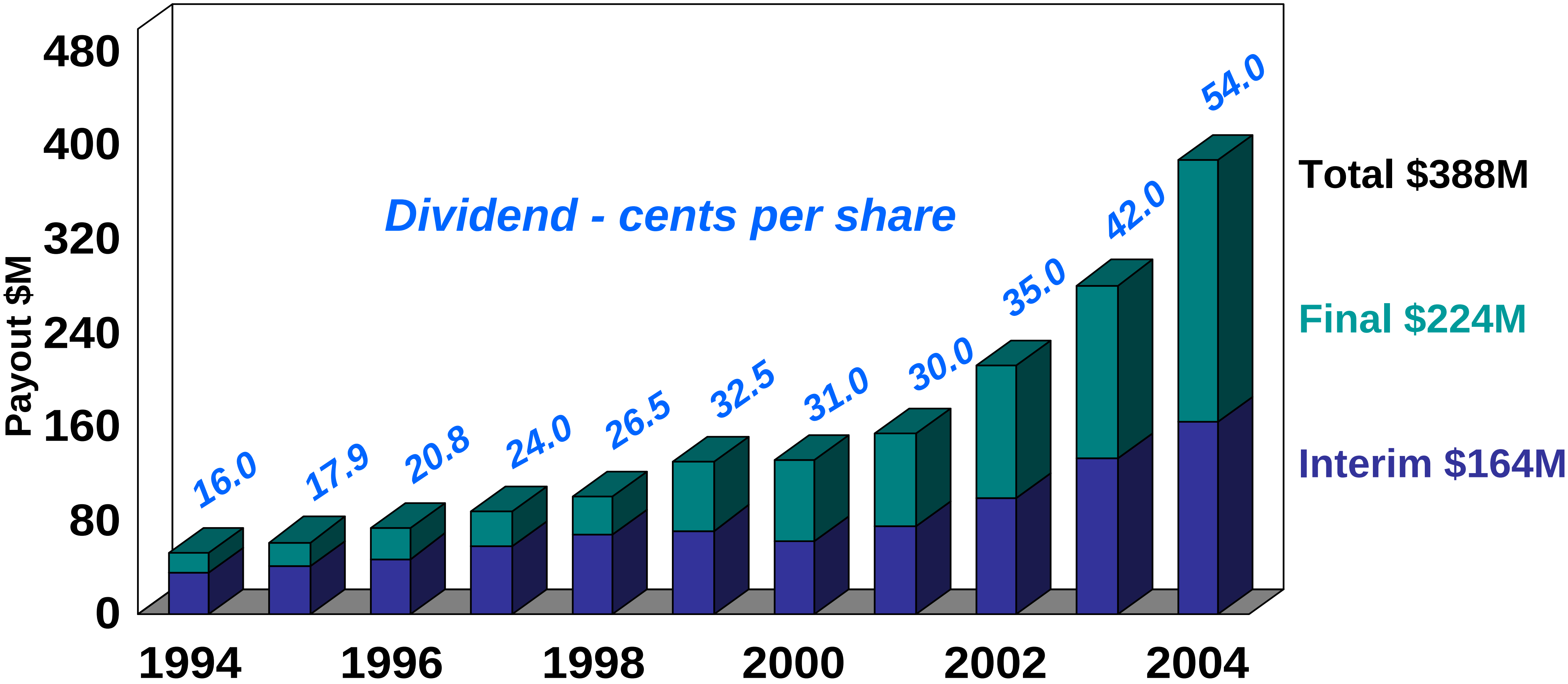
	2004 actual $M	2004 at 2003 exchange rates $M	Exchange rate impact %
Gross earned premium	**8,571**	9,090	**6**
Net earned premium	**6,781**	7,135	**5**
Net investment income	**508**	536	**6**
Profit after tax	**820**	878	**7**
Total investments and cash	**15,067**	15,147	**1**
Total assets	**25,102**	25,566	**2**
Gross outstanding claims	**12,469**	12,595	**1**
Total liabilities	**20,622**	20,734	**1**

Shareholder returns
year ended 31 December 2004

- Final dividend 30.0¢ per share, 50% franked
  (2003: 22.0¢, 30% franked)
  - Ex dividend date 1 March 2005
  - Record date 7 March 2005
  - Payment date 23 March 2005
- Dividend payout $388 million for 2004, up 38% from 2003
- Shares on issue of 745 million (2003 : 672 million)
- Approximately 51% of LYONs converted to 54 million ordinary shares in 2004
- Dividend reinvestment plans continue at 2.5% discount

Dividend performance

year ended 31 December 2004



Worldwide operations

	HALF YEAR		FULL YEAR	
	Jun 2004	Dec 2004	Dec 2004	Dec 2003
Gross written premium $M	**4,763**	**4,003**	**8,766**	**8,350**
Gross earned premium $M	3,982	4,589	**8,571**	7,816
Net earned premium $M	3,114	3,667	**6,781**	6,036
Claims ratio %	62.0	60.9	**61.4**	63.3
Commission ratio %	16.8	18.1	**17.5**	18.2
Expense ratio %*	12.0	12.5	**12.3**	12.3
Combined operating ratio %	**90.8**	**91.5**	**91.2**	**93.8**
Underwriting profit $M	285	309	**594**	372
Investment income - insurance funds $M**	124	190	**314**	255
Insurance profit $M	409	499	**908**	627
Insurance profit % to NEP	**13.1**	**13.6**	**13.4**	**10.4**
Investment income - shareholders' funds $M	8	186	**194**	158
Amortisation of goodwill & write-off of intangibles	(12)	(10)	**(22)**	(20)
Net profit before tax $M	**405**	**675**	**1,080**	**765**

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

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

Worldwide operations
year ended 31 December 2004

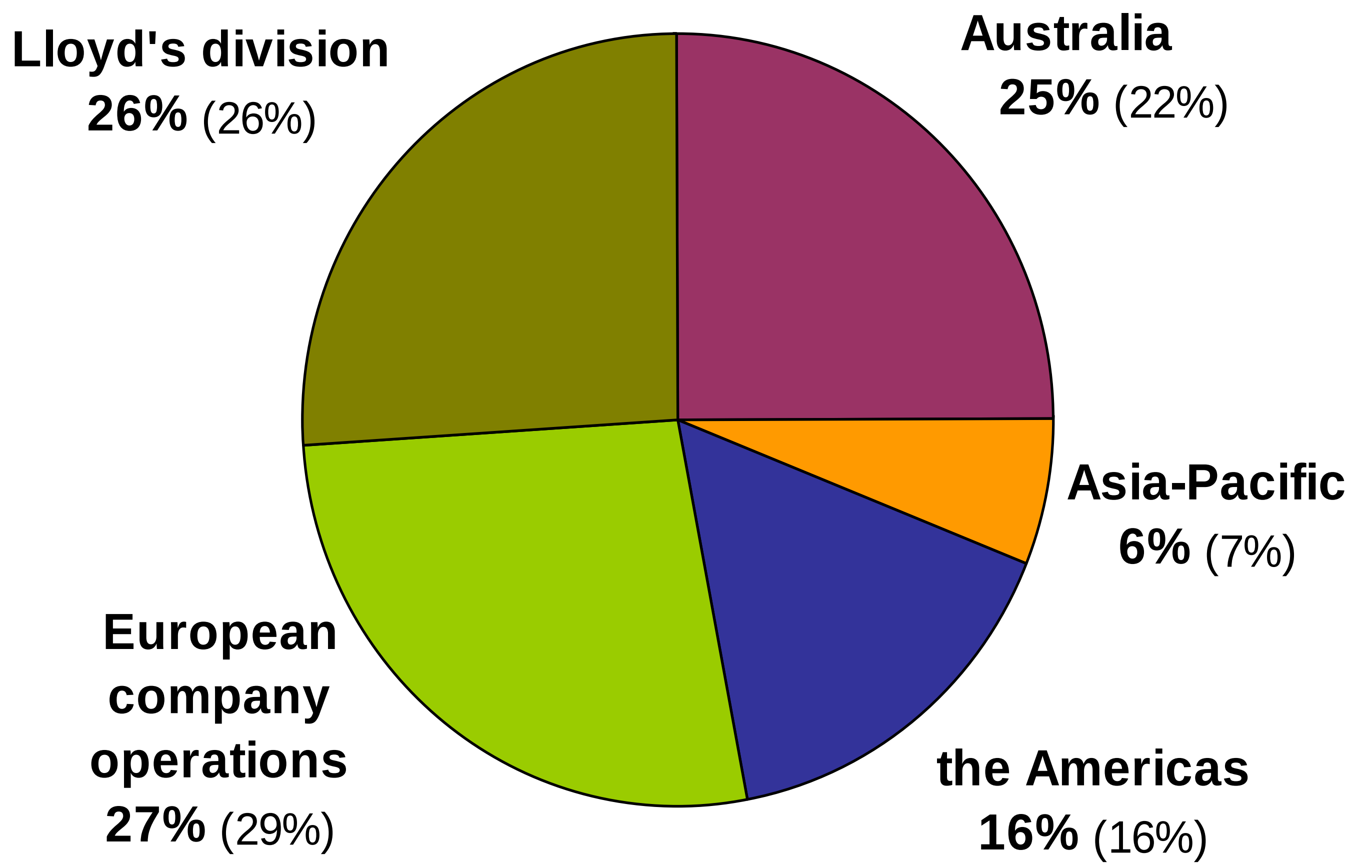
	GWP	Growth*	COR		Net profit after tax	
	2004 $M	*2004 %*	*2004 %*	*2003 %*	*2004 $M*	*2003 $M*
Australia	2,102	12	**88.1**	92.8	**258**	180
Asia-Pacific	520	(4)	**85.4**	90.0	**56**	38
the Americas	1,382	3	**92.3**	93.1	**68**	46
European companies	2,453	-	**94.3**	94.7	**216**	168
Lloyd's division	2,309	7	**92.1**	95.1	**222**	140
Group	**8,766**	**5**	**91.2**	**93.8**	**820**	**572**
General insurance	6,715	11	**89.4**	92.4	**687**	392
Inward reinsurance**	2,051	(10)	**97.3**	97.2	**133**	180
Group	**8,766**	**5**	**91.2**	**93.8**	**820**	**572**

** The stronger A$ reduced reported growth by approximately 6%*

*** Inward reinsurance reduced as a proportion of GWP - 23% compared with 27% in 2003. Excluding facultative reinsurance, inward reinsurance business is 18% (2003: 22%) of total GWP*

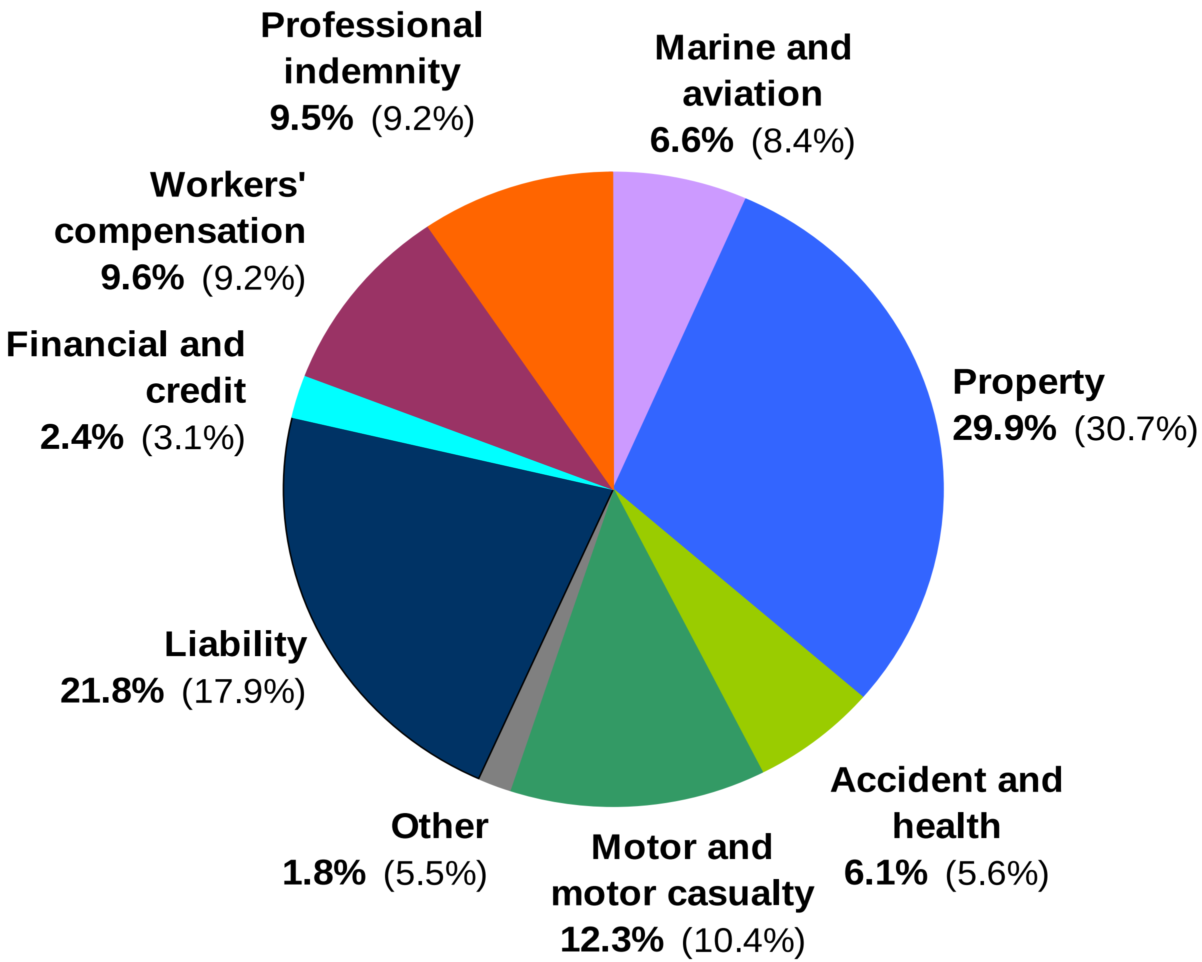
Geographical diversification

Gross earned premium – year ended 31 December 2004



Worldwide portfolio mix

Gross earned premium – year ended 31 December 2004



Short tail 53% (59%); Long tail 47% (41%)

Balance sheet

	31 Dec 2004 $M	31 Dec 2003 $M
ASSETS		
Investments and cash	**15,067**	11,823
Receivables	**3,176**	2,919
Recoveries on outstanding claims	**3,098**	2,885
Deferred insurance costs	**1,341**	1,167
Intangibles	**1,090**	511
ABC investments pledged for funds at Lloyd's	**998**	731
Fixed and other assets	**332**	407
TOTAL ASSETS	**25,102**	20,443
LIABILITIES		
Outstanding claims	**12,469**	10,480
Unearned premium	**3,920**	3,320
Borrowings	**1,789**	1,334
ABC securities for funds at Lloyd's	**984**	731
Other creditors and provisions	**1,460**	1,210
TOTAL LIABILITIES	**20,622**	17,075
NET ASSETS	**4,480**	3,368
EQUITY		
Equity attributable to shareholders	**4,420**	3,313
Outside equity interests	**60**	55
TOTAL EQUITY	**4,480**	3,368

Net invested funds

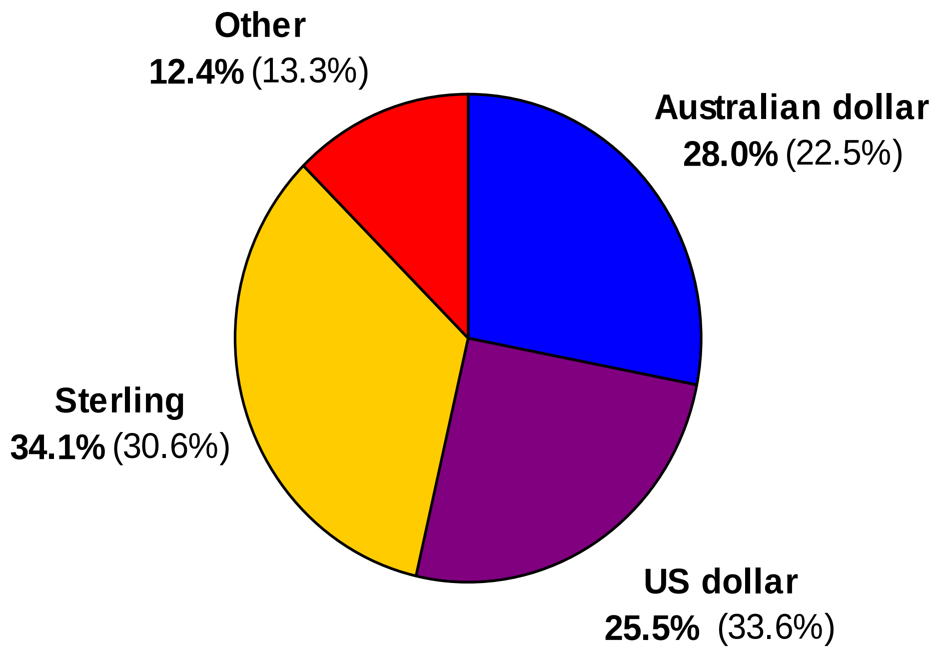
	31 Dec 2004		31 Dec 2003	
	$M	**%**	$M	%
Cash	**1,121**	**7.4**	717	6.1
Short term money	**5,482**	**36.4**	3,499	29.5
Fixed interest securities and other	**6,947**	**46.1**	6,209	52.5
Mortgages	**10**	**0.1**	7	0.1
Equities	**1,390**	**9.2**	1,272	10.8
Properties	**117**	**0.8**	119	1.0
Total investments and cash	**15,067**	**100.0**	11,823	100.0
Borrowings	**(1,789)**		(1,334)	
Net invested funds	**13,278**		**10,489**	

Balance sheet
31 December 2004

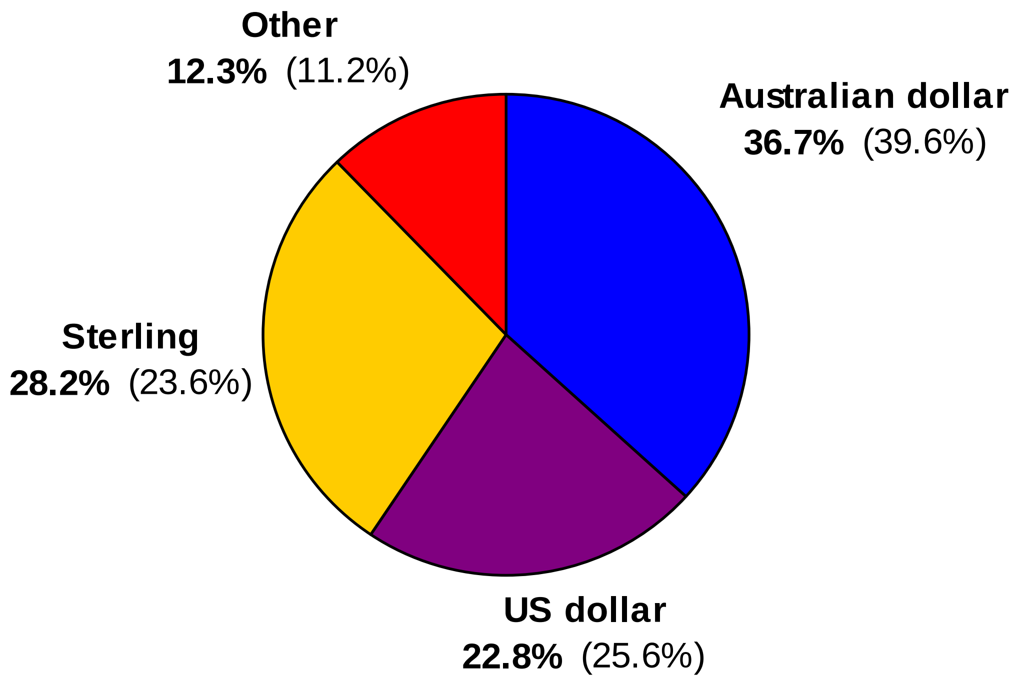
- Net invested funds increased 27% to $13.3 billion due to strong operational cash flow and acquisitions
- Approximately 85% of fixed interest and cash is AA rated or better
- Approximately 99% of investments are liquid
- We continue to adopt a conservative approach to our fixed interest portfolios, which average 0.6 years duration at balance date (December 2003: 1.0 year)

Currency mix
year ended 31 December 2004

Market value of total investments and cash
2004 $15,067 million (2003: $11,823 million)



Market value of equities
2004 $1,390 million (2003: $1,272 million)



Balance sheet

31 December 2004

- Receivables over 90 days have decreased with conservative provision held for doubtful premium debtors. Bad debt experience continues to be low
- Reinsurance recoveries on outstanding claims increased from \$2.9 billion to \$3.1 billion due to acquisitions and recoveries on the large catastrophe losses in 2004 - however reduced as a proportion of total assets from 14% to 12%
- Provision for doubtful debts of \$200 million considered adequate (2003: \$184 million)
- Intangible assets have increased due to acquisitions including 50% of the QBE Mercantile Mutual joint venture
- Our policy of matching assets and liabilities in local currencies was effective with a small net fx gain for the year

Balance sheet
31 December 2004

- Borrowings* to shareholders' funds 40.5% (2003: 40.3%)
- Borrowings increased to $1,789 million to fund acquisitions:
  - US$375 million of hybrid securities
  - £175 million of five year senior debt
- Issued US$220 million of contingent securities to replace majority of letters of credit supporting our funds at Lloyd's
- Weighted average cost of borrowings at 31 December decreased to 4.8% per annum from 4.9%
- Debt is 24% short term, 35% long term subordinated debt and 41% hybrid 20 year zero coupon securities – up to $297 million of LYONs debt is likely to convert to equity in 2005

* *excludes ABC investments pledged for funds at Lloyd's*

Balance sheet

31 December 2004

- Outstanding claims at 94% probability of adequacy – at the top of our internal target range
- Level of prudential margins in outstanding claims increased in 2004 primarily as a result of our prudent approach to increased exposure to long tail business
- No material exposure to asbestos related claims, which are less than 2.5% of net outstanding claims – overall experience during 2004 was in line with our expectations

Outstanding claims liabilities
Reserve adequacy

QBE's record of claims development over the past five years (undiscounted) demonstrates our prudent management of claims

		2004	2003	2002	2001	2000*
Prior year release (net)	A$M	140	44	12	162	15
Total net outstanding claims (discounted)	A$M	9,371	7,595	7,994	6,789	5,526
Probability of adequacy of net outstanding claims**	%	94	91	86	85	86

* *18 month period*

** *target range 85% to 94%*

Capital adequacy

31 December 2004

- QBE estimates the Group capital adequacy multiple is 1.9 times the minimum capital requirement* (2003: 2.1 times)
- Subordinated debt and some of the hybrid securities expected to convert are included as tier 2 capital for determining the Group's capital adequacy multiple
- The Australian regulator (APRA) has not yet defined capital requirements for non-operating holding companies

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

Capital adequacy
31 December 2004

- The slight reduction in the capital adequacy multiple is mainly due to an increased capital charge from acquisitions and the stronger A$
- All subsidiaries maintain strong capital adequacy margins for local regulatory purposes
- Main insurance subsidiaries ratings retained:
  - AM Best A (excellent)
  - Standard & Poor's A+
  - Fitch A+

Australian general insurance
year ended 31 December 2004

	2004	2003
Gross written premium $M	**2,102**	1,869
Gross earned premium $M	**2,114**	1,715
Net earned premium $M	**1,831**	1,425
Claims ratio %	**61.0**	67.2
Commission ratio %	**13.3**	11.1
Expense ratio %	**13.8**	14.5
Combined operating ratio %	**88.1**	92.8
Insurance margin %	**17.6**	12.5

Gross written premium up 12% from improved customer retention and acquisitions

Australian general insurance

year ended 31 December 2004

- CTP, trade credit, professional liability, corporate property/liability, travel and Western QBE results all ahead of plan
- Workers' compensation continues to exceed expectations in a difficult market. Claims management and stakeholder relationship initiatives have reduced the average cost of claims
- Acquired Mercantile Mutual Insurance Australia and its 50% share of the QBE Mercantile Mutual joint venture - $290 additional gross written premium in 2004
- Acquired key underwriting agencies AIS, CHU and Concord (50%)
- The former QBE Mercantile Mutual joint venture (now called QBE Commercial) again exceeded its premium and profit targets

Asia-Pacific general insurance
year ended 31 December 2004

	2004	2003
Gross written premium $M	**520**	542
Gross earned premium $M	**534**	549
Net earned premium $M	**439**	430
Claims ratio %	**48.3**	50.0
Commission ratio %	**17.1**	18.8
Expense ratio %	**20.0**	21.2
Combined operating ratio %	**85.4**	90.0
Insurance margin %	**18.5**	13.0

Gross written premium down 4%, impacted by the stronger A$. In local currencies, 13 out of 16 operations produced higher premium

Asia-Pacific general insurance
year ended 31 December 2004

- Improved underwriting result from focus on portfolio profitability and general improvement in premium rates and policy terms and conditions over the past three years
- Claims ratio decreased from 50.0% to 48.3% - lower frequency of claims partially offset by the tragic Asian earthquake and following tsunami in December 2004
- Acquired Zurich's general insurance business in Singapore on 30 June 2004 - integration benefits expected over the next 18 months
- 15 out of 16 ongoing operations recorded underwriting profits – Thailand affected by tsunami losses

the Americas
year ended 31 December 2004

	2004	2003
Gross written premium $M	**1,382**	1,342
Gross earned premium $M	**1,354**	1,213
Net earned premium $M	**805**	740
Claims ratio %	**60.1**	63.4
Commission ratio %	**25.7**	23.5
Expense ratio %	**6.5**	6.2
Combined operating ratio %	**92.3**	93.1
Insurance margin %	**8.8**	8.4

Gross written premium up 3%. Premium growth in local currency was much stronger at 18%. Inward reinsurance reduced from 44% to 33% of gross written premium

the Americas
year ended 31 December 2004

- US based primary insurance business growth in line with our strategy of diversification, particularly for programme business
- 84% of total reinsurance cost of $549 million is proportional reinsurance on programme business
- Improved COR achieved in both the general insurance and reinsurance businesses despite the impact of the four hurricanes in the US and Caribbean in August and September
- All operations reported improved results. Latin American operations were ahead of plan with all countries producing underwriting profits
- Acquired a small workers' compensation business in Argentina in 2005 and a group life/personal accident portfolio in Brazil
- Positive January 2005 renewals – overall premium rates better than plan

European company operations

year ended 31 December 2004

	2004	2003
Gross written premium $M	**2,453**	2,441
Gross earned premium $M	**2,304**	2,302
Net earned premium $M	**1,971**	1,908
Claims ratio %	**66.3**	66.7
Commission ratio %	**15.0**	15.6
Expense ratio %	**13.0**	12.4
Combined operating ratio %	**94.3**	94.7
Insurance margin %	**10.9**	8.4

Gross written premium in local currency up 5% due to Ensign acquisition. On translation to Australian dollars gross written premium was unchanged from 2003. Inward reinsurance decreased from 31% to 26% of gross written premium

European company operations

year ended 31 December 2004

- Combined operating ratio on general insurance operations improved to 89.8% from 90.6% due to higher premium rates and improved policy terms and conditions
- Combined operating ratio from inward reinsurance operations deteriorated from 103.9% to 106.6% due to catastrophe activity and the upgrade of 2001 and prior year claims for US casualty and motor excess of loss business
- All ongoing general insurance portfolios produced underwriting profits, including Paris and Central European operations
- Expense ratio up due to redundancy costs, restructure provisions and new guarantee levy

Lloyd's division (Limit)

year ended 31 December 2004

	2004	2003
Gross written premium $M	**2,309**	2,156
Gross earned premium $M	**2,265**	2,037
Net earned premium $M	**1,735**	1,533
Claims ratio %	**60.3**	59.2
Commission ratio %	**20.9**	25.4
Expense ratio %	**10.9**	10.5
Combined operating ratio %	**92.1**	95.1
Insurance margin %	**12.6**	11.1

Largest manager of capacity at Lloyd's. Gross written premium up 16% in local currency primarily as a result of the inclusion of the Limit portion of the Ensign acquisition and increased participation in syndicate 386. Growth in A$ was 7%

Lloyd's division (Limit)

year ended 31 December 2004

- Premium growth affected by weaker US$. Approximately 40% of current business in US dollars
- Claims ratio slightly higher due to major catastrophes and prudent claims reserving for 2002, 2003 and 2004 underwriting years
- All ongoing syndicates produced solid underwriting profits
- The restructure of European company operations and Lloyd's division under a single European management team expected to yield synergies of at least $60 million per annum by the end of 2007

Investment income

	2004 $M	2003 $M
Dividends	**52**	46
Interest	**483**	365
Other income	**14**	16
Realised (losses) gains on fixed interest securities	**(31)**	1
Unrealised gains (losses) on fixed interest securities	**18**	(54)
Realised gains (losses) on equities and properties	**54**	(13)
Unrealised gains on equities and properties	**50**	176
Gross investment income	**640**	537
Exchange gains (losses)	**2**	(13)
Interest expense and other borrowing costs	**(94)**	(80)
Other expenses	**(24)**	(29)
Net cost of ABCs	**(16)**	(2)
Net investment income	**508**	413

Investment income

year ended 31 December 2004

- Fixed interest and equity returns well ahead of budget
- Investment income on equities was affected by our overweight position in Alumina and Consolidated Rutile and underperformance of US equities in the first half
- Short duration fixed interest strategy successful in maximising yields and reducing volatility from market value movements
- Net realised and unrealised equity gains of $103 million before tax (2003: $163 million gains)
- Strong cash flow and acquisitions have resulted in a 27% increase in net invested funds to $13.3 billion (2003: $10.5 billion)
- Listed equity holdings now 8.9% of total portfolio (2003: 10.5%)

Comparison of cash yield
versus actual yields

	Average AAA cash yields %	Actual yields achieved by QBE %
2000	5.81	6.54
2001	4.63	5.50
2002	3.39	2.70
2003	3.06	4.63
2004	**3.42**	**4.64**

Investment mix at 31 December 2004	Portfolio mix by currency %	Current AAA cash rate %
Australian dollar	28.0	5.25
US dollar	25.5	2.25
Sterling	34.1	4.75
Other	12.4	2.00
Weighted average yield	**100.0**	**3.91**

Recap on 2004

- Record operating profit of $820 million for 2004
- Lowest COR in past 30 years – 91.2%
- Insurance profit margin – 13.4% (second half – 13.6%)
- Prudential margins increased to top of our internal range
- Short duration cash and fixed interest investments $13.6 billion, poised to take advantage of expected interest rate increases
- Achieved lower insurance risk profile
- Acquisitions added significant premium growth to benefit 2005
- Achieved further product and geographic diversification
- All 36 countries in excellent shape and looking for growth opportunities

Major initiatives in 2004

- Acquisitions will add over $1.5 billion of annualised gross written premium ($0.7 billion written in 2004)
  - ING's 50% of QBE Mercantile Mutual joint venture
  - Ensign commercial motor business in the UK
  - Increased capacity on syndicate 386 from 54.6% to 68.4% for 2005
  - Zurich's business in Singapore
  - Workers' compensation portfolio in Argentina and group life/personal accident portfolio in Brazil
  - Credit, surety, property, motor teams in the UK
  - Insurance business in Estonia
  - Icon schemes (formerly Tolson Messenger) self-employed insurance internet business in the UK
  - New programme business in US with proven track record

Major initiatives in 2004

- Acquired three large and profitable agency businesses in Australia namely CHU, AIS and Concord (50%). These agencies currently produce $375 million of gross written premium for QBE
- ING acquisition in Australia to deliver estimated savings from synergies of $40 million per annum by end of 2006
- Management restructure in UK to deliver savings in expenses and reinsurance costs of at least $60 million per annum by end of 2007

Business strategy and 2005 targets

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, we expect to:

- Achieve an insurance margin of 12.5% to 13.5%
- Increase profit after tax by more than 10%
- Continue to maximise opportunities in current market
  - increase customer retention
  - successful acquisition strategy to continue - a number of opportunities in overseas markets currently being investigated
  - any excess capital to be utilised for acquisition initiatives
- Achieve gross written and net earned premium growth of 10% and 12.5% respectively

2005 projected gross written premium

Limit	**£0.90 billion**
European commercial and retail	**£1.10 billion**
USA / Latin America	**US$1.20 billion**
Australia	**A$2.45 billion**
Pacific Asia Central Europe (23 countries)	**A$0.75 billion**

At A$ to US$ 0.79 and A$ to £0.41, equates to approximately A$9.6 billion gross written premium for 2005

Business strategy and 2005 targets

- Organic growth likely to be slightly in excess of lapsed business
- Overall premium rates at the major renewal date of 1 January 2005 were marginally lower than expectations
- Premium rates still strong for substantial majority of portfolios and claims frequency expected to remain low
- Maintain improved insurance policy terms and conditions
- Allowances for large losses and catastrophes in 2005 business plans substantially exceed amounts incurred in each of the past seven years
- Positive insurance conditions lasting longer than previous cycles and expected to remain strong through 2005

Business strategy and 2005 targets

- Continue to further reduce risk profile of insurance business including maximum event retention
- Reinsurance costs to decrease to around 19% of gross earned premium
- Maintain commission ratios
- Continue focus on expense management – expense ratio target 12.3% or less
- Target tax expense rate of 26% of net profit before tax

Business strategy and 2005 targets

- Continue low risk strategy for investments - target gross investment yield of 4.5% or higher - assumes a 5% capital appreciation on equities
- Net invested funds expected to exceed $15 billion by 31 December 2005 as a result of strong cash flow and other initiatives
- Maintain Group capital adequacy multiple of more than 1.5 times minimum capital requirement
- Maintain borrowing and capital adequacy ratios within S&P AA rating category
- Continue to invest in our people

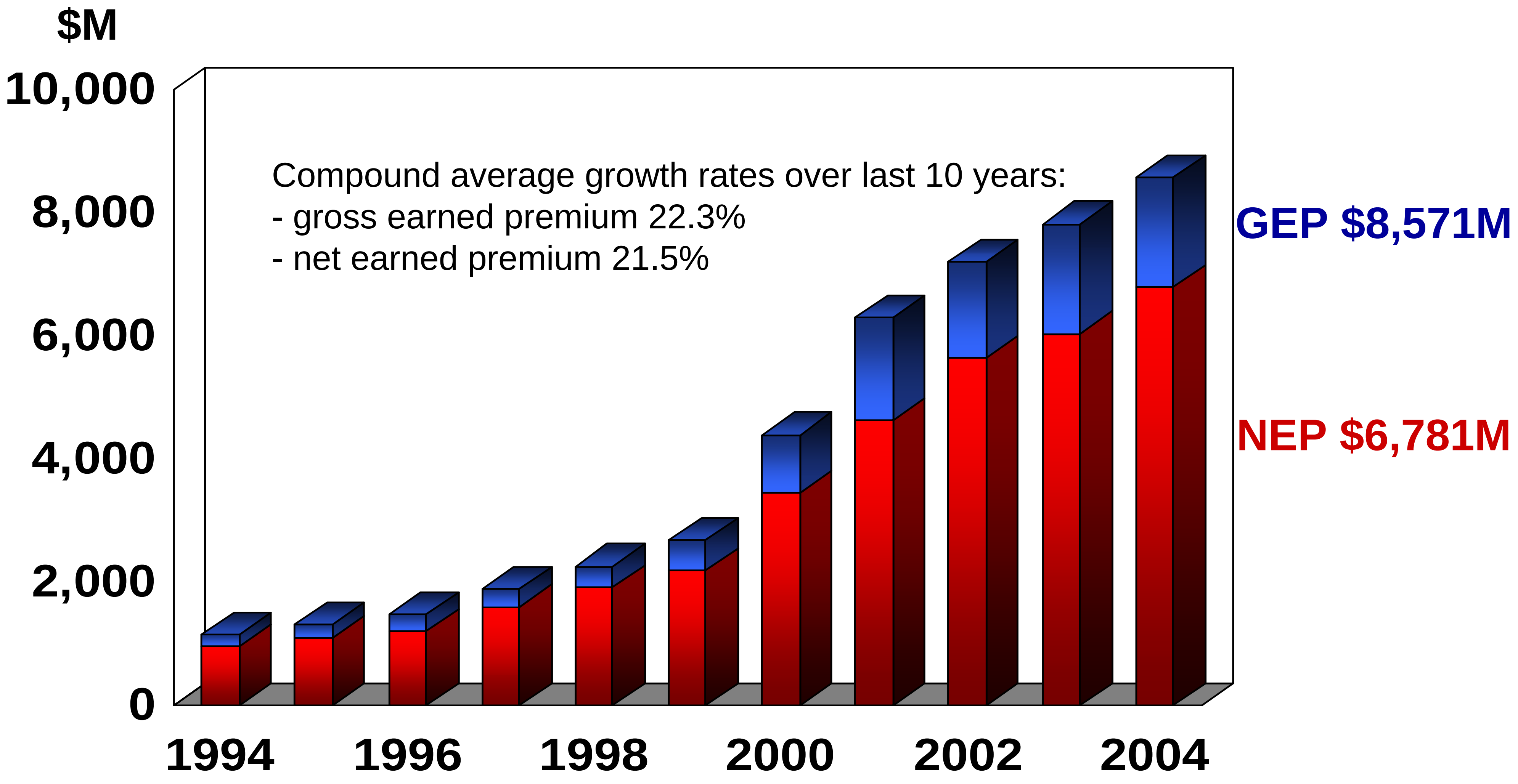
Growth and insurance margin

	Gross written premium A$M	COR %	Insurance profit %	Insurance profit A$M
1995	1,336	100.4	8.0	88
1996	1,561	99.3	8.4	101
1997	2,054	99.5	7.2	116
1998	2,409	100.3	7.7	147
1999	2,877	103.9	2.5	56
2000	4,406	102.5	5.4	186
2001	6,793	109.6	(2.6)	(119)
2002	7,723	97.7	7.2	406
2003	8,350	93.8	10.4	627
2004	8,766*	91.2	13.4	908
2005 target	**9,600**		**12.5 to 13.5**	

* *$6.7 billion overseas*

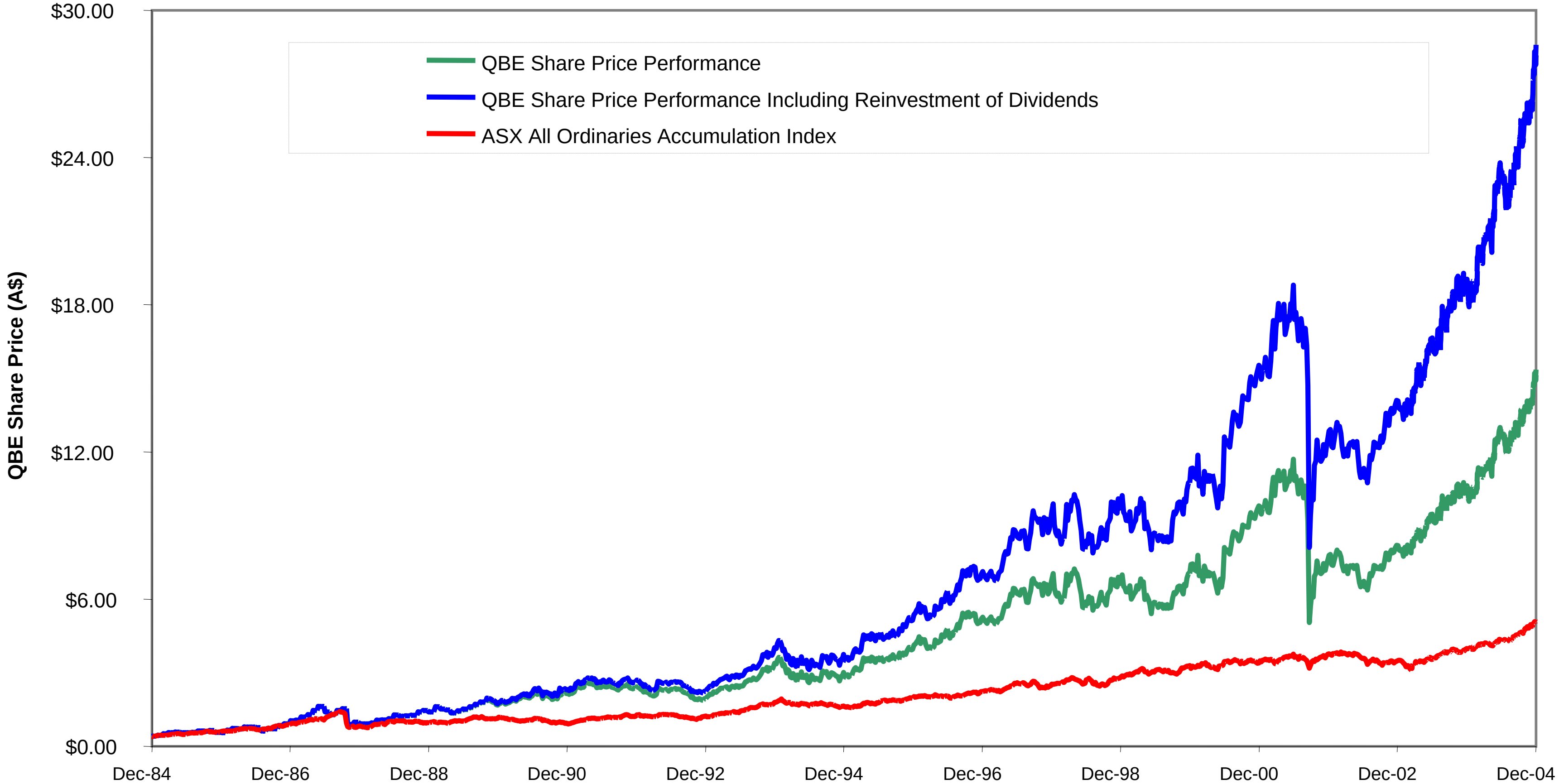
History of growth gross and net earned premium

year ended 31 December 2004



Historical share price performance

An investment in QBE has outperformed the Australian All Ordinaries Index and inflation with a growth rate of 50.4% in 2004, and a compound average annual growth rate 21.6% over five years, 22.5% over 10 years and 23.7% over 20 years



Internet

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