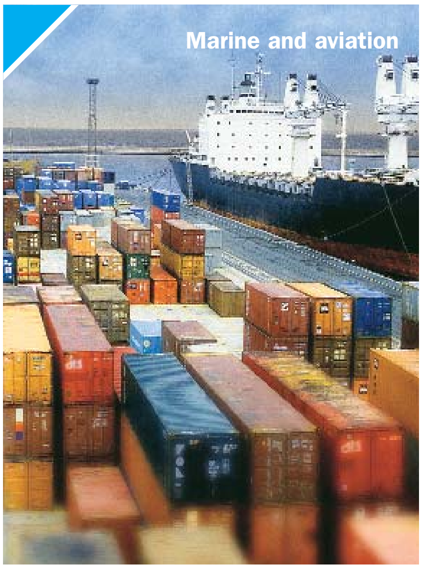
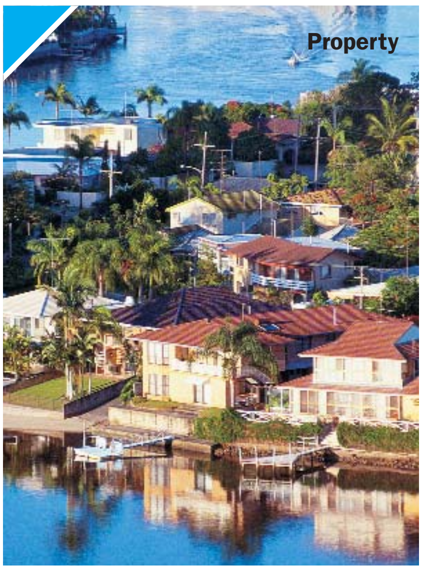
QBE INSURANCE GROUP

HALF YEAR REPORT TO 30 JUNE 2003





Contents

Highlights

for the half year ended 30 June 2003

Net profit after tax
$241M

Shareholders' funds
$3,064M

Interim dividend
20.0c

Profit and dividend payout

- Net profit after tax was $241 million compared with $115 million for the same period last year.
- Profit included net realised and unrealised gains on equities of $7 million after tax compared with losses of $60 million for the same period last year.
- The interim dividend is 20.0 cents per share, 15% franked (16.5 cents for the same period last year).
- Shareholders' funds increased 4% to $3,064 million.
- Diluted earnings per share increased from 18.1 cents to 36.3 cents per share.

Group operating performance

- Insurance profit was $259 million compared with $160 million for the same period last year.
- Insurance profit as a percentage of net earned premium was 8.4% compared with 6.0% for the same period last year.
- Despite the stronger Australian dollar, gross written premium was up 11% to $4,821 million. Growth was assisted by strong premium rate increases across most classes of business. Gross earned premium was up 12% to $3,882 million and net earned premium increased 15% to $3,083 million.
- The combined operating ratio of 96.0% (99.0% for the same period last year) reflects the impact of premium rate increases and improvements in the claims ratio. All operations produced combined operating ratios of less than 100%.
- Group cash flow from operating activities was $726 million compared with $455 million for the same period last year.
- Income tax expense increased to 22% of profit before tax from 9% for the same period last year. Last year's tax expense benefited from higher profits in countries with lower tax rates, dividend rebates and the release of prior year provisions.

Divisional operating performance

- Australian general insurance recorded a combined operating ratio of 96.2% (98.6% for the same period last year), reflecting increased premium rates and improved insurance terms and conditions. Gross earned premium was up 22% to $816 million.
- Asia-Pacific general insurance recorded a combined operating ratio of 93.3% (96.1% for the same period last year). Gross earned premium remained stable at $277 million, reflecting the negative impact of the strong Australian dollar.
- the Americas recorded a combined operating ratio of 95.7% (100.0% for the same period last year). Gross earned premium was up 41% to $584 million due to significant premium rate increases across all portfolios and the addition of two new general insurance agency businesses with proven profitable track records.
- European company operations' combined operating ratio was 96.4% (100.5% for the same period last year). Gross earned premium increased 15% to $1,157 million, reflecting the impact of substantial premium rate increases, partly offset by the strong Australian dollar.
- Lloyd's division recorded a combined operating ratio of 96.2% (98.1% for the same period last year). Gross earned premium decreased 5% to $1,048 million, primarily as a result of the impact of the strong Australian dollar and business sold or cancelled in 2002.
- Net investment income for the half year was $189 million compared with $97 million for the same period last year. Improved equity markets offset lower interest yields and the effect of translating overseas income to the stronger Australian dollar.

Highlights

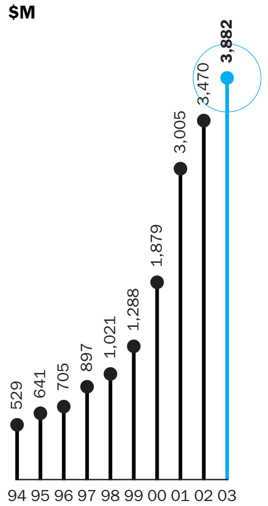
for the half year ended 30 June 2003

QBE HISTORY

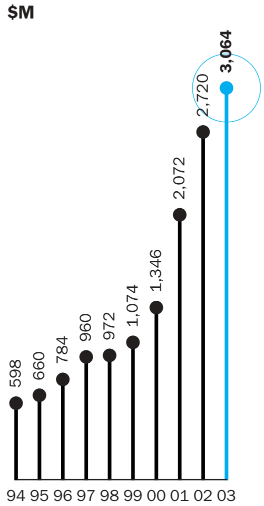
	HALF YEAR ENDED 30 JUNE					YEAR ENDED 31 DECEMBER				
	2003	2002	2001	2000	1999	2002	2001	2000	1999	1998
Gross written premium $M	**4,821**	4,332	3,795	2,210	1,493	7,723	6,793	4,406	2,877	2,409
Gross earned premium $M	**3,882**	3,470	3,005	1,879	1,288	7,197	6,298	4,399	2,692	2,266
Net earned premium $M	**3,083**	2,679	2,274	1,532	1,060	5,642	4,634	3,456	2,204	1,914
Claims ratio %	**65.1**	68.4	69.8	71.7	71.7	67.6	76.6	71.2	70.1	68.1
Commission ratio %	**18.7**	18.2	20.0	17.6	19.6	17.7	20.2	18.3	19.9	18.3
Expense ratio %	**12.2**	12.4	12.4	12.8	13.8	12.4	12.8	13.0	13.9	13.9
Combined operating ratio % *	**96.0**	99.0	102.2	102.1	105.1	97.7	109.6	102.5	103.9	100.3
Investment income										
before investment gains/losses $M	**176**	194	163	113	97	332	331	248	187	160
after investment gains/losses $M	**189**	97	181	123	129	181	344	308	265	149
Insurance profit (loss) $M *	**259**	160	126	88	(2)	406	(119)	186	56	147
Insurance profit (loss)/net earned premium % *	**8.4**	6.0	5.5	5.7	(0.2)	7.2	(2.6)	5.4	2.5	7.7
Operating profit (loss)										
before tax $M	**313**	124	132	91	75	311	(99)	220	180	143
after tax and outside equity interests $M *	**241**	115	122	78	67	279	(25)	179	147	133
Number of shares on issue millions	**627**	600	459	422	388	615	585	429	395	383
Shareholders' funds $M	**3,064**	2,720	2,072	1,346	1,074	2,954	2,620	1,709	1,135	1,057
Total assets $M	**21,432**	19,873	16,391	9,277	6,275	20,537	18,652	13,949	8,640	5,939
Basic earnings per share cents	**37.3**	17.5	24.8	18.7	17.5	42.7	(10.5)	42.6	37.6	35.2
Diluted earnings per share cents	**36.3**	18.1	25.4	18.7	17.5	43.4	(4.9)	40.7	37.6	35.2
Return on average shareholders' funds % **	**16.0**	8.6	12.9	12.5	12.6	10.0	(1.1)	12.6	13.4	13.1
Dividend per share cents	**20.0**	16.5	16.5	15.0	18.5	35.0	30.0	31.0	32.5	26.5
Dividend payout $M	**133**	99	76	63	72	213	155	132	130	101

* the 31 December 2001 comparatives excluding the WTC loss were 101.7%, $242 million, 5.1% and $227 million respectively
** includes convertible preference shares issued in 2000 and the equity component of hybrid securities issued in 2002

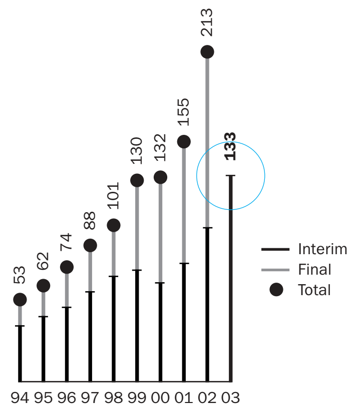
GROSS EARNED PREMIUM
$M



SHAREHOLDERS' FUNDS
$M



DIVIDEND PAYOUT
$M



Results

for the half year ended 30 June 2003

Frank O'Halloran
Chief executive officer

Neil Drabsch
Chief financial officer

Gayle Tollifson
Group general manager, finance and business risks

Operating profit

Operating profit after tax for the half year was $241 million, a 110% increase over the profit of $115 million for the same period last year. The result was very pleasing given the lower interest yields and the impact of the stronger Australian dollar on the translation of profits from our substantial overseas operations. Profit for the half year includes realised and unrealised gains on equities of $7 million after tax, compared with after tax losses of $60 million for the same period last year. Profit before tax was up 152%. Diluted earnings per share increased from 18.1 cents per share to 36.3 cents per share.

Insurance profit for the half year increased to $259 million or 8.4% of net earned premium compared with $160 million or 6.0% of net earned premium for the same period last year. The significant increase in insurance profit was achieved on net earned premium of $3,083 million, an increase of 15% over the same period last year. All operating divisions produced underwriting profits and improved insurance margins. Insurance liabilities include substantial allowances for large losses and catastrophes in the second half of 2003.

Management results

Operating profit using the seven year spread basis of accounting, which spreads realised and unrealised equity and property gains and losses evenly over a period of seven years, was $233 million compared with $192 million for the same period last year. As noted at the 2003 Annual General Meeting, the seven year spread basis of accounting is used to measure the performance of senior management.

Interim dividend

In recognition of the strong operating performance, the directors have declared an increased interim dividend of 20.0 cents per share. This represents a payout of $133 million, up 17% from the last dividend paid in April 2003. The dividend will be 15% franked. Books close on 1 September 2003. The dividend reinvestment programmes continue at a discount rate of 2.5%.

Shareholders' funds

Since 31 December 2002, shareholders' funds have increased 4% to $3,064 million. The increase from the half year profit was partly offset by payment of the 2002 final dividend net of reinvestment and the adverse movement in the foreign currency translation reserve due to the stronger Australian dollar. The Group's ratio of borrowings to shareholders' funds is 47% compared with 49% at 31 December 2002. Currently, 94% of debt is repayable in more than five years.

We calculate the Group's capital adequacy multiple at 30 June 2003 to be around 2.0 times the estimated minimum capital requirement (MCR). We have made a number

SHAREHOLDERS' HIGHLIGHTS

	HALF YEAR TO 30 JUNE 2003	HALF YEAR TO 30 JUNE 2002
Net profit after tax $M	**241**	115
Basic earnings per share cents	**37.3**	17.5
Diluted earnings per share cents	**36.3**	18.1
Dividend payout $M	**133**	99
Dividend per share cents	**20.0**	16.5
Net tangible assets per share $	**4.09**	3.71
Cash flow from operating activities $M	**726**	455
Total investments and cash $M	**11,495**	9,461
Total assets $M	**21,432**	19,873
Return on average shareholders' funds %	**16.0**	8.6
Shareholders' funds $M	**3,064**	2,720
Borrowings to shareholders' funds %	**47.4**	38.0
Capital adequacy multiple	**2.0**	1.5

Results

for the half year ended 30 June 2003

Duncan Ramsay
Group general counsel and company secretary

Jenni Smith
Group general manager, personnel

Peter Grove
Underwriting director, Limit Underwriting Limited

of assumptions in applying the risk based capital approach of the Australian Prudential Regulation Authority (APRA) for Australian licensed insurers to the Group, including that all capital instruments issued by the Group are treated as eligible capital. We note that APRA has not yet developed prudential standards for calculating consolidated capital adequacy requirements for non-operating holding companies. The increase in the capital adequacy multiple since 31 December 2002 is due to the strengthening of our tier 2 capital base and prudential margins in insurance liabilities.

QBE has retained its A+ Standard & Poor's rating for its main operating subsidiaries and is also rated A+ by Fitch.

Group operating results

The Group continues to see improvements in its key operating ratios with a combined operating ratio of 96.0% for the half year compared with 99.0% for the same period last year. All five operating divisions achieved improved results and combined operating ratios of less than 100%. The substantial increase in underwriting profit arose from management action in previous years to improve portfolio performance, higher premium rates and improved insurance terms and conditions. The results have also been assisted by lower than expected claims experience. The full benefit of the premium rate increases and improved terms and conditions is expected to continue to flow through to the second half of 2003 and into 2004.

Prudential margins included in outstanding claims have been further increased and are well in excess of the minimum APRA requirement of a 75% probability of adequacy.

The Group's estimate of the net loss after tax from the terrorist attacks on the USA on 11 September 2001 remains unchanged.

Gross written premium increased 11% to $4,821 million and gross earned premium was up 12% to $3,882 million. The stronger Australian dollar adversely impacted premium growth. Using rates of exchange in effect for the same period last year, gross written premium would have increased 17%.

Substantial premium growth was achieved in Australia, the Americas and European company operations. Average premium rate increases of more than 15% across the Group, together with further increases in deductibles on commercial business, generally improved policy terms and other initiatives, have resulted in a further reduction in our risk profile. The Group's net retention from our largest realistic disaster scenario has decreased by approximately 40% since this time last year as a result of reducing insurance aggregates in the higher exposed zones and purchasing additional reinsurance protections.

Reinsurance costs decreased from 23% to 21% of gross earned premium as the increase in premium rates more than offset higher reinsurance costs. While the majority of our reinsurance cost is excess of loss, there is an increasing percentage of proportional reinsurance to reduce our aggregate exposure to property risks in Australia and the US.

The claims ratio for the Group improved from 68.4% to 65.1% due to premium rate increases and better than expected claims experience. The claims ratio includes additional prudential margins raised during the half year. Recoveries from reinsurance arrangements were again much lower than the premium earned by our reinsurers.

KEY RATIOS – GROUP

	HALF YEAR TO 30 JUNE 2003	HALF YEAR TO 30 JUNE 2002
Gross written premium $M	**4,821**	4,332
Gross earned premium $M	**3,882**	3,470
Net earned premium $M	**3,083**	2,679
Claims ratio %	**65.1**	68.4
Commission ratio %	**18.7**	18.2
Expense ratio %	**12.2**	12.4
Combined operating ratio %	**96.0**	99.0

Results

for the half year ended 30 June 2003

The commission ratio increased from 18.2% to 18.7% due to changes in the mix of business.

The expense ratio decreased from 12.4% to 12.2%. Total expenses were up 13% to $377 million after taking account of additional contributions to superannuation plans to fund deficits caused by lower equity markets, the New South Wales insurance protection tax, substantially increased costs of compliance and the increased provision for staff incentive payments resulting from improved insurance results.

Investment income for the half year, excluding realised and unrealised gains and losses on investments, decreased 9% to $176 million. This is a pleasing result considering the lower interest rate environment and stronger Australian dollar compared with the same period last year. The impact of lower interest rates and the stronger Australian dollar have offset the additional cash flow generated from acquisitions and profits in the past few years. Improved equity markets have resulted in realised and unrealised gains on investments increasing overall investment income to $189 million compared with $97 million for the same period last year.

Cash flow from operating activities continues to be substantial, increasing from $455 million for the same period last year to $726 million. The increase in cash flow follows the significant cash flow from operating activities for the 2002 financial year of $1,511 million.

As projected, income tax expense increased to 22% of profit compared with 9% for the same period last year. Income tax expense last year benefited from higher profits in countries with lower tax rates, dividend rebates and the release of prior year provisions. We expect the tax rate to be slightly in excess of 20% for the full year.

The table below shows the contributions to the result from each of the five operating divisions and, separately, the result from general insurance and inward reinsurance business.

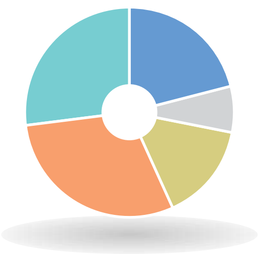
Outlook

As mentioned earlier, the stronger Australian dollar has meant that the substantial growth in premium income in overseas currencies, particularly sterling and the US dollar, has only partially flowed through to gross written premium. However, we are confident that we will achieve the Group's target of $8.5 billion of gross written premium for the full year.

QBE's businesses have benefited from the current favourable insurance market conditions. Our customer retention has increased significantly. These factors, together with further premium rate increases, albeit at a much lower rate, and acquisition initiatives, give us confidence that we will achieve around 10% growth in net earned premium for 2004. The growth target for 2004 is subject to there being no further material appreciation in the Australian dollar. A weaker Australian dollar will mean increased growth.

Our current pricing is such that the allowance in our business plans for large losses and catastrophes net of reinsurance is around 17.5% of net earned premium. Using current underwriting criteria, 1999 was our worst loss year in the past five years, with large losses and catastrophes from that year on an "as if" basis

GEOGRAPHIC SEGMENT
GROSS EARNED PREMIUM



- Australia 21.0% (19.3%)
- Asia-Pacific 7.1% (8.0%)
- the Americas 15.1% (11.9%)
- European company operations 29.8% (29.1%)
- Lloyd's division 27.0% (31.7%)

CONTRIBUTIONS BY REGION

	GROSS WRITTEN PREMIUM		GROSS EARNED PREMIUM		NET EARNED PREMIUM		COMBINED OPERATING RATIO	
	HALF YEAR TO 30 JUNE 2003 $M	HALF YEAR TO 30 JUNE 2002 $M	**HALF YEAR TO 30 JUNE 2003 $M**	HALF YEAR TO 30 JUNE 2002 $M	**HALF YEAR TO 30 JUNE 2003 $M**	HALF YEAR TO 30 JUNE 2002 $M	**HALF YEAR TO 30 JUNE 2003 %**	HALF YEAR TO 30 JUNE 2002 %
Australian general insurance	**857**	730	**816**	670	**679**	570	**96.2**	98.6
Asia-Pacific general insurance	**273**	296	**277**	276	**223**	209	**93.3**	96.1
the Americas	**729**	494	**584**	414	**395**	333	**95.7**	100.0
European company operations	**1,445**	1,208	**1,157**	1,009	**1,005**	789	**96.4**	100.5
Lloyd's division	**1,517**	1,604	**1,048**	1,101	**781**	778	**96.2**	98.1
Group	**4,821**	4,332	**3,882**	3,470	**3,083**	2,679	**96.0**	99.0
General insurance	**3,245**	2,710	**2,728**	2,312	**2,283**	1,845	**96.8**	97.7
Inward reinsurance	**1,576**	1,622	**1,154**	1,158	**800**	834	**93.8**	101.9
Group	**4,821**	4,332	**3,882**	3,470	**3,083**	2,679	**96.0**	99.0

Results

for the half year ended 30 June 2003

totalling approximately 11% of projected 2003 net earned premium. Large losses and catastrophes occur and are reported to us on a regular basis. We will announce to the market the impact of a major event on our targeted insurance profit only if the accumulation of large losses and catastrophes net of reinsurance is expected to exceed the allowance in our pricing. Our large loss and catastrophe experience for the first half of 2003 was significantly less than expected. As noted earlier, our insurance liabilities include allowances for large losses and catastrophes in the second half of 2003.

Subject to large losses and catastrophes not exceeding the allowance referred to above, and there being no major fall in equity markets, we are confident that the profit in the second half of the year will exceed the profit in the first half, and that insurance profit will exceed 8.5% for the full year. We also expect the strong cash flow from operating activities to continue in the second half of the year.

We maintain a low exposure to listed equities at 8% of total investments and cash. We will increase this exposure slightly over the next few months if we believe that market conditions are appropriate. A 1% change in equity markets currently impacts profit after tax by around $7 million. We will also continue to adopt a conservative approach to our fixed interest portfolios, which average around 1.3 years to maturity. We are ready to respond to the expected rise in interest rates. A 1% overall movement in interest rates currently impacts pre tax investment income by around $100 million and the discount on outstanding claims provisions by around $195 million.

QBE's exposure to reinsurers has again been reduced with amounts recoverable on paid and outstanding claims now at $3,883 million compared with $4,329 million at 31 December 2002 and $5,079 million at 31 December 2001. We are confident that our provision for doubtful reinsurance recoveries is adequate.

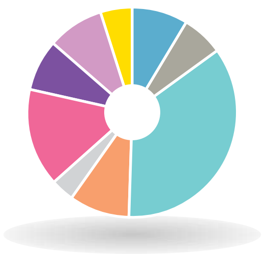
QBE has sufficient capital to meet its existing requirements. Our balance sheet is strong with the flexibility to allow for growth and flow of funds throughout the Group. Our cost of borrowings has been considerably reduced over the past two years and the majority of our debt is now long term. We will continue to look for acquisitions which add value to our shareholders. Any major acquisition will require additional equity to be raised.

We have further increased the level of our prudential margins in the past six months. Over the next two years, we do not expect a major downturn in the insurance cycle such as that experienced in the mid to late 1990s.

QBE has a well diversified spread of business both geographically and by product. We control terms and conditions on the majority of business written in most of the countries in which we operate. This, together with our strong management team supported by professional underwriters who are focused on profitability, retention of our existing customer base and writing business within the parameters of measurable business plans, gives us confidence about our future performance.

All the hard work of our staff worldwide has been rewarded with a very satisfying half year result.

WORLDWIDE PORTFOLIO MIX
GROSS EARNED PREMIUM



- Marine and aviation 8.6% (10.3%)
- Accident and health 6.4% (7.7%)
- Property 35.5% (29.3%)
- Motor and motor casualty 9.3% (11.6%)
- Financial and credit 3.6% (3.1%)
- Liability 15.1% (16.9%)
- Professional indemnity 7.9% (6.4%)
- Workers' compensation 8.7% (6.2%)
- Other 4.9% (8.5%)

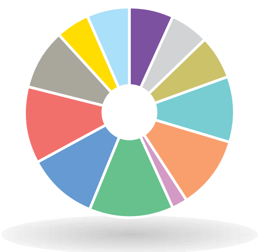
CONTRIBUTIONS BY REGION

	TOTAL ASSETS		SHAREHOLDERS' FUNDS		NET PROFIT AFTER TAX	
	30 JUNE 2003 $M	30 JUNE 2002 $M	**30 JUNE 2003 $M**	30 JUNE 2002 $M	**HALF YEAR TO 30 JUNE 2003 $M**	HALF YEAR TO 30 JUNE 2002 $M
Australian general insurance	**3,700**	3,281	**486**	540	**75**	42
Asia-Pacific general insurance	**1,192**	1,256	**287**	358	**9**	8
the Americas	**1,702**	1,474	**353**	343	**19**	10
European company operations	**6,087**	5,976	**717**	616	**66**	20
Lloyd's division	**8,751**	7,886	**1,221**	863	**72**	35
Group	**21,432**	19,873	**3,064**	2,720	**241**	115
General insurance	**14,105**	13,197	**2,018**	1,878	**174**	81
Inward reinsurance	**7,327**	6,676	**1,046**	842	**67**	34
Group	**21,432**	19,873	**3,064**	2,720	**241**	115

Australian general insurance

Raymond Jones
Managing director,
Australian general insurance

PORTFOLIO MIX
GROSS EARNED PREMIUM



- Professional indemnity 6.8% (7.2%)
- Credit and surety 6.0% (5.0%)
- Commercial packages 6.7% (8.6%)
- Property 10.1% (9.7%)
- Motor vehicle 11.2% (12.6%)
- Travel 2.4% (5.0%)
- Householders 13.0% (11.2%)
- Compulsory third party 10.9% (13.1%)
- General liability 11.8% (9.4%)
- Workers' compensation 9.3% (10.9%)
- Marine and aviation 5.2% (2.3%)
- Other 6.6% (5.0%)

Australian general insurance operations have again produced an excellent underwriting result with a combined operating ratio of 96.2% compared with 98.6% for the same period last year. The result has benefited from improved insurance terms and conditions, higher customer retention and management's continued focus on product distribution and profitable lines of business.

Gross written premium increased 17% to $857 million, driven by increased retention of business, premium rate increases for most classes of business and new premiums from acquisitions announced in late 2002. Gross earned premium increased 22% to $816 million and net earned premium was up 19% to $679 million.

Most portfolios continue to show improved results. Our portfolios are constantly reviewed and adjusted to improve performance. Commercial clients are becoming more aware of the need to introduce risk management strategies, which has helped to reduce claims costs. The claims ratio decreased from 73.5% to 71.6% after further increasing prudential margins to a level well in excess of APRA's minimum requirement. We are confident that we can maintain our strong underwriting performance.

Compulsory third party business in New South Wales and Queensland, underwritten workers' compensation business, the trade credit portfolio, the corporate property and corporate liability portfolios and QBE aviation are all performing ahead of plan.

The QBE Mercantile Mutual joint venture has again produced excellent results. Our direct personal lines division, Western QBE, produced an underwriting profit, although it is slightly behind plan due to the cost of the bush fires in January. The travel portfolio is performing well, despite a reduction in premium due to actions taken on some under-performing distribution channels and the impact of the Iraqi war and SARS on world travel.

The overall commission ratio increased from 10.6% to 11.3%, reflecting a change in business mix. The expense ratio improved from 14.5% to 13.3%. We expect this to slightly increase in the second half of the year due to additional expenditure on systems to improve the efficiency of our operations for the long term. Like others in our industry, we have incurred considerable increases in compliance and administrative costs to meet the requirements of various regulatory bodies.

QBE expects that gross written premium for 2003 will be close to 20% ahead of plan. We continue to monitor customer retention to ensure that our pricing is not out of line with the rest of the market. We expect premium rate increases going forward to slow to a level which is sufficient to cover the inflation in our claims cost.

QBE in Australia is now a leader in most of the commercial products that it underwrites.

KEY RATIOS

	HALF YEAR TO 30 JUNE 2003	HALF YEAR TO 30 JUNE 2002
Gross written premium $M	**857**	730
Gross earned premium $M	**816**	670
Net earned premium $M	**679**	570
Claims ratio %	**71.6**	73.5
Commission ratio %	**11.3**	10.6
Expense ratio %	**13.3**	14.5
Combined operating ratio %	**96.2**	98.6

Asia-Pacific general insurance

Vince McLenaghan
Managing director,
Asia-Pacific general insurance

QBE's Asia-Pacific general insurance division produced a significant improvement in underwriting results with the combined operating ratio decreasing from 96.1% to 93.3%. The improvement resulted from our continued focus on profitable business and improved market conditions for insurers. Most of the countries in which we operate produced an underwriting profit in the half year.

Gross written premium decreased 8% to $273 million as a result of the strong Australian dollar. Gross earned premium remained stable at $277 million. Net earned premium increased 7% to $223 million. Premium growth will continue to be affected by the stronger Australian dollar in the short term.

The claims ratio increased from 54.4% to 56.1% as a result of a change in mix of business and an increase in prudential margins. This was more than offset by improvements in both the commission and expense ratios. The commission ratio was 18.4% compared with 20.5% for the same period last year. The reduced commission ratio reflects the change in product and geographical mix as well as lower commissions in some countries. The expense ratio improved from 21.2% to 18.8%, mainly as a result of integration synergies, particularly in Malaysia.

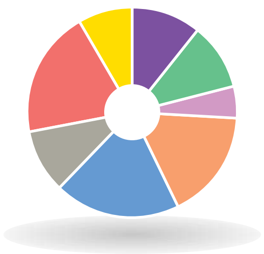
We continue to increase customer retention, increase premium rates wherever possible and grow our specialist products through international brokers. We are also considering acquisitions which can be bolted on to existing operations.

Our largest operations, in New Zealand, Hong Kong and Singapore, performed ahead of plan. Indonesia, Macau and Thailand produced improved results and, overall, our Pacific businesses produced strong growth and higher underwriting profits.

QBE has management control and owns 50% or more of each of its businesses throughout Asia-Pacific. We will not enter into any arrangement where QBE is not the master of its own destiny. Our business is transacted through 70 offices in 18 countries. We have a distribution base of over 5,000 agents and strong business relationships with key insurance brokers. Additional technical resources have been added to a number of our locations to underwrite the increasing volume of business from our specialist products. As a result of these factors, QBE is well placed to participate in the positive market conditions currently prevailing in the Asia-Pacific region.

Subject to the frequency of large losses and catastrophes not exceeding the allowance in our business plan, we are confident of achieving an increase in underwriting and insurance profit for the full year.

PORTFOLIO MIX
GROSS EARNED PREMIUM



- Professional indemnity 10.7% (8.5%)
- Marine 10.3% (12.2%)
- Workers' compensation 4.9% (5.8%)
- Motor and motor casualty 16.9% (21.6%)
- Fire 19.4% (20.5%)
- Accident and health 9.8% (14.6%)
- Liability 19.6% (8.4%)
- Other 8.4% (8.4%)

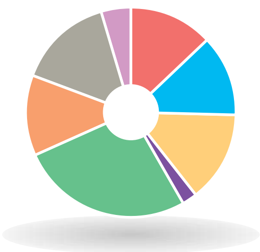
KEY RATIOS

	HALF YEAR TO 30 JUNE 2003	HALF YEAR TO 30 JUNE 2002
Gross written premium $M	**273**	296
Gross earned premium $M	**277**	276
Net earned premium $M	**223**	209
Claims ratio %	**56.1**	54.4
Commission ratio %	**18.4**	20.5
Expense ratio %	**18.8**	21.2
Combined operating ratio %	**93.3**	96.1

the Americas

Tim Kenny
President and CEO,
the Americas

PORTFOLIO MIX
GROSS EARNED PREMIUM



- Property xol 12.9% (9.7%)
- Property proportional 12.5% (18.7%)
- Property facultative and direct 14.0% (4.6%)
- Catastrophe 2.3% (1.7%)
- Casualty 26.6% (27.7%)
- Motor and motor casualty 12.4% (17.7%)
- Health 14.7% (11.5%)
- Other 4.6% (8.4%)

QBE in the Americas produced a further improvement in underwriting performance. The combined operating ratio was 95.7% compared with 100.0% for the same period last year. The improvement is the result of actions taken on unprofitable portfolios in prior years, higher premium rates and improved insurance terms and conditions.

Gross written premium increased 48% to $729 million and gross earned premium increased 41% to $584 million. In local currency, the growth in gross earned premium was 67%. Significant premium rate increases across all portfolios and the addition of two new general insurance agency businesses with proven profitable track records were the main reasons for the growth. Net earned premium increased 19% to $395 million. Many of our agency portfolios are protected by proportional reinsurance from highly rated reinsurers.

The claims ratio for the half year was 67.4% compared with 66.5% for the same period last year. The 2002 underwriting year continues to show excellent results and reported claims for the first half of 2003 were lower than expected. This reflects the focus on profitable portfolios and the general improvement in market conditions. The strong performance has been offset by some deterioration in prior year claims in portfolios that have been cancelled or sharply curtailed. Insurance liabilities include a substantial allowance for large losses and catastrophes in the second half of 2003.

The commission ratio decreased from 27.3% to 22.0%, reflecting the changing mix of business and generally lower agency commissions. The expense ratio was marginally higher at 6.3%. The low expense ratio reflects the type of business written and the impact of initiatives undertaken by management to increase efficiencies, offset in part by a greater allowance for staff incentives for the significant improvement in insurance results.

Our health, general insurance and reinsurance portfolios in the USA produced underwriting results ahead of expectations. The results of our Latin American businesses were slightly ahead of plan. QBE Del Istmo, our joint venture reinsurance business in Latin America, continues to produce excellent results.

QBE the Americas will continue to participate in the hardening insurance and reinsurance markets through its strategy of identifying profitable agency and reinsurance business throughout regional America. The marketing, claims, actuarial, compliance, audit and finance teams have been strengthened to carry out regular audits and due diligence of our 13 insurance agents in the USA.

We have a profit-focused culture in the Americas and a team that is now seen as a leader in the segments of the market in which we operate. We expect gross written premium for 2003 to be well ahead of plan in local currency. We have purchased additional reinsurance protection for a major natural disaster in the second half of the year and this, together with the current performance of our various products, gives us confidence that we will achieve our profit expectations for the full year.

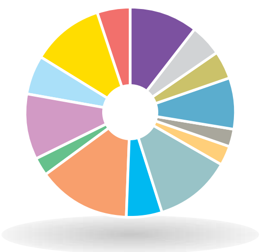
KEY RATIOS

	GENERAL INSURANCE		INWARD REINSURANCE		TOTAL	
	HALF YEAR TO 30 JUNE 2003	HALF YEAR TO 30 JUNE 2002	**HALF YEAR TO 30 JUNE 2003**	HALF YEAR TO 30 JUNE 2002	**HALF YEAR TO 30 JUNE 2003**	HALF YEAR TO 30 JUNE 2002
Gross written premium $M	**375**	227	**354**	267	**729**	494
Gross earned premium $M	**277**	184	**307**	230	**584**	414
Net earned premium $M	**260**	180	**135**	153	**395**	333
Claims ratio %	**64.0**	63.5	**73.9**	69.9	**67.4**	66.5
Commission ratio %	**26.9**	28.4	**12.6**	26.1	**22.0**	27.3
Expense ratio %	**4.9**	4.2	**9.1**	8.6	**6.3**	6.2
Combined operating ratio %	**95.8**	96.1	**95.6**	104.6	**95.7**	100.0

European company operations

Paul Glen
Managing director,
European company operations

PORTFOLIO MIX
GROSS EARNED PREMIUM



- Professional indemnity 10.5% (7.8%)
- Financial and credit 4.9% (5.2%)
- Marine and aviation 4.3% (5.1%)
- Accident and health 7.9% (11.1%)
- Bloodstock 2.7% (3.1%)
- Property treaty 3.0% (5.9%)
- Property facultative and direct 11.8% (11.6%)
- Catastrophe 5.5% (6.9%)
- Workers' compensation 14.3% (12.0%)
- Motor vehicle 2.8% (4.8%)
- Casualty 10.1% (12.6%)
- Sports and leisure 6.0% (2.8%)
- Public product liability 11.1% (3.1%)
- Other 5.1% (8.0%)

QBE's European company operations write reinsurance business from London, Dublin and Sydney and insurance business from London, Paris, Milan and six countries in Central and Eastern Europe. The combined operating ratio improved significantly from 100.5% to 96.4%, reflecting a focus on profitable portfolios, premium rate increases, improved product terms and conditions for most classes of business and a reduction in claims frequency.

Gross written premium was up 20% to $1,445 million and gross earned premium increased 15% to $1,157 million. The increase in gross written premium in local currency was 24%. Growth has come primarily from the general insurance portfolios, particularly the general liability, professional liability and workers' compensation classes. Net earned premium increased 27% to $1,005 million.

The claims ratio was 69.0% compared with 74.2% for the same period last year. The improved claims ratio reflects improved market conditions and a lower claims frequency. In the absence of an unusual frequency of catastrophes, we expect the claims ratio to further improve in the second half of the year. Insurance liabilities include a significant allowance for large losses and catastrophes in the second half of 2003.

The commission ratio increased to 15.4% from 13.4% for the same period last year as a result of a change in the mix of business.

The expense ratio decreased to 12.0% from 12.9%. The tighter cost controls and various expense reduction initiatives introduced last year have been successful. However, higher staff incentives for improved insurance results and higher contributions to superannuation plans have partly offset the savings made.

The continued strong premium rate increases and new opportunities arising from the collapse of some of our competitors mean we will exceed our premium targets for 2003 in sterling. The stronger Australian dollar means that this growth will not be fully reflected in our full year results. However, we expect to be slightly ahead of plan in Australian dollars based on current rates of exchange.

Five of our six Central and Eastern European businesses produced underwriting profits for the half year. Our Paris office also produced an excellent result. For 2002 and 2003 underwriting years, our reinsurance operation and major risks division in London have produced results ahead of plan. We expect the benefits of the premium rate increases and improvements in terms and conditions to generate further improvements in profitability in the second half of 2003 and into 2004.

The market outlook continues to be favourable for the majority of our products.

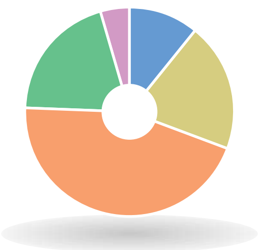
KEY RATIOS

	GENERAL INSURANCE		INWARD REINSURANCE		TOTAL	
	HALF YEAR TO 30 JUNE 2003	HALF YEAR TO 30 JUNE 2002	**HALF YEAR TO 30 JUNE 2003**	HALF YEAR TO 30 JUNE 2002	**HALF YEAR TO 30 JUNE 2003**	HALF YEAR TO 30 JUNE 2002
Gross written premium $M	**900**	663	**545**	545	**1,445**	1,208
Gross earned premium $M	**759**	525	**398**	484	**1,157**	1,009
Net earned premium $M	**687**	396	**318**	393	**1,005**	789
Claims ratio %	**67.2**	74.9	**72.6**	73.2	**69.0**	74.2
Commission ratio %	**13.3**	8.6	**20.0**	18.4	**15.4**	13.4
Expense ratio %	**13.6**	14.8	**8.7**	11.0	**12.0**	12.9
Combined operating ratio %	**94.1**	98.3	**101.3**	102.6	**96.4**	100.5

Lloyd's division (trading as Limit)

Steven Burns
Chief executive officer, Lloyd's division

PORTFOLIO MIX
GROSS EARNED PREMIUM



- Professional indemnity 10.8% (6.7%)
- Marine and aviation 19.9% (24.9%)
- Property 44.9% (38.7%)
- Casualty 19.9% (26.8%)
- Other 4.5% (2.9%)

QBE is currently the second largest provider of capacity at Lloyd's. Our Lloyd's division comprises QBE's share of five Lloyd's syndicates managed by Limit Underwriting Limited. For the 2003 underwriting year, QBE provided 100% of the capital to all the Limit syndicates apart from syndicate 386, where our share is now 49.5%.

The combined operating ratio showed further improvement, decreasing from 98.1% for the same period last year to 96.2%. The improvement follows further premium rate increases, higher prudential margins, a lower frequency of claims and improved insurance terms and conditions.

Gross written premium in Australian dollars decreased 5% to $1,517 million, primarily as a result of the impact of the stronger Australian dollar and business sold or cancelled in 2002. Gross earned premium decreased by 5% to $1,048 million.

Net earned premium was substantially unchanged at $781 million due to the lower cost of reinsurance. The majority of the net earned premium in the half year relates to 2002 and prior underwriting years, which will be almost fully earned by 31 December 2003.

The claims ratio improved from 63.3% to 55.8%. Other than the US tornadoes in May 2003, there were no major catastrophes in the half year. Prudential margins have again increased for this division, particularly for general insurance. As with other divisions, insurance liabilities include allowances for large losses and catastrophes in the second half of 2003.

The increase in commission ratio from 24.1% to 27.7% is due to changes in the business mix. The increase in expense ratio from 10.7% to 12.7% reflects the increased contributions to superannuation plans, the higher Lloyd's levy and the accrual of higher staff incentive payments due to improved insurance results.

With the exception of property and aviation reinsurance and energy insurance, we are still obtaining premium rate increases for all classes of business. We are also seeing the improved terms and conditions holding for our renewal business. In view of the current market conditions, QBE intends to support the growth opportunities of the Lloyd's division.

The improvement in first half results has arisen primarily from the improved terms and conditions. Our focus is on maintaining these terms and conditions and increasing our customer retention. We expect some premium rate increases going forward for the majority of classes of business, albeit at a much lower rate than the last three years. Subject to large losses and catastrophes not exceeding the allowance in our business plans, we are confident that further improvements in profit can be achieved in 2003 and 2004.

QBE fully supports the Lloyd's market reforms, which are aimed at improving profitability consistently over time and taking early action on poor performing syndicates. Our senior executives at Limit are involved in various Lloyd's committees.

The market outlook continues to be favourable into 2004.

KEY RATIOS

	GENERAL INSURANCE		INWARD REINSURANCE		TOTAL	
	HALF YEAR TO 30 JUNE 2003	HALF YEAR TO 30 JUNE 2002	**HALF YEAR TO 30 JUNE 2003**	HALF YEAR TO 30 JUNE 2002	**HALF YEAR TO 30 JUNE 2003**	HALF YEAR TO 30 JUNE 2002
Gross written premium $M	**852**	802	**665**	802	**1,517**	1,604
Gross earned premium $M	**611**	667	**437**	434	**1,048**	1,101
Net earned premium $M	**457**	494	**324**	284	**781**	778
Claims ratio %	**57.9**	65.7	**52.6**	58.9	**55.8**	63.3
Commission ratio %	**31.3**	25.6	**22.7**	21.6	**27.7**	24.1
Expense ratio %	**14.2**	11.9	**10.8**	8.6	**12.7**	10.7
Combined operating ratio %	**103.4**	103.2	**86.1**	89.1	**96.2**	98.1

Investments

Mark ten Hove
Group general manager, investments

Net investment income for the half year was $189 million compared with $97 million for the same period last year. The improvement in equity markets has more than offset the lower interest yields and the impact of the stronger Australian dollar on the translation of overseas income. Realised and unrealised gains on equities before tax were $15 million compared with a loss of $82 million for the same period last year.

The stronger Australian dollar has resulted in our net invested funds remaining unchanged despite the record operating cash flow for the half year and the strong cash flow in 2002. Invested funds net of borrowings at 30 June 2003 totalled $10.0 billion compared with $10.1 billion at 31 December 2002. Investments are held 22% in Australian dollars, 34% in sterling, 32% in US dollars and 12% in other currencies.

The performance of our equity portfolios was satisfactory given the difficult market conditions. Our cash and fixed interest portfolios produced an annualised gross yield of 3.7% compared with 4.3% for the same period last year. The reduction in yield is due to lower interest rates in the US, the UK and Europe.

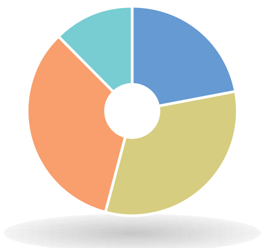
Interest on total borrowings increased from $31 million to $39 million. The weighted average cost of borrowings increased slightly from 4.8% at 31 December 2002 to 4.9% at 30 June 2003, reflecting the impact of the subordinated debt issue in May.

Our strategy of maintaining a low risk investment portfolio with a low exposure to equities and minimum long dated fixed interest securities remains in place. In accordance with our investment policy, the asset allocation reflects a low weighting of listed equities at 8% of total investments and cash. At 30 June 2003, our listed equity portfolio was invested 39% in Australian dollars, 28% in sterling, 21% in US dollars and 12% in other currencies.

We are generally optimistic about the performance of the world's key economies, particularly the US, which is critical to ensure an orderly recovery in world markets. In view of this, we expect to slightly increase our exposure to equities to around 10% of total investments and cash. However, we will continue to maintain a cautious outlook for the second half of the year. We are actively managing our quality fixed interest portfolio at the short end of the yield curve, ready to take advantage of any rise in interest rates as economies improve.

Our investment income for 2003 before unrealised gains and losses is on target to exceed $400 million at current exchange rates, assuming no material fall in equity markets.

CURRENCY MIX
MARKET VALUE OF INVESTMENTS AND CASH



- Australian dollar 22.0% (22.7%)
- US dollar 32.1% (33.9%)
- Sterling 33.5% (31.3%)
- Other 12.4% (12.1%)

NET INVESTED FUNDS

	30 JUNE 2003 $M	30 JUNE 2003 %	31 DECEMBER 2002 $M	31 DECEMBER 2002 %
Cash	**736**	**6.4**	502	4.4
Short term money	**4,418**	**38.4**	3,792	32.9
Fixed interest securities	**5,242**	**45.6**	6,052	52.6
Mortgages	**8**	**0.1**	25	0.2
Equities	**989**	**8.6**	1,026	8.9
Property	**102**	**0.9**	111	1.0
Total investments and cash	**11,495**	**100.0**	11,508	100.0
Borrowings	**(1,452)**		(1,456)	
Net invested funds	**10,043**		10,052	

INVESTMENT INCOME

	HALF YEAR TO 30 JUNE 2003 $M	HALF YEAR TO 30 JUNE 2002 $M
Dividends	**28**	16
Interest	**193**	191
Other income	**9**	2
Exchange gains	**1**	27
Interest expense	**(39)**	(31)
Other expenses	**(16)**	(11)
	176	194
Realised gains (losses) on fixed interest securities	**2**	(9)
Realised losses on equities and properties	**(74)**	(11)
Unrealised losses on fixed interest securities	**(3)**	(6)
Unrealised gains (losses) on equities and properties	**88**	(71)
Investment income	**189**	97

Report of the directors

for the half year ended 30 June 2003

Your directors present their report on the consolidated entity consisting of QBE Insurance Group Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2003.

Directors

The following directors held office during the half year and up to the date of this report:

LF Bleasel AM	The Hon NF Greiner AC	IYL Lee
EJ Cloney (Chairman)	BJ Hutchinson	FM O'Halloran
CP Curran AO	CLA Irby	

Consolidated results

	HALF YEAR TO 30 JUNE 2003 $M	HALF YEAR TO 30 JUNE 2002 $M
Revenue		
Premium revenue	3,882	3,470
Other revenue	793	716
Unrealised gains on investments	85	–
	4,760	4,186
Expenses	4,408	3,954
Unrealised losses on investments	–	77
Borrowing costs expense	39	31
Profit from ordinary activities before income tax	313	124
Income tax expense attributable to profit from ordinary activities	69	11
Profit from ordinary activities after income tax	244	113
Net profit (loss) attributable to outside equity interests	3	(2)
Net profit attributable to members of the company	241	115
Net decrease in foreign currency translation reserve on translation of self-sustaining foreign operations	97	62
Total changes in equity other than those resulting from transactions with owners as owners	144	53

Interim dividend

The directors are pleased to announce a 15% franked interim dividend of 20.0 cents per share. The dividend payout is $133 million, up 17% from the April 2003 dividend. The dividend reinvestment programmes continue at a discount rate of 2.5%.

Statement of financial position

Shareholders' funds increased from $2,954 million at 31 December 2002 to $3,064 million at 30 June 2003.

In May 2003, the Group raised US$250 million from an issue of subordinated debt. The proceeds of the issue have been used to repay existing senior debt and for general corporate purposes.

The appreciation of the Australian dollar affected the translation of the Group's investment in foreign subsidiaries. The debit balance in the foreign currency translation reserve increased to $118 million at 30 June 2003.

Mandatory convertible preference shares issued in August 2000, with a value of $274 million, converted to 35.9 million ordinary shares on 18 August 2003.

Report of the directors

for the half year ended 30 June 2003

Review of operations

Profit after tax for the half year ended 30 June 2003 was $241 million compared with $115 million for the same period last year. Profit for the half year included after tax realised and unrealised gains on investments of $6 million compared with after tax losses of $73 million for the same period last year.

Despite the stronger Australian dollar, gross earned premium was $3,882 million, an increase of 12% on the same period last year. Growth was achieved through strong premium rate increases across most classes of business. Net earned premium increased 15% to $3,083 million. Reinsurance costs decreased from 23% to 21% of gross earned premium as the increase in premium rates more than offset higher reinsurance costs.

The ratio of claims, commission and expenses to net earned premium (combined operating ratio) was 96.0% compared with 99.0% for the same period last year. The claims ratio decreased from 68.4% for the same period last year to 65.1% due to better than expected claims experience. The commission ratio increased from 18.2% to 18.7% due to the change in mix of business. The expense ratio decreased from 12.4% to 12.2% as a result of the premium rate increases and synergies from recent acquisitions, which were partially offset by increased contributions to various superannuation plans to fund deficits caused by lower equity markets, the New South Wales insurance protection tax, substantially increased costs of compliance and the increased provision for staff incentive payments resulting from improved insurance results.

Australian general insurance combined operating ratio was 96.2% compared with 98.6% for the same period last year. The result benefited from improved insurance terms and conditions, higher customer retention and management's continued focus on product distribution and profitable lines of business. Net earned premium increased 19% to $679 million reflecting increased retention of business, premium rate increases for most classes of business and new premiums from acquisitions announced in late 2002. The claims ratio decreased to 71.6% from 73.5% for the same period last year. The commission ratio increased from 10.6% to 11.3% reflecting the change in business mix and the expense ratio improved from 14.5% to 13.3%.

Asia-Pacific general insurance produced a combined operating ratio of 93.3% compared with 96.1% for the same period last year, reflecting the continued focus on profitable business and improved market conditions for insurers. Net earned premium was up 7% to $223 million. The claims ratio increased to 56.1% from 54.4% for the same period last year as a result of the change in mix of business and increased prudential margins. This was more than offset by an improved commission ratio of 18.4% compared with 20.5% for the same period last year, reflecting the change in product and geographical mix, and lower commissions in some countries. The expense ratio improved from 21.2% to 18.8%, mainly as a result of integration synergies, particularly in Malaysia.

the Americas reported a combined operating ratio of 95.7% compared with 100.0% for the same period last year. The improvement is the result of actions taken on unprofitable portfolios in prior years, higher premium rates and improved insurance terms and conditions. Net earned premium increased 19% to $395 million. Significant premium rate increases across all portfolios and the addition of two new general insurance agency businesses with proven profitable track records were the main reasons for the growth. The commission ratio decreased to 22.0% from 27.3% for the same period last year, reflecting the changing mix of business and generally lower agency commissions. The expense ratio was relatively stable at 6.3%.

European company operations' combined operating ratio was 96.4% compared with 100.5% for the same period last year. This improvement reflects a focus on profitable portfolios, premium rate increases and improved product terms and conditions for most classes of business and a reduction in claims frequency. Net earned premium was up 27% to $1,005 million, reflecting growth from the general insurance portfolios, particularly general liability, professional liability and

Report of the directors

for the half year ended 30 June 2003

workers' compensation. The commission ratio increased from 13.4% for the same period last year to 15.4% as a result of the change in mix of business. The expense ratio decreased from 12.9% for the same period last year to 12.0% reflecting the impact of tighter cost control and various expense reduction initiatives, partly offset by higher incentives for improved insurance results, substantially increased costs of compliance and higher contributions to superannuation plans.

Lloyd's division premium growth was impacted by the stronger Australian dollar and the sale or cancellation of under-performing portfolios in 2002. Net earned premium was substantially unchanged at $781 million. The division produced a combined operating ratio of 96.2% compared with 98.1% for the same period last year, following further premium rate increases, a lower frequency of claims and improved insurance terms and conditions. The commission ratio increased from 24.1% for the same period last year to 27.7% due to changes in business mix. The increase in expense ratio from 10.7% to 12.7% reflects increased contributions to superannuation plans, the higher Lloyd's levy and the accrual of higher incentive payments due to improved insurance results.

The provision for **outstanding claims** is determined for the majority of Group entities after consultation with actuaries. The outstanding claims assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, recoveries and future interest and inflation factors. As in previous years, the directors consider that substantial prudential margins are required in addition to actuarial central estimates to cover uncertainties such as latency claims, changes in interest rates and superimposed inflation. For our Australian regulated entities, the APRA prudential standards require that outstanding claims must be set at a level that provides a probability of at least 75% that the provision for outstanding claims will be adequate to settle claims as they become payable in the future. The directors have satisfied themselves that the Group's outstanding claims provisions exceed this requirement.

Investment income increased 95% to $189 million. The improvement in equity markets more than offset lower interest yields and the impact of the stronger Australian dollar on the translation of overseas income. Investment income includes realised and unrealised equity gains of $15 million before tax compared with losses of $82 million for the same period last year.

The performance of our equity portfolios was satisfactory given the difficult market conditions. Our cash and fixed interest portfolios produced an annualised gross yield of 3.7% compared with 4.3% for the same period last year. The reduction in yield was due to lower interest rates in the US, the UK and Europe.

Income tax expense for the half year was 22% of pre tax profit, compared with 9% for the same period last year. Last year's tax expense benefited from higher profits in countries with lower tax rates, dividend rebates and the release of prior year provisions.

Rounding of amounts

The company is of a kind referred to in the Australian Securities and Investments Commission class order 98/0100 relating to the "rounding off" of amounts in the consolidated financial statements and report of the directors. Amounts have been rounded off in the financial report and the directors' report to the nearest million dollars in accordance with that class order.

Signed in SYDNEY this 19th day of August 2003 in accordance with a resolution of the directors.

EJ Cloney
Director

FM O'Halloran
Director

Consolidated statement of financial performance

for the half year ended 30 June 2003

	NOTE	2003 $M	2002 $M
Revenue			
Premium revenue		**3,882**	3,470
Other revenue		**793**	716
Unrealised gains on investments		**85**	–
	2	**4,760**	4,186
Expenses		**4,408**	3,954
Unrealised losses on investments		**–**	77
Borrowing costs expense		**39**	31
Profit from ordinary activities before income tax	3	**313**	124
Income tax expense attributable to profit from ordinary activities		**69**	11
Profit from ordinary activities after income tax		**244**	113
Net profit (loss) attributable to outside equity interests		**3**	(2)
Net profit attributable to members of the company		**241**	115
Net decrease in foreign currency translation reserve on translation of self-sustaining foreign operations		**97**	62
Total changes in equity other than those resulting from transactions with owners as owners		**144**	53

		CENTS	CENTS
Basic earnings per share	8	**37.3**	17.5
Diluted earnings per share	8	**36.3**	18.1

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2003

	NOTE	30 JUNE 2003 $M	31 DECEMBER 2002 $M	30 JUNE 2002 $M
CURRENT ASSETS				
Cash		**736**	502	665
Receivables		**4,157**	3,278	3,949
Reinsurance and other recoveries on outstanding claims		**889**	1,137	1,177
Deferred insurance costs		**1,620**	1,131	1,589
Investments		**5,377**	4,839	3,460
Tax assets		**30**	62	37
Other		**6**	28	4
TOTAL CURRENT ASSETS		**12,815**	10,977	10,881
NON-CURRENT ASSETS				
Reinsurance and other recoveries on outstanding claims		**2,400**	2,529	2,708
Investments		**5,382**	6,167	5,368
Plant and equipment		**116**	133	135
Intangibles		**502**	516	491
Deferred tax assets		**122**	146	219
Other		**95**	69	71
TOTAL NON-CURRENT ASSETS		**8,617**	9,560	8,992
TOTAL ASSETS		**21,432**	20,537	19,873
CURRENT LIABILITIES				
Trade and other creditors		**1,727**	1,101	968
Outstanding claims		**3,172**	3,511	3,411
Unearned premium		**3,861**	3,180	3,592
Borrowings		**53**	251	63
Tax liabilities		**82**	68	13
TOTAL CURRENT LIABILITIES		**8,895**	8,111	8,047
NON-CURRENT LIABILITIES				
Outstanding claims		**7,916**	8,149	7,910
Borrowings		**1,399**	1,205	970
Deferred tax liabilities		**78**	33	144
Provisions		**17**	18	17
TOTAL NON-CURRENT LIABILITIES		**9,410**	9,405	9,041
TOTAL LIABILITIES		**18,305**	17,516	17,088
NET ASSETS		**3,127**	3,021	2,785
EQUITY				
Share capital	6	**2,004**	1,926	1,829
Convertible preference shares		**274**	274	274
Equity component of hybrid securities		**59**	59	32
Reserves		**(107)**	(10)	(36)
Retained profits		**834**	705	621
EQUITY attributable to members of the company		**3,064**	2,954	2,720
OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES		**63**	67	65
TOTAL EQUITY		**3,127**	3,021	2,785

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the half year ended 30 June 2003

	2003 $M	2002 $M
OPERATING ACTIVITIES		
Premium received	**4,023**	3,696
Reinsurance and other recoveries received	**566**	655
Outwards reinsurance paid	**(1,233)**	(1,016)
Claims paid	**(1,929)**	(2,177)
Insurance costs paid	**(747)**	(743)
Other underwriting costs	**(155)**	(109)
Interest received	**211**	180
Dividends received	**26**	14
Other operating income	**7**	2
Other operating payments	**(9)**	(50)
Interest paid	**(28)**	(31)
Income taxes (paid) recovered	**(6)**	34
CASH FLOWS from operating activities	**726**	455
INVESTING ACTIVITIES		
Proceeds on sale of equity investments	**264**	377
Proceeds on sale of properties	**2**	5
Proceeds on sale of plant and equipment	**1**	1
Payments for purchase of equity investments	**(304)**	(576)
Proceeds from foreign exchange transactions	**125**	–
Proceeds from sale (payments for purchase) of other investments	**477**	(678)
Purchase of controlled entities (net of cash acquired)	**–**	60
Payments for purchase of properties	**–**	(4)
Payments for purchase of plant and equipment	**(15)**	(28)
CASH FLOWS from investing activities	**550**	(843)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	40
Proceeds from borrowings	**395**	698
Repayment of borrowings	**(218)**	(414)
Dividends paid	**(60)**	(52)
CASH FLOWS from financing activities	**117**	272
INCREASE (DECREASE) IN CASH HELD	**1,393**	(116)
Cash at the beginning of the half year	**4,294**	4,411
Effect of exchange rate changes on opening cash	**(533)**	(202)
CASH AT THE END OF THE HALF YEAR	**5,154**	4,093
Cash at the end of the half year comprises:		
Cash	**736**	665
Current term deposits and bills receivable	**4,418**	3,428
CASH AT THE END OF THE HALF YEAR	**5,154**	4,093

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

for the half year ended 30 June 2003

1. Basis of preparation of half year financial report

This general purpose consolidated financial report for the half year ended 30 June 2003 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. It is recommended that this report be read in conjunction with the annual report for the financial year ended 31 December 2002 and any public announcements made by QBE Insurance Group Limited and its controlled entities during the half year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

All accounting policies adopted are consistent with those of the previous financial year and corresponding half year.

2. Revenue

	2003 $M	2002 $M
Revenue from ordinary activities		
Premium revenue		
Direct	**2,728**	2,312
Inward reinsurance	**1,154**	1,158
	3,882	3,470
Outward reinsurance revenue		
Reinsurance and other recoveries	**562**	480
Investment revenue		
Investment income	**230**	209
Exchange gains	**1**	27
Unrealised gains on investments	**85**	–
	316	236
Total revenue	**4,760**	4,186

Notes to the consolidated financial statements

for the half year ended 30 June 2003

3. Profit from ordinary activities before income tax

	2003 $M	2002 $M
Gross written premium	4,821	4,332
Unearned premium movement	(939)	(862)
Gross earned premium	3,882	3,470
Outward reinsurance premium	1,104	1,137
Deferred reinsurance premium movement	(305)	(346)
Outward reinsurance premium expense	799	791
Net earned premium	3,083	2,679
Gross claims incurred	2,497	2,266
Claims settlement expenses	71	45
Reinsurance and other recoveries	(562)	(480)
Net claims incurred	2,006	1,831
Net commission	576	488
Other acquisition costs	195	177
Underwriting and other expenses	182	156
	2,959	2,652
UNDERWRITING PROFIT	124	27
Investment income on policyholders' funds	135	133
INSURANCE PROFIT	259	160
Investment income on shareholders' funds	54	(36)
PROFIT FROM ORDINARY ACTIVITIES before income tax	313	124

4. Dividends

	2003 $M	2002 $M
Final dividend paid on ordinary shares		
Franked at 30% – 2.22 cents (2002 2.025 cents)	14	12
Unfranked – 16.28 cents (2002 11.475 cents)	100	68
	114	80
Dividend reinvested under the Dividend Election Plan	(12)	(9)
Total dividend paid on ordinary shares	102	71
Preference dividend paid	10	12
Total dividend paid	112	83

The final dividend of $114 million for 2002 was paid on 11 April 2003. The directors have declared a 15% franked interim dividend of $133 million. The dividend is payable on 25 September 2003.

The company operates a Dividend Reinvestment Plan and a Dividend Election Plan, which allow shareholders to elect to take their dividend entitlement by way of shares at a 2.5% discount on the average market price calculated over the five trading days beginning on the first day of ex-dividend trading.

The last date for receipt of election notices applicable to the interim dividend is 1 September 2003 for the Dividend Reinvestment Plan and 18 August 2003 for the Dividend Election Plan.

Notes to the consolidated financial statements

for the half year ended 30 June 2003

5. Subordinated debt

In June 2003, the company issued US$250 million of subordinated debt with the following terms:

- A 20 year final maturity, redeemable at the company's option after 10 years.
- A fixed rate for the first 10 years and a floating rate thereafter.
- A semi-annual coupon of 5.647% per annum for the first 10 years, payable on 1 January and 1 July.
- The debt will rank equally with all other subordinated debt.

6. Issued ordinary share capital

	NUMBER OF SHARES 000	$M
Issued and fully paid at 31 December 2002	615,488	1,926
Shares issued under Employee Share and Option Plan	2,935	23
Employee options exercised	105	1
Shares issued under Dividend Reinvestment Plan	6,505	52
Shares issued under Dividend Election Plan	1,496	–
Vendor options exercised	251	2
Issued and fully paid at 30 June 2003	626,780	2,004

7. Contingent liabilities

	30 JUN 2003 $M	31 DEC 2002 $M
Letters of credit issued in support of the consolidated entity's participation in Lloyd's of London	**504**	794

A controlled entity has entered into a number of deeds of covenant in respect of its controlled entities to meet part of their obligations to Lloyd's of London. The total guarantee given under these deeds of covenant is $1,123 million ($1,106 million at 31 December 2002). The obligations under the deeds of covenant are secured by a fixed and floating charge over certain investments and other assets in favour of Lloyd's of London.

Notes to the consolidated financial statements

for the half year ended 30 June 2003

8. Earnings per share

	2003 CENTS	2002 CENTS
Basic earnings per share	**37.3**	17.5
Diluted earnings per share	**36.3**	18.1

	$M	$M
Reconciliation of earnings used in calculating earnings per share		
Net profit attributable to members of the company being earnings used in calculating diluted earnings per share	**241**	115
Less: dividends paid on mandatory convertible preference shares	**(10)**	(12)
Earnings used in calculating basic earnings per share	**231**	103

	MILLIONS	MILLIONS
Weighted average number of ordinary shares used as the denominator in calculating:		
Basic earnings per share	**620**	591
Diluted earnings per share	**664**	636

In accordance with Accounting Standard AASB 1027: Earnings per Share, the calculation of diluted earnings per share includes 35.9 million (2002 35.6 million) ordinary shares in respect of the mandatory convertible preference shares.

9. Segment information

	TOTAL ASSETS		TOTAL REVENUE		NET PROFIT AFTER TAX	
	2003 $M	2002 $M	2003 $M	2002 $M	2003 $M	2002 $M
Australian general insurance	**3,700**	3,281	**926**	805	**75**	42
Asia-Pacific general insurance	**1,192**	1,256	**307**	322	**9**	8
the Americas	**1,702**	1,474	**733**	505	**19**	10
European company operations	**6,087**	5,976	**1,428**	1,230	**66**	20
Lloyd's division	**8,751**	7,886	**1,366**	1,324	**72**	35
Total	**21,432**	19,873	**4,760**	4,186	**241**	115

Directors' declaration

The directors declare that the financial statements and notes set out on pages 16 to 22:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the consolidated entity's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the directors' opinion, the financial statements and notes are in accordance with the *Corporations Act 2001* and there are reasonable grounds to believe that QBE Insurance Group Limited will be able to pay its debts as and when they become due and payable.

Signed in SYDNEY this 19th day of August 2003 in accordance with a resolution of the directors.

EJ Cloney Director	FM O'Halloran Director

Independent review report

to the members of QBE Insurance Group Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of QBE Insurance Group Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the QBE Insurance Group (defined below) as at 30 June 2003 and of its performance for the half year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This statement must be read in conjunction with the rest of our review report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for the QBE Insurance Group (the consolidated entity) for the half year ended 30 June 2003. The consolidated entity comprises both QBE Insurance Group Limited (the company) and the entities it controlled during that half year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

We read the other information attached to the financial report to determine whether it contained any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and accordingly we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

JE Skinner
Partner

SYDNEY
19 August 2003

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