QBE INSURANCE GROUP LIMITED
RESULTS & OUTLOOK
for the half year ended 30 June 2002

28 August 2002

Highlights

results half year to 30 June 2002

- Net profit after tax $115 million (2001 : profit $122 million)
- Net profits affected by realised and unrealised losses on equities of $60 million after tax (2001: gains of $22 million)
- Record insurance profit (before tax) up 27% to $160 million or 6% of net earned premium (2001 : 5.5%)
- Interim dividend of 16.5 cents per share franked at 12%. Payout up 30% to $99 million
- Record cash flow from operations up from $110 million to $455 million

Highlights

results half year to 30 June 2002

- Gross earned premium up 15% to $3.5 billion
- Net earned premium up 18% to $2.7 billion
- Combined operating ratio (COR) reduced from 102.2% to 99.0% with improved results in all divisions
- Australia, Asia-Pacific and Lloyd's operations produced CORs less than 100% and insurance profits in excess of 7%
- QBE is a price setter for over 65% of business written. Average premium rate increases of over 20% achieved throughout the Group

QBE

Highlights

results half year to 30 June 2002

- Gross claims incurred ratio reduced from 81.3% to 66.6%. Net claims ratio reduced from 69.8% to 68.4%
- Reinsurance costs decreased from 24.3% to 22.8% of gross earned premium. Premium rate increases more than offset higher reinsurance costs
- Expense ratio unchanged at 12.4%. Includes all operating and corporate expenses, increase in Lloyd's levy and NSW Insurance Protection Tax
- Lower interest rates have reduced investment yields on insurance funds to 6.02% in the first half of 2001, 4.8% in the second half of 2001 and 4.1% this half year

QBE

Highlights

results half year to 30 June 2002

- Listed equities at 10.2% of total investments with 41% in Australian equities
- Estimate of loss from USA terrorist attacks remains unchanged at $252 million after tax
- Prudential margins included in outstanding claims are in excess of the Group’s benchmark of an 85% probability of adequacy
- Insurance liabilities include substantial allowances for large losses and catastrophes in the second half

Highlights

results half year to 30 June 2002

- Investment income before realised and unrealised losses on investments up 19% to $194 million
  (2001 : $163 million)
- Realised and unrealised losses on investments before tax of $97 million, mainly reflecting fall in equity markets (2001 : net gains $18 million)
- Income tax was 8.9% of pre-tax profit - higher profits in countries with lower tax rates, dividend rebates and over provision in prior years
- Strong capital adequacy - around 1.45 times new APRA minimum capital requirement

Highlights

results half year to 30 June 2002

- Profit after tax using the seven year spread basis of accounting was $195 million, compared with $138 million last year. This is the basis used for measurement of operational performance
- The seven year spread basis of accounting spreads realised and unrealised property and equity gains evenly over seven years to give better measurement of long term investment performance

Shareholder returns

half year to 30 June 2002

- Interim dividend 16.5¢ per share on increased share capital from placement and rights issue late in 2001
  (September 2001 : 16.5¢)
- Shares on issue 600 million (September 2001 : 459 million)
- Dividend payout $99 million, up 30%
- Dividend 12% franked
- Dividend reinvestment plans continue at 2.5% discount

Shareholder returns

half year to 30 June 2002

	2002	2001
Return on Equity : AASB 1023	8.6%	12.9%
ex equity gains/losses	13.1%	10.5%
Basic earnings per share	17.5 cents	24.8 cents
ex equity gains/losses	27.6 cents	19.8 cents

Worldwide operations

half year to 30 June 2002

	2002	2001
Gross written premium $M	4,332	3,795
Gross earned premium $M	3,470	3,005
Net earned premium $M	2,679	2,274
Claims ratio %	68.4	69.8
Commission ratio %	18.2	20.0
Expense ratio % *	12.4	12.4
Combined operating ratio %	99.0	102.2
Insurance profit $M **	160	126
Insurance profit % to NEP	6.0	5.5

* All underwriting expenses are allocated to the underwriting result

** Investment income is reported net of investment expenses

QBE

Worldwide operations

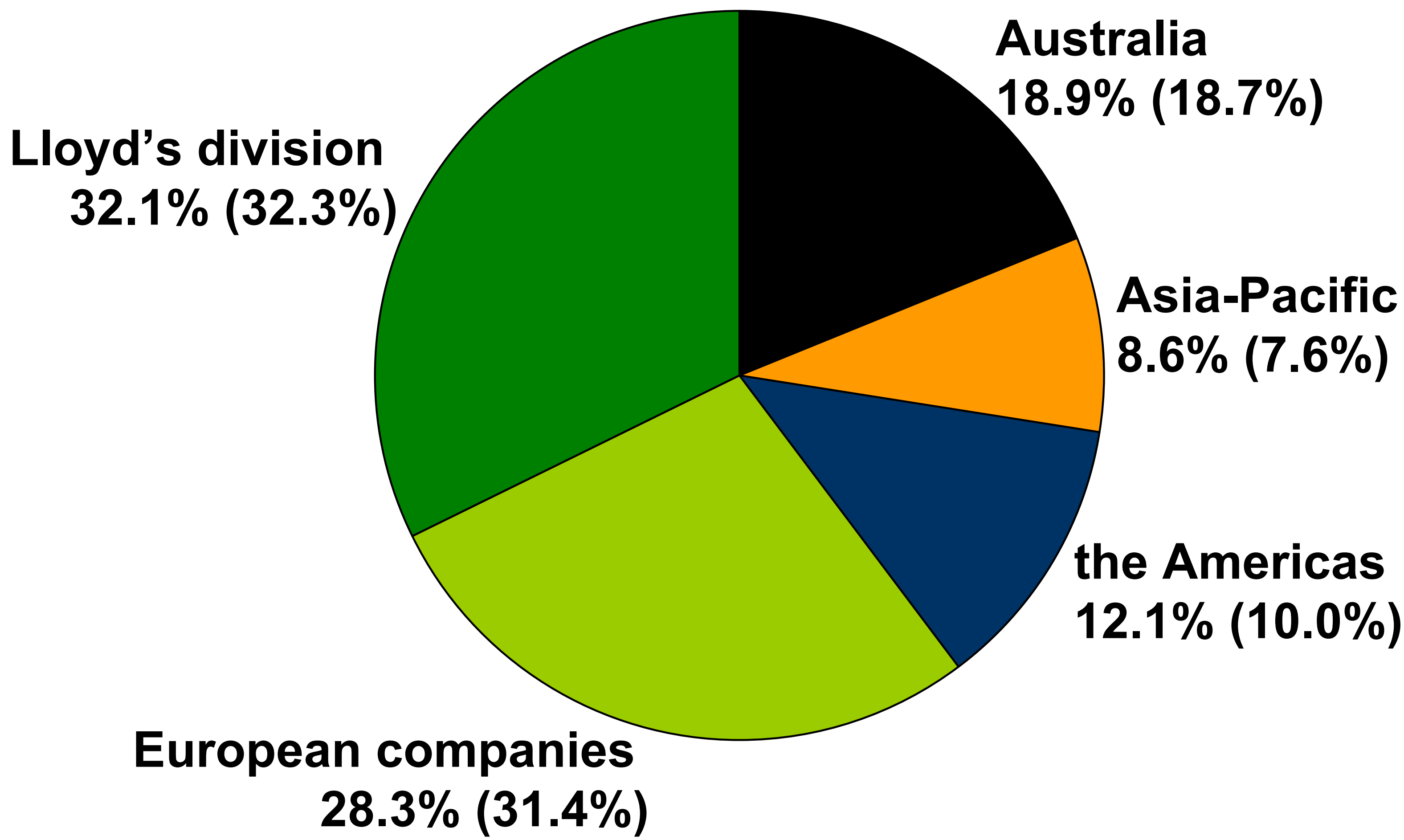
half year to 30 June 2002

	GEP 2002 $M	Growth %	COR 2002 %	COR 2001 %	Net profit after tax 2002 $M	Net profit after tax 2001 $M
Australia	670	20	98.6	100.5	42	45
Asia-Pacific	276	38	96.1	99.7	8	12
the Americas	414	44	100.0	102.6	10	11
European companies	1,009	(2)	100.5	104.7	20	33
Lloyd's division	1,101	18	98.1	101.1	35	21
Group	**3,470**	**15**	**99.0**	**102.2**	**115**	**122**
General insurance	2,312	11	97.7	100.3	81	91
Inward reinsurance	1,158	26	101.9	106.9	34	31
Group	**3,470**	**15**	**99.0**	**102.2**	**115**	**122**

Improved combined operating ratios in all divisions

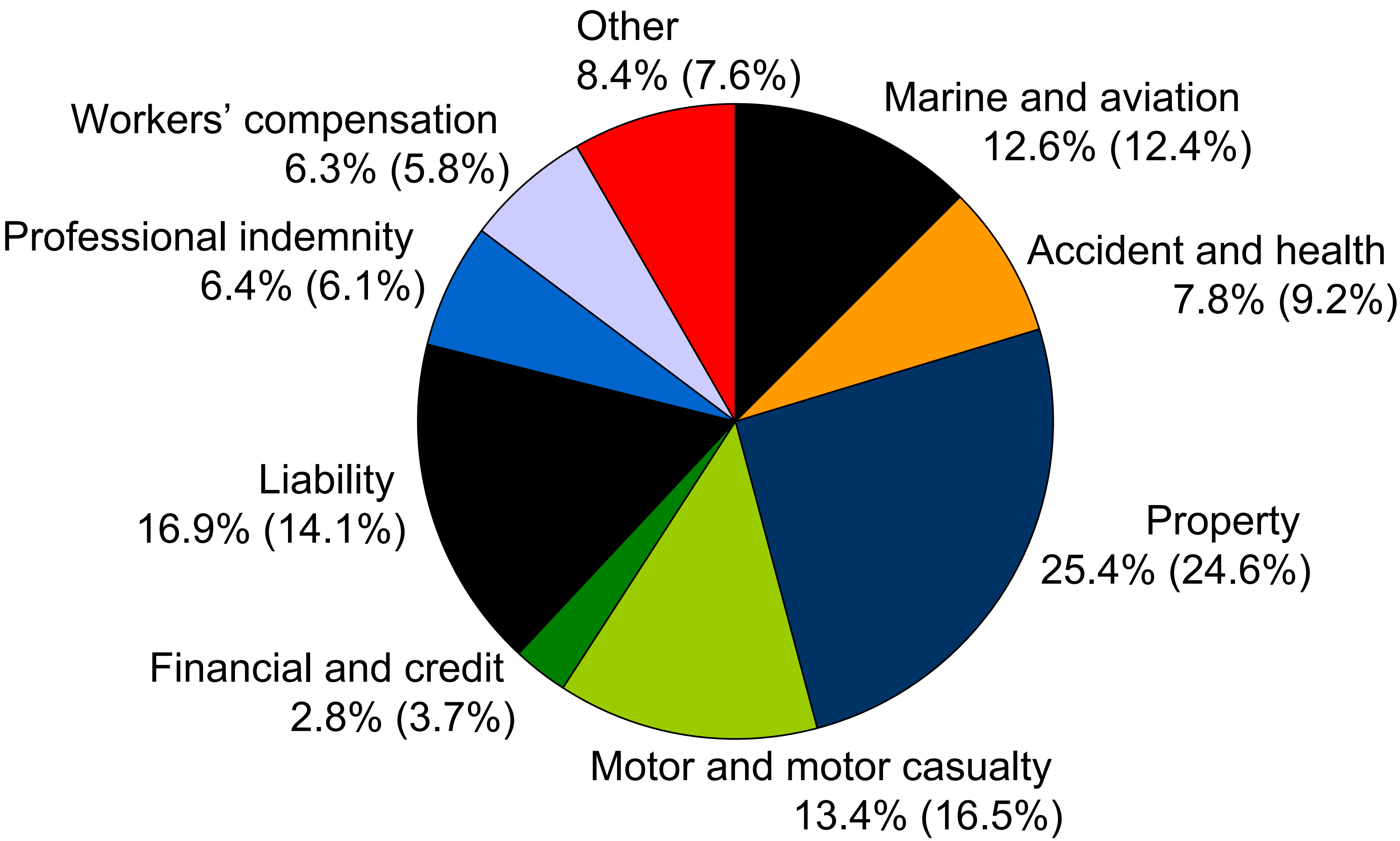
Geographical diversification

half year to 30 June 2002
gross earned premium %



Worldwide portfolio mix

half year to 30 June 2002
gross earned premium %



Group executive structure

half year to 30 June 2002

QBE GROUP BOARD

QBE HEAD OFFICE EXECUTIVE

FRANK O'HALLORAN
CEO

NEIL DRABSCH
CFO

GAYLE TOLLIFSON
Finance and Business Risks

DUNCAN RAMSAY
Company Secretary

PETER SMITH
Human Resources

OPERATIONS

RAYMOND JONES
Australian general insurance

VINCE MCLENAGHAN
Asia Pacific general insurance

TIM KENNY
the Americas

PAUL GLEN
European company operations

STEVEN BURNS
Lloyd's division

PETER GROVE
Underwriting Director

MARK TEN HOVE
Investments

Australian general insurance

half year to 30 June 2002

- Managing Director, Raymond Jones
- 16 years in the general insurance market
- General insurance operations throughout Australia
- Provides all major lines of insurance cover for personal and commercial risks
- Market leader in:
  - corporate and strata property
  - commercial packages
  - corporate liability
  - professional liability
  - aviation
  - trade credit
  - travel

Australian general insurance

half year to 30 June 2002

- GWP $730 million, up 19%, and GEP $670 million, up 20%
- Growth from strong retention of business, rate increases and new premium from acquisitions in 2001
- COR 98.6% (2001 : 100.5%)
- Corporate property and corporate liability results ahead of plan
- Excellent results from Western QBE and QBE Mercantile Mutual joint venture
- Other classes generally performing to expectation except for travel

Asia-Pacific general insurance

half year to 30 June 2002

- Managing Director, Vince McLenaghan
- 25 years experience in the insurance industry
- Operations in 18 countries with head office in Sydney - 14 in underwriting profit
- Provides personal and commercial insurance

Asia-Pacific general insurance

half year to 30 June 2002

- Relationship with all major brokers and over 5,000 agencies
- Number 1 in PNG, Fiji, Solomon Islands and Vanuatu
- Number 4 in NZ and market leader in professional liability, general liability, corporate property, trade credit and marine cargo
- In top 6 in Singapore, French Polynesia, New Caledonia, Hong Kong, Guam and Macau

Asia-Pacific general insurance

half year to 30 June 2002

- GWP $296 million, up 41%, and GEP $276 million, up 38%
- Growth from acquisitions in NZ, Singapore and PNG last year, as well as 2002 acquisitions in Indonesia and Malaysia
- COR 96.1% (2001 : 99.7%)
- Results benefited from premium rate increases, improvements in commission costs and expense savings from integration synergies
- Claims ratio increased from 50.2% to 54.4% due to flood losses in Indonesia, earthquake losses in Vanuatu and change in business mix

the Americas

half year to 30 June 2002

- President, Tim Kenny
- 20 years experience in the insurance industry
- Reinsurance and general insurance business in the Americas with a focus on health, property and medium tail casualty lines of business
- Based in New York. Offices in Argentina, Brazil, Panama, Mexico, Venezuela and Peru
- General insurance in US through 13 managing agents with profitable track records

the Americas

half year to 30 June 2002

- GWP $494 million, up 47%, and GEP $414 million, up 44%
- Premium growth due to rate increases, new agency business and acquisitions made in 2001
- Written premium is 46% general insurance and 54% reinsurance
- COR 100.0% (2001 : 102.6%)
- Deterioration in prior year claims provisions on some portfolios, offset by profitable 2002 business
- Result reflects management's continued focus on profitable portfolios and improved market conditions

European company operations

half year to 30 June 2002

- Managing Director, Paul Glen
- Over 12 years experience in the life and non life insurance markets
- Diversified insurance and reinsurance operations in the UK, Ireland, France, Australasia and six countries in Central and Eastern Europe
- Structured into five business divisions - treaty (reinsurance), major risks (insurance), financial risks, Central and Eastern Europe and Garwyn (loss adjusting)

European company operations

half year to 30 June 2002

- GWP $1,208 million, down 6%, and GEP $1,009 million, down 2%
- Decrease reflects portfolio restructuring last year, offset by substantial premium rate increases
- COR 100.5% (2001 : 104.7%)
- Written premium is 55% general insurance and 45% reinsurance
- Unprofitable portfolios cancelled and aggregate exposures reduced. 2002 underwriting results offset by prior year treaty reinsurance deterioration
- Commission ratio 13.4% (2001 : 17.9%) due to improved terms and changed business mix

Lloyd's division

half year to 30 June 2002

- Chief Executive Officer, Steven Burns
- Over 20 years experience in the Lloyd's and London insurance markets and appointed member of Lloyd's Prudential Supervisory Committee
- Diversified general insurance and reinsurance business in the Lloyd's market
- Managing agent for five active syndicates representing approximately 7% of the Lloyd's market

Lloyd's division

half year to 30 June 2002

Syndicate	Total Capacity A$m	QBE share %	Type of business
386 *	950	40	Non-marine liability (ex US)
566	490	100	Property & aviation reinsurance
1036	204	100	Direct marine & energy
2000/2999	394	100	Non-marine property & liability
2724/2999	354	100	Direct marine & energy

* QBE to support immediate growth needs of 386 by increasing share of underwriting capacity to 48% for the rest of 2002

Lloyd's division

half year to 30 June 2002

- GWP $1,604 million, up 19%, and GEP $1,101 million, up 18%
- Growth as a result of significant rate increases and QBE's increased share of Limit syndicates
- COR 98.1% (2001 : 101.1%)
- Results reflect positive market conditions and actions taken on unprofitable business
- Expense ratio 10.7% (2001 : 9.7%) reflects additional Lloyd's levy, partly offset by lower IT expenses deferred to 2003
- Market leader on over 80% of business written

Investments

half year to 30 June 2002

- Group General Manager, Mark ten Hove
- Over seventeen years experience in international funds' management
- Bob Owen heads up the funds management team - 28 years experience in the financial markets
- Chris Zwolinski heads up Group Treasury - 23 years experience in banking and corporate treasury

Investments

half year to 30 June 2002

- Investment income before realised and unrealised losses up 19% to $194 million
- Equities portfolio split 41% Australian dollars, 33% Sterling, 14% US dollars and 12% other currencies
- Strong performance from cash and fixed interest, gross yield of 4.6%
- Net realised and unrealised losses $97 million before tax (2001 : $18 million gains), mainly reflecting the recent downturn in equity markets

Investments

half year to 30 June 2002

- Low exposure to listed equities at 10.2% of total investments and cash, with 41% of total equities in Australian companies
- No investment exposure to recent corporate collapses in USA and Australia
- Equity collars expired in May 2002 - not replaced due to pricing constraints
- Weighted average duration of quality fixed interest securities is around 1.45 years (December 2001 : 1.1 years)
- 98% of investments are liquid

Increase in net invested funds

half year to 30 June 2002

	$M
Cash flow from operations	455
New funds from acquisitions	5
Lloyd's reinsurance to close	32
Subtotal	492
Capital raising	40
Stronger A$	(408)
Dividends paid	(52)
Other	(22)
Total increase in invested funds *	**50**

* Net of $32 million representing the equity component of hybrid securities

Net invested funds

	30 June 2002		31 December 2001	
	$M	%	$M	%
Equities *	1,078	11.4	977	10.6
Cash (net of overdrafts)	665	7.0	459	5.0
Short-term deposits	2,785	29.4	3,295	35.9
Other interest bearing securities	4,833	51.1	4,346	47.3
Property	100	1.1	106	1.2
Investments and cash	9,461	100.0	9,183	100.0
Borrowings	(1,033)		(838)	
Net invested funds	**8,428**		**8,345**	

* Listed equities comprise 10.2% of total investments and cash

Borrowings

- Borrowings increased from $838 million at 31 December to $1,033 million
- LYONs™ debt raising of US$298 million undertaken to reduce costs of borrowing in current low interest rate environment
- Interest expense $31 million (2001: $38 million)
- Weighted average interest rate 5.2%

  (December 2001 : 7.0%)
- Accounting standards require $32 million of LYONs™ to be included as equity

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Capital

- Shareholders' funds $2,720 million, up 4% since 31 December 2001
- Standard & Poor's A+ rating reaffirmed
- Solvency
  - at market value 45.5% (December 2001 : 47.4%)
  - including subordinated debt as equity 52.9% (December 2001 : 55.7%)

Market conditions

half year to 30 June 2002

- Substantial premium rate increases across most lines of business
- Tightening of policy wordings and increased deductibles for commercial lines contracts
- Reduced reinsurance cover and capacity
- Terrorism exclusions from 1 January 2002
- More regulation - increased costs of compliance

Market conditions - QBE

- Pre 2002 reinsurance contracts exposed to terrorism until expiry, exposure limited - will be negligible by year end
- Terrorism cover provided where legislated or reinsurance cover available
- QBE, as a market leader in many of the countries in which it operates, is well placed to benefit from the current environment

Market conditions - QBE

- Overall rate increases in excess of 20%
- Over $1 billion of unprofitable business cancelled in the 18 months to end of 2001
- More robust disaster scenarios and aggregate methodology
- Reduced risk profile including less retrocession and proportional reinsurance exposure

Employee share options

- Approximately 7 million options issued to management and staff over the past 5 years are still outstanding
- Large percentage out of the money post 11 September due to fixed hurdle criteria
- Majority of options held by overseas staff
- Options issued under 2001 and subsequent incentive schemes are as a reward for past performance, as an incentive to stay and are issued at market value
- Impact on profit not material

Outlook

subject to the usual caveats

- Expect to achieve 2002 premium targets of $7.4 billion GWP and $5.5 billion NEP
- On track to achieve previously announced insurance profit range of 6.0% to 6.5% of net earned premium for 2002
- Profit in second half should exceed profit in first half
- Benefit of premium rate increases to date likely to flow through to earnings in the second half and 2003

Outlook

subject to the usual caveats

- Further premium rate increases expected, albeit at a lower rate, in 2003
- Acquisition activity likely to increase in 2003
- Retention of existing customers increasing across the Group
- Organic growth higher than past four years due to market conditions

Outlook

subject to the usual caveats

- Further expense efficiencies likely to be offset by increased compliance costs, additional Lloyd’s levy, NSW Insurance Protection Tax, higher staff superannuation contributions and higher incentive payments
- Retained profits and increased long term debt to support expected growth for 2003
- Strong cash flow expected to continue in second half

Outlook

subject to the usual caveats

- Improved investment yields over next 12 months
- Total investment portfolio likely to be in excess of $10 billion at end of 2002, increasing to over $11 billion at end of 2003
- Increased investment portfolio due to Limit reinsurance to close for 2000 and 2001 and strong cash flow
- Conservative investment policy will continue
- Borrowings and long term debt could increase to $1.35 billion to strengthen the balance sheet including taking opportunities to reduce borrowing costs in the current low interest rate environment

Outlook

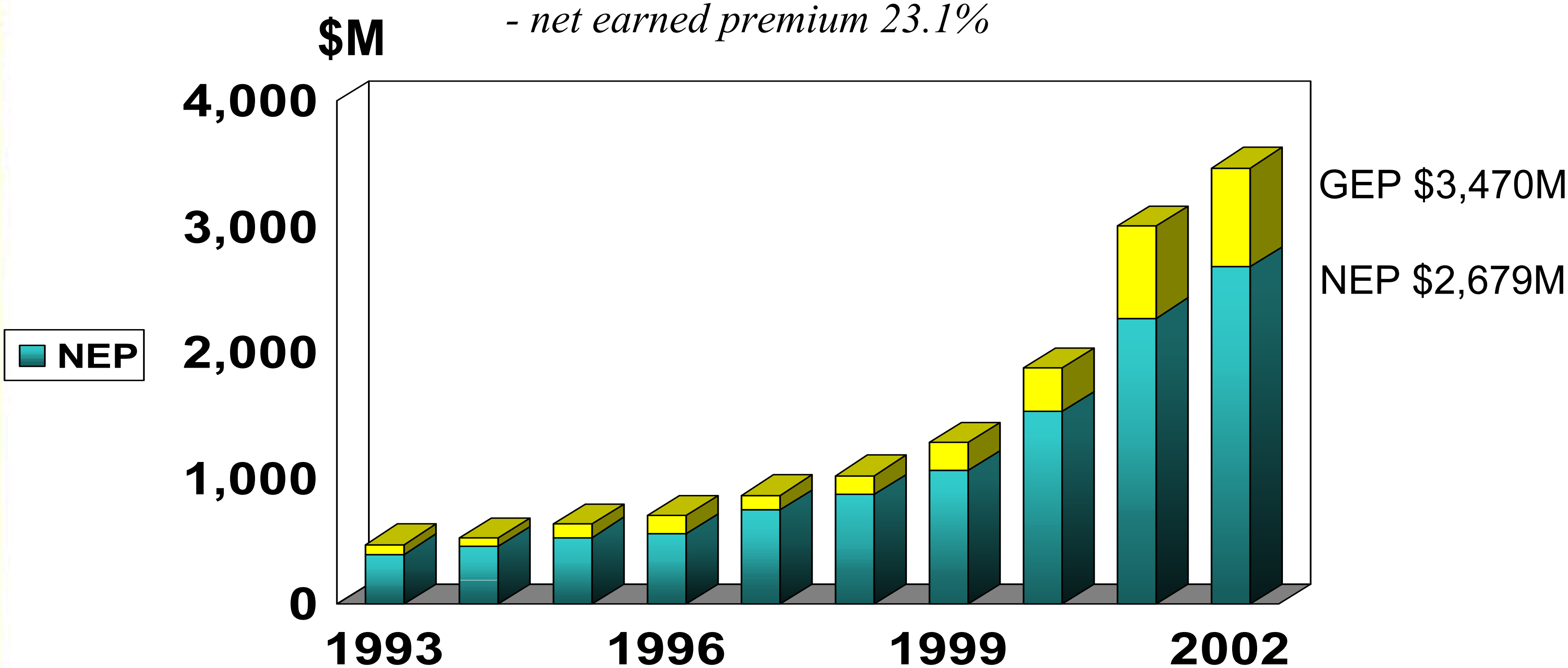
subject to the usual caveats

	2002 premium forecast	
	GWP	NEP
	$b	$b
Australian general insurance	1.5	1.2
Asia-Pacific general insurance	0.6	0.5
the Americas	1.1	0.7
European company operations	2.0	1.4
Lloyd's division	2.2	1.7
Total QBE Group	**7.4**	**5.5**

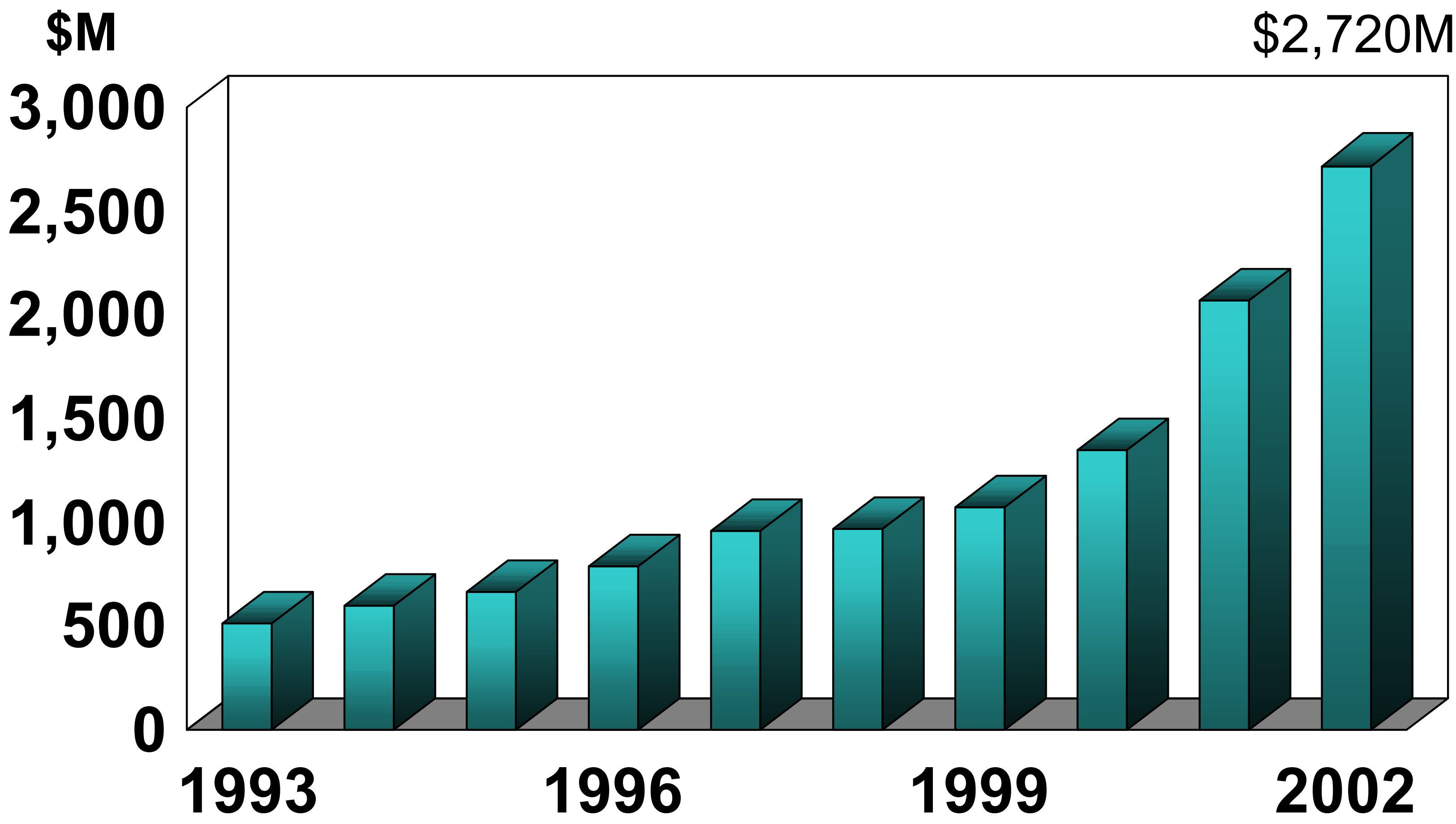
History of growth

half year to 30 June 2002
gross earned premium

Compound average growth rates over last 10 years:
- gross earned premium 24.1%
- net earned premium 23.1%

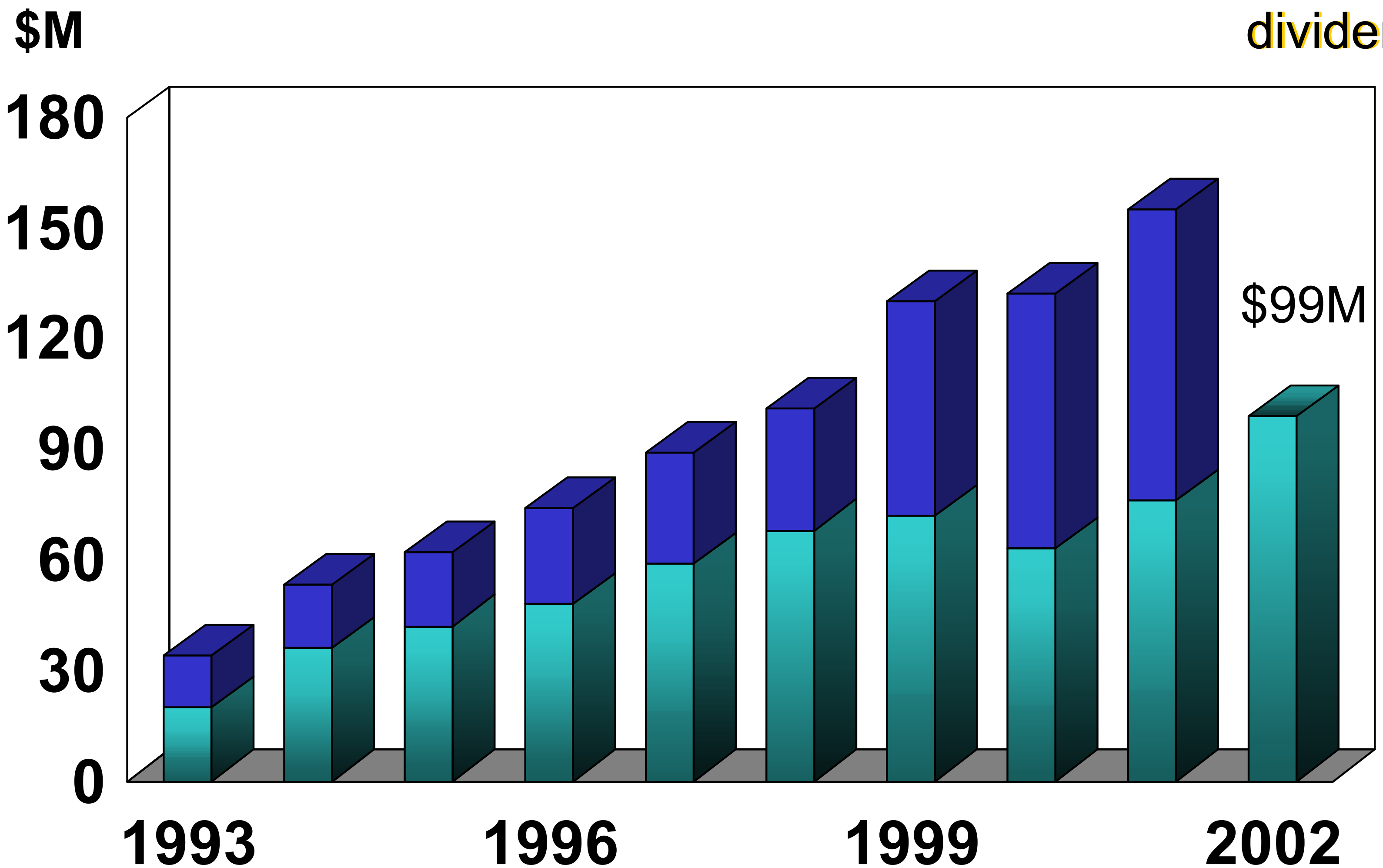


History of growth
shareholders' funds



History of growth

half year to 30 June 2002
dividends



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