QBE

QBE INSURANCE GROUP LIMITED
ABN 28 008 485 014

Head Office
82 Pitt Street
Sydney NSW 2000
AUSTRALIA

Postal Address
GPO Box 82
Sydney NSW 2001
AUSTRALIA

Telephone: +61 (2) 9375 4444
Facsimile: +61 (2) 9231 6104
DX 10171 Sydney Stock Exchange

20 August 2009

The Manager
Company Announcements
ASX Limited
Level 6
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

re: QBE results for the half year ended 30 June 2009

Further to the Company's release to the market today, please find attached a copy of the slide presentation to be delivered to analysts, brokers and institutional investors.

Yours faithfully,

D Ramsay

Duncan Ramsay
Company Secretary

Enc.

QBE INSURANCE GROUP

2009 Half Year Results Announcement

Presented by: Frank O'Halloran, CEO QBE Insurance Group Ltd, 20 August 2009

All amounts in Australian dollars unless otherwise stated.

Overview: key takeaway messages

- Record first half year profit after tax
- Premium rates improved in all major markets
- Premium growth in original currency on track
- Solid investment returns despite market volatility
- Benefit of agency acquisitions reflected in lower acquisition cost ratios
- Increased risk margins in outstanding claims and improved probability of adequacy
- Lower releases from prior year claims provisions compared with 1H 2008
- Capital adequacy stable with substantial flexibility for debt funding

Overview: key takeaway messages

- Continued claims related to GFC from trade credit and other credit related insurance portfolios
- S&P recent extensive review
  - upgraded holding company credit rating to A stable outlook
  - main insurance subsidiaries, financial strength rating of A+ stable outlook confirmed
  - QBE LMI AA- rating; outlook upgraded from negative to stable
- Cash flow from operations strong – slightly lower than 2008 due to tax payments and operational FX hedging
- Large majority of products and businesses meeting minimum ROE hurdles of 15%
- QBE LMI results exceeding targets and Australian housing market conditions improving
- Responded to market requests for increased disclosure with more to come at year end

Financial results on track

	2009 FY Target		2009 1H Actual	1H 2008 Comparative
Profit after tax	Greater than 2008	✓	+19% to $1.02bn	$0.86bn
Insurance profit margin	16% to 18%	✓	17.5%	21.8%
Combined operating ratio	Less than 88%	×	89.3%	85.8%
GWP and NEP increase	Greater than 20%	✓	22% and 21%	1% and 8%
Reinsurance expense ratio (to GEP)	Less than 13%	×	13.1%	14.3%
Combined commission & expense ratio	Less than 29.0%	✓	28.5%	31.1%
Tax rate	Around 24%	✓	19%	21%
Gross investment yield	Around 3%	✓	3.3%	4.3%
Group capital adequacy multiple	Greater than 1.5x	✓	1.7x	1.7x(1)

(1) year ended 31 Dec 2008

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GFC impact on net profit before tax

	2009 1H $m	2008 1H $m
Base net profit before tax	**1,318**	**1,173**
Credit related claims[1]	(145)	–
Net realised and unrealised equity losses	(144)	(86)
Lower cash and fixed interest yields	(115)	–
FX gains	282	8
Profit on repurchase of QBE debt securities	66	–
Reported net profit before tax	**1,262**	**1,095**

(1) $284 million claims provisions held including 44% IBNR (31 Dec 2008: $200 million and 57% IBNR)

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Operational performance goals in line with plans

- Customer retention remains high on quality renewal business ✓
- Premium rate increases of 4% in line with expected increase for the full year ✓
- Contributions from 2008 acquisitions tracking on target in local currency ✓
- Surplus regulatory capital over MCR of $3 billion to fund acquisitions of a further $1 billion in GWP by year end ✓
- Target acquisitions which meet our stringent criteria – minimum 15% ROE and EPS accretive in year 1 ✓
- Extend OPENUPQBE programmes to maintain unique culture and management style ✓

Top line up 22% assisted by FX

Reconciliation of gross written premium movements	2009 1H	2008 1H
Prior period GWP	6,603	6,520
FX impact	1,105	(617)
Acquisitions	264	760
Impact of rates & business gained/(lost)	85	(60)
Actual GWP	**8,057**	**6,603**

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Volatile exchange rate movements

	Cumulative average rate of exchange for the period to			Closing rate of exchange as at		
	30 June 2009	**30 June 2008**	**Movement* %**	**30 June 2009**	**31 Dec 2008**	**Movement %**
USD	70.8	92.4	**(23.4)**	80.7	70.2	**15.0**
Sterling	47.4	46.5	**1.9**	49.0	48.1	**1.9**
Euro	52.9	60.3	**(12.3)**	57.5	50.2	**14.5**

* Movements in brackets indicate a weaker Australian $

Underwriting result analysis

	2009 1H $m	Ratio to NEP	2008 1H $m	Ratio to NEP
Attritional underwriting profit	1,276	20.6%	1,130	22.1%
Large individual and catastrophe claims	(512)	(8.3%)	(434)	(8.5%)
GFC claims	(145)	(2.3%)	–	–
(Increase)/decrease in risk margins	(115)	(1.9%)	13	0.2%
Agency profits	160	2.6%	18	0.4%
Reported underwriting profit	**664**	**10.7%**	**727**	14.2%

Claims incurred: impacted by GFC and increased risk margins

Analysis of net claims ratio	Target 2009 FY %	2009 1H %	2008 1H	2008 FY %	2007 FY %	2006 FY %
Attritional	49.0	48.3	46.4	47.5	47.7	47.4
Large and catastrophe	10.0	8.3	8.5	8.4	6.6	8.9
GFC claims	-	2.3	-	1.8	-	-
Risk margin adjustment	-	1.9	(0.2)	(0.1)	0.1	1.4
Net claims ratio	**59.0**	**60.8**	**54.7**	**57.6**	**54.4**	**57.7**

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Claims development: prior years release reinvested in current year

	30 June 2009 $m	30 June 2008 $m
Current accident year (including risk margins)[1]	3,988	3,158
Prior accident years[2]	(230)	(368)
Total net discounted claims incurred	**3,758**	**2,790**

(1) 2009 Current year includes $310 million of net additional risk margins (2008: $258 million)

(2) 2009 Prior year includes $35 million central estimate release and $195 million risk margin release (2008: Prior year includes $97 million and $271 million respectively)

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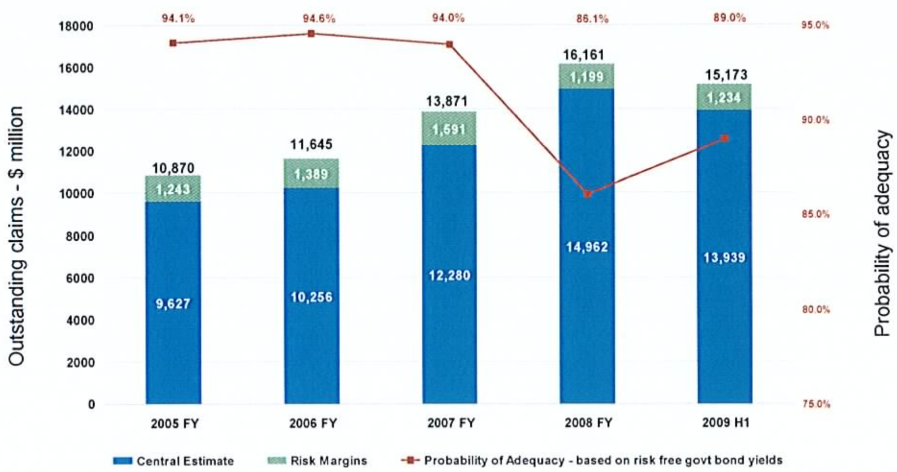
Agencies profit before tax: contribution to underwriting profit

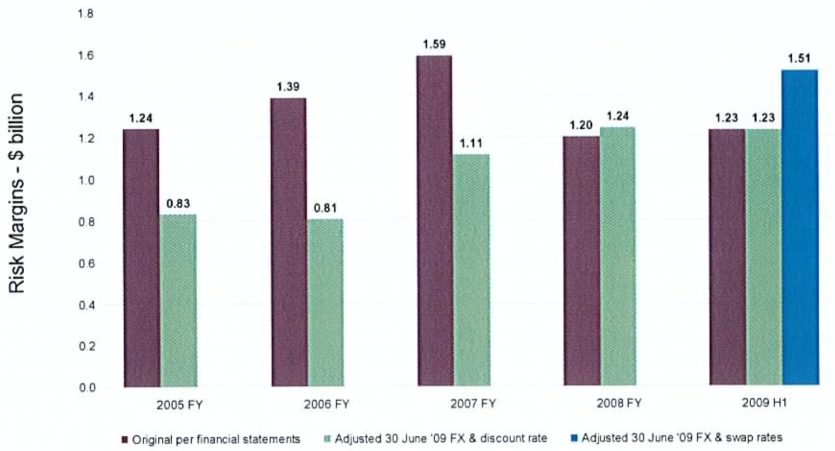
	30 June 2009 $m	COR impact	30 June 2008 $m	COR impact	31 Dec 2008 $m	COR impact
Australia	18	0.3%	9	0.2%	32	0.3%
The Americas	142	2.3%	9	0.2%	41	0.4%
Total agency contribution[1]	**160**	**2.6%**	**18**	**0.4%**	**73**	**0.7%**
Acquisition cost[2] to date	**$1,448**		**$275**		**$1,448**	
Pre-tax return on investment	**22%**		**13%**		**21%[3]**	

(1) Excluding insurance profit on new business written
(2) Excludes contingent consideration
(3) Weighted contribution on time basis

Outstanding claims provisions: risk margins strengthened in 1H 2009



Risk margins: restated for comparison and sensitivity to FX and discount rates



Adopting swap rates improves PoA to 93.4%

Investment yields: impacted by GFC

	30 June 2009			
	Policyholders' funds $m	Shareholders' funds $m	Total $m	30 June 2008 $m
Equity income	–	(114)	(114)	(53)
Fixed interest income	392	149	541	563
Property and other income	5	9	14	3
Gross investment income	397	44	441	513
Gross investment yield	4.3%	1.0%	3.3%	4.3%
Foreign exchange gains	36	246	282	8
Borrowing costs	–	(114)	(114)	(114)
Repurchase of debt securities	–	66	66	–
Other (including net cost of ABCs)	(17)	(23)	(40)	(28)
Total	**416**	**219**	**635**	**379**
Net investment yield	4.5%	7.7%	5.3%	3.7%

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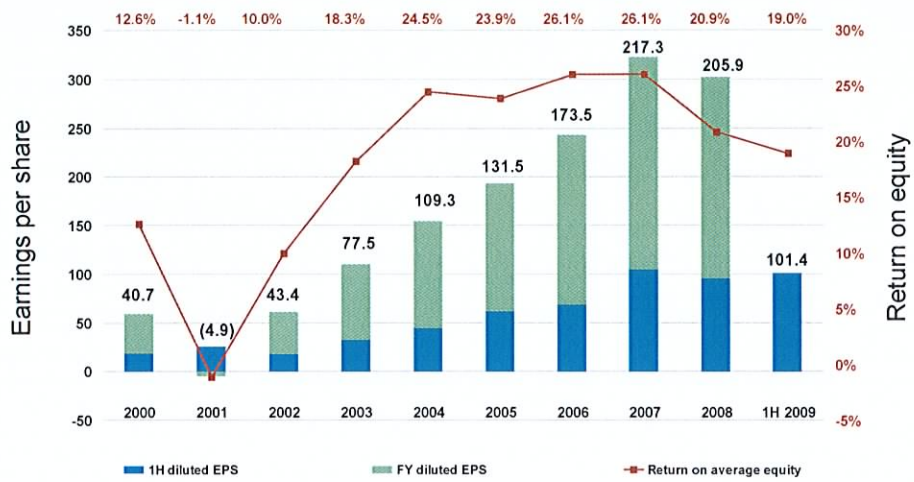
- Gross investment yield of 3.3% exceeds our target of 3%
- Loss on equities includes $142 million cost of hedging to protect capital levels in regulated subsidiary entities
- All equities and properties held for shareholders' funds
- Cash and fixed interest income split based on the ratio of average policyholder' funds to average shareholders' funds
- FX gains for policyholders' funds represent the result of operational hedges

Investments: low risk and high quality portfolio

- Continued low risk strategy
- Increased exposure to high quality corporate bonds to 30% of cash and fixed interest
- Average duration of cash and fixed interest portfolio 0.6 yrs
- 84% rated Moody's Aa3 or better (31 Dec: 94%) due to higher exposure to corporate FRNs and a downgrade of some large banks
- Zero permanent impairment on cash and fixed interest investments
- Benefited from one off gains of $66 million on repurchase of QBE debt securities and foreign exchange gains of $282 million
- Equity exposure 5.5% of total investments and cash – currently unhedged
- Official interest rates at lowest level for nearly 50 years

Shareholder returns



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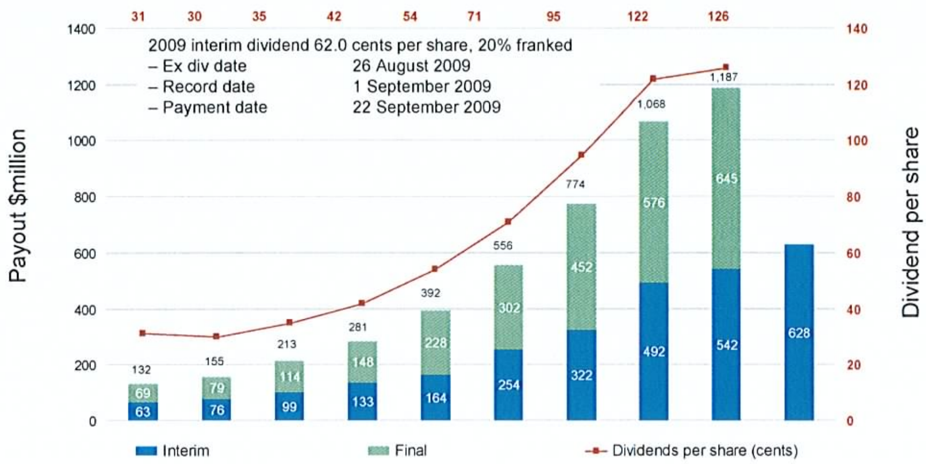
Dividend performance



Australia: excellent technical result despite trade credit loss

First Half		2009	2008
Gross written premium	$m	1,630	1,480
Gross earned premium	$m	1,542	1,352
Net earned premium	$m	1,288	1,131
Claims ratio	%	58.5	54.9
Commission ratio	%	11.4	12.8
Expense ratio	%	17.8	14.4
Combined operating ratio	**%**	**87.7**	**82.1**
Insurance margin	**%**	**22.4**	**28.5**

- Strong premium growth aided by agency and LMI acquisitions
- Overall average rate increases of 6% on renewal business
- Householders', farm and motor portfolios impacted by bushfire and weather events
- Trade credit underwriting loss of $68 million
- Lower contribution from managed workers' compensation funds
- New Elders acquisition to build on rural distribution footprint

QBE Lenders' Mortgage Insurance: exceeding targets

First half		2009
Gross written premium	$m	106
Gross earned premium	$m	140
Net earned premium	$m	131
Claims ratio	%	32.8
Commission ratio	%	3.1
Expense ratio	%	18.3
Combined operating ratio	**%**	**54.2**

- No release of total risk margins
- Top line ahead of plan – firming market conditions
- COR of 54.2% - tracking well and exceeding expectations
- Claims severity 21.1% (31 Dec 08: 23.0%)
- 60 day delinquency rate 0.52% (31 Dec 2008: 0.49%)
- S&P AA- rating; outlook upgraded from negative to stable
- Australian economic outlook – positive GDP growth forecast for 2009
- BIS Shrapnel forecast sustained recovery in residential property markets

Asia Pacific: solid organic growth

First Half		2009	2008
Gross written premium	$m	363	303
Gross earned premium	$m	346	291
Net earned premium	$m	246	207
Claims ratio	%	48.4	43.9
Commission ratio	%	21.1	20.8
Expense ratio	%	19.5	21.3
Combined operating ratio	**%**	**89.0**	**86.0**
Insurance margin	**%**	**15.0**	**21.3**

- Overall premium rates on renewed business increased by 1%
- Premium growth in original currencies up 5%
- A number of large risk and catastrophe claims in the period
- India joint venture commenced writing business

European operations: continuing strong technical results

First Half		2009	2008
Gross written premium	$m	3,147	2,672
Gross earned premium	$m	2,545	2,211
Net earned premium	$m	1,680	1,567
Claims ratio	%	62.7	51.8
Commission ratio	%	16.8	16.3
Expense ratio	%	10.4	15.5
Combined operating ratio	**%**	**89.9**	**83.6**
Insurance margin	**%**	**17.9**	**24.6**

- Premium growth benefited from stronger US dollar
- Overall premium rate increase of 4.5% on renewed business
- Increased attritional, GFC and large individual risk claims
- Now reporting on an integrated basis – managed by product lines, not entity
- Lower profit earn out from prior years
- Underwriting profits ahead of plan for casualty, reinsurance, commercial motor and marine/energy

the Americas: excellent results reflect benefits from acquired agencies

First Half		2009	2008
Gross written premium	$m	2,917	2,148
Gross earned premium	$m	2,685	2,104
Net earned premium	$m	1,739	1,469
Claims ratio	%	59.3	57.3
Commission ratio	%	15.3	19.3
Expense ratio	%	12.0	14.6
Combined operating ratio	**%**	**86.6**	**91.2**
Insurance margin	**%**	**18.3**	**14.2**

- GWP growth in local currency, up 4% to US$2,065 million
- 1.5% premium rate increases on renewed business
- Agencies contributed $142 million underwriting profit (2008: $9 million)
- Competition strong – maintaining stance on premium rates and focus on profit targets
- Lower releases from prior year claims reserves
- Lower attritional claims ratios from actions taken on speciality and acquired regional portfolios

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Equator Re: captive reinsurer

First Half		2009	2008
Gross written premium	$m	1,718	1,038
Gross earned premium	$m	1,262	763
Net earned premium	$m	1,233	734
Claims ratio	%	64.8	58.2
Commission ratio	%	24.7	20.8
Expense ratio	%	4.3	6.3
Combined operating ratio	**%**	**93.8**	**85.3**
Insurance margin	**%**	**10.9**	**21.4**

- Assists in managing retentions throughout the Group and to optimise regulatory capital levels
- Premium growth due to increased quota share participations
- Increased level of large individual risk and catastrophe claims and higher risk margins
- Shareholders' funds in excess of $1.2 billion and S&P A+ financial strength rating confirmed

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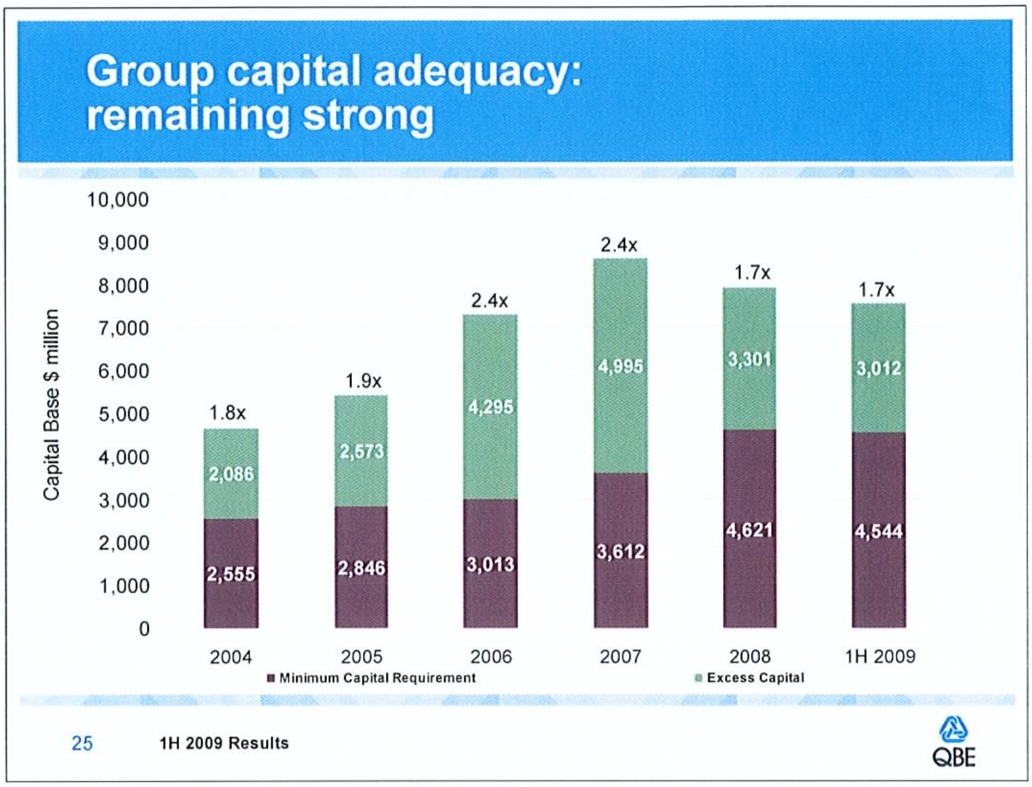

Points of interest on regulatory capital

- $1.45 billion spent on underwriting agencies since 2007 is not included in capital for regulatory purposes
- $587 million of hybrid securities that can be converted by QBE in May 2010 is not included in capital for regulatory purposes
- Intangible assets are net of contingent consideration for underwriting agencies of $534 million
- $1.1 billion of tier 1 and 2 debt repurchased in past 12 months with a net reduction of QBE's capital base of $0.8 billion or approximately 0.17x MCR
- The unwind of hedging of overseas shareholders' funds stabilised MCR multiple in the period
- The MCR multiple is sensitive to the movement in interest rates with a 1% increase in the discount on insurance liabilities improving the MCR by 0.06x to 1.72x
- Ongoing consultation on detailed implementation of new APRA regulations introduced 31 March 2009

Borrowings: lower debt/equity ratio

	30 June 2009	31 Dec 2008
Repayment profile [1]	$m	$m
Less than 1 year [2]	1,383	1,120
1 – 5 years	1,269	1,333
More than 5 years	343	1,213
Total	**2,995**	**3,666**
Debt/equity ratio	29.3%	32.9%

- Weighted average cost of borrowings 6.6% (31 Dec 2008: 6.5%)
- Movement for the period:
  - repayment of $301 million of short term loans
  - repurchase of $175 million of QBE debt securities
  - FX restatement $226 million
- Low debt/equity ratios provide capacity and flexibility to add further borrowings
- $138 million SCS hybrid securities were converted post balance date

(1) assuming settled at first call date

(2) includes $587 million of securities convertible to ordinary shares at company's option in May 2010

Elders Insurance and agency acquisition

- Long term regional/rural insurer and agency distribution – over 400 outlets in Australia
- Includes Elders Insurance, Elders Insurance Agency and the insurance distribution arm of Elders Rural Services
- Cost $270 million with NTA of $105 million
- Implied valuation - insurance company valued at 1.3x book and agency valued at 8 times profit after tax
- Provides QBE additional $420 million GWP (annualised)
- Projected profit after tax of $30 million in 2010 and in excess of $50 million in 2011
- Enhances existing QBE distribution
- Provides opportunity to distribute other QBE products
- QBE to subscribe for 12% or 112.5 million of Elders shares at a cost of $45 million to support distribution and align business interests
- Settlement of acquisition expected on or before 30 September 2009 subject to regulatory approvals, final due diligence and definitive contracts

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Premium outlook 2009: on track in local currency

	Original GWP – local currency bn	Revised GWP – local currency bn	Original GWP A$ bn	Revised GWP A$ bn (1)	Forecast NEP A$ bn
Australia	A$3.3	A$3.4	3.3	**3.4**	**2.7**
Asia Pacific	A$0.8	A$0.8	0.8	**0.8**	**0.5**
Europe	£2.65	£2.60	5.9	**5.4**	**3.5**
The Americas	US$4.2	US$4.2	6.2	**5.5**	**3.4**
Equator Re	–	–	–	**–**	**2.4**
			16.2	**15.1**	**12.5**

(1) assumes cumulative average rate at year end A$ = US$0.76 cents and £0.48 pence
(2) 1H GWP and NEP will be revalued at full year cumulative average exchange rates

Summary and outlook: improved margins with appreciating $A impacting top line

Subject to the usual caveats, i.e. no material change in current exchange rates; large individual risk and catastrophe claims not exceeding the significant allowance in our business plans; and no major fall in equity markets or interest rates:

- Insurance profit for the full year is expected to be towards the top end of our target range of 16% to 18%
- Overall premium rate increases achieved in the first half to continue in second half
- GWP for 2009 in original currency on target – weakening US$ and overall strong A$ expected to have negative implications on growth and NPAT
- Profits from acquired agencies expected to contribute close to $330 million before tax in 2009
- Actions taken on trade and other credit related insurance portfolios and rate increases will benefit results in second half
- Attritional claims likely to be below 49%

Summary and outlook: improved margins with appreciating $A impacting top line

Subject to the usual caveats, i.e. no material change in current exchange rates; large individual risk and catastrophe claims not exceeding the significant allowance in our business plans; and no major fall in equity markets or interest rates:

- Interest rates expected to rise with a positive effect on investment yields and the probability of adequacy
- Tax expense rate is expected to be around 20%
- Capital adequacy for regulatory and rating purposes to remain stable
- Low debt/equity ratio provides flexibility for future funding
- Continue to focus on acquisition opportunities that add value based on our strict criteria
- Continued top quartile performance by all insurance divisions

2009 FY reforecast targets

	FY 2009
Profit after tax	Greater than 2008
Insurance profit margin	Top end of range 16% to 18%
Combined operating ratio	Less than 88%
GWP and NEP increase	Greater than 15%
Reinsurance expense ratio (to GEP)	Less than 13%
Combined commission & expense ratio	Less than 29.0%
Tax rate	Around 20%
Gross investment yield	Greater than 3%
Group capital adequacy multiple	Greater than 1.5x

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