



28 February 2012

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

Dear Sir/Madam,

QBE Presentation on the 2011 results

Further to the Company's announcement to the market today on its results for the year ended 31 December 2011, please find attached a copy of the presentation to be delivered to analysts and investors this morning.

Yours faithfully,

Duncan Ramsay
Company Secretary

Encl.

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QBE INSURANCE GROUP

2011 annual results announcement

**Presented by: Frank O'Halloran, Group chief executive officer and John Neal, chief executive officer, global underwriting operations
28 February 2012**

Not for distribution or release in the United States of America

Presentation roadmap

1. Key messages
2. 2011 financial results
3. Significant items
4. Investments
5. Capital
6. Divisional results
7. Strategic initiatives
8. Outlook and closing remarks
9. Appendices

Key messages: 2011 fundamentally sound and a positive start to 2012

- Fundamentals of the business are sound with underlying COR for 2011 less than 90% and insurance margin close to 15%
- Achieving premium rate increases averaging in excess of 5%
- Large individual risk and catastrophe claims reported currently less than 1% of targeted FY NEP, compared with around 4.5% of 2011 FY NEP this time last year
- Risk-free rates used to discount outstanding claims slightly higher than at 31 December 2011
- Over 50% of unrealised credit spread losses recovered since 31 December 2011
- Reinsurance program for 2012 renewed with broader coverage for a modest increase in cost, largely covered by premium rate increases on our inwards reinsurance portfolio

Key messages: equity raising to replace tier 2 convertible debt

- US\$500M of tier 2 subordinated convertible borrowings callable at 30 June 2012 may not be approved by APRA as regulatory capital under new proposals
- Currently included in diluted earnings per share
- To avoid uncertainty we intend to replace these borrowings with equity through a share placement of A\$450M rather than conversion
- To allow retail shareholders to participate, a share purchase plan will be offered
- Debt equity ratio at 31 December 2011 of 45.8% reduces to around 39% on a proforma basis post proposed capital raising and provides future funding flexibility
- QBE's core tier 1 capital is expected to remain well in excess of APRA's proposed new prudential capital requirement

Key messages: 2011 financial results

- In line with 12 January update - net profit after tax down 45% to US\$704M due to a record level of catastrophes, lower risk-free rates and wider credit spreads
- COR of 96.8% (2010: 89.7%) - compared with last year record catastrophe claims added 6.2% and lower risk-free rates added 1.4%
- QBE outperformed the substantial majority of our peers who have reported to date
- Strong growth in 2011 due to acquisitions completed in 2010 and 2011, generating US\$3.4Bn of new GWP - GWP up 34% to US\$18.3Bn
- Attritional claims ratio was an excellent 49.2% of NEP compared with 50.0% in 2010
- Large percentage of the catastrophe claims have come from profitable long-standing businesses

Key messages: 2011 financial results

- QBE's new global reinsurance arrangements responded well saving US\$219M compared with the 2010 program on an as if basis
- Commission and expense ratio reduced from 29.8% to 28.6% mainly from acquisitions and lower staff incentives
- Credit spread volatility and historically low discount rates reduced insurance profit by US\$417M or 2.7% of NEP
- Capital adequacy is in line with our benchmark at 1.5x APRA's MCR and expected to grow strongly as earnings rebound
- Lower final dividend of 25 Australian cents per share to preserve capital
- Dividend payout policy – up to 70% of reported NPAT
- PoA of 86.3% of outstanding claims - risk margin strengthening offset by adverse discount rate impact

2011 financial results

For the year ended 31 December		2011	2010	% change
GWP	US\$M	18,291	13,629	34
NEP	US\$M	15,359	11,362	35
Underwriting profit	US\$M	494	1,168	(58)
COR	%	96.8	89.7	
Insurance profit	US\$M	1,085	1,703	(36)
Insurance profit to NEP	%	7.1	15.0	
Investment income	US\$M	776	659	18
Net profit before tax	US\$M	868	1,551	(44)
Net profit after income tax	US\$M	704	1,278	(45)
EPS	US cents	64.7	123.2	(47)
DPS	US cents	61.3	119.6	(49)

Significant items included in reported profit before tax

	2011 US\$M	2010 US\$M
Unrealised losses on cash and fixed interest securities	*(241)	(24)
Lower risk-free discount rates	(252)	(25)
Large individual risk and catastrophe claims (net)	(2,355)	(1,080)
Savings on prior year central estimates	64	49
Operational FX gains	188	141

*US\$165M on policyholders' funds and US\$76M on shareholders' funds

For further information refer page 9 of the annual report

2011 financial results scorecard

	2011 FY revised targets		2011 FY Actual
GWP	Over US\$17.5Bn	✓	US\$18.3Bn
NEP	Over US\$15.0Bn	✓	US\$15.4Bn
Reinsurance expense ratio (to GEP)	Around 12%	X	*13.9%
Combined commission & expense ratio	Around 29.5%	✓	28.6%
Attritional claims ratio	49% to 50%	✓	49.2%
COR	Less than 94%	X	**96.8%
Insurance profit margin	11% to 14%	X	***7.1%
Tax rate	Less than 20%	✓	17.2%
Gross yield on p/holders' funds (ex FX gains)	More than 2.7%	X	2.3%
Group capital adequacy multiple	More than 1.5x	✓	1.5x

*11.1% excluding US crop and lender placed homeowners' business

** 95.2% excluding impact of lower risk-free discount rates

*** 9.8% excluding impact of lower risk-free discount rates and corporate bond spreads

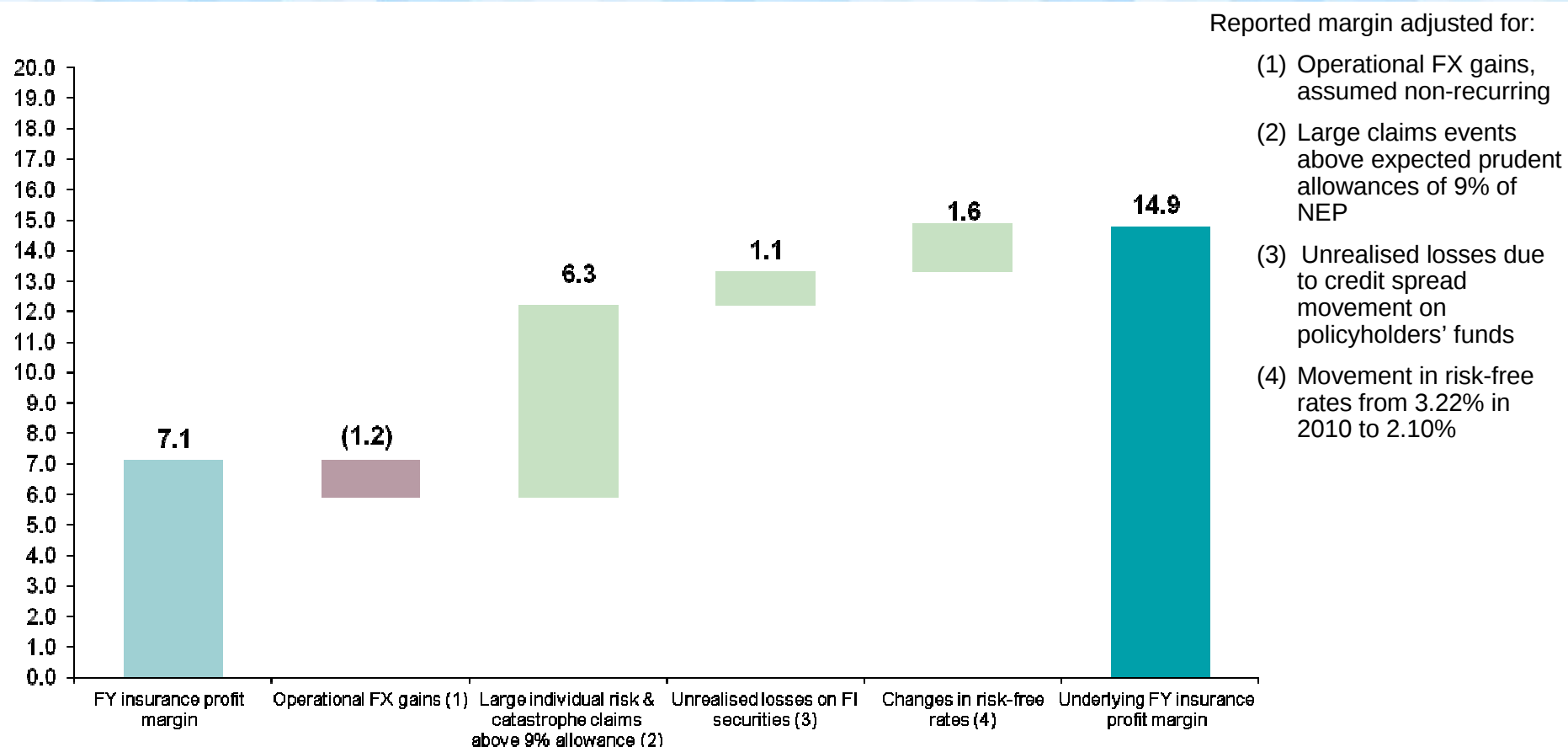
QBE continues to outperform the majority of peers who have reported to 24 February 2012

Insurer/Reinsurer	2011 COR (%)	2010 COR (%)	Chnge (%)	2011 NPAT	2010 NPAT	Chnge (%)
QBE	96.8	89.7	(7.1)	704	1,278	(45)
ACE	94.6	90.2	(4.4)	1,585	3,108	(49)
Allianz	97.8	97.2	(0.6)	2,804	5,209	(46)
Allstate	103.4	98.1	(5.3)	788	928	(15)
Alterra	98.2	85.7	(12.5)	65	258	(75)
AWAC	96.0	84.9	(11.1)	274	665	(59)
Arch	98.3	92.5	(5.8)	436	843	(48)
Aspen	115.6	96.7	(18.9)	106	313	(66)
AXIS Capital	112.3	88.7	(23.6)	46	857	(95)
Beazley	99.1	88.2	(10.9)	66	217	(70)
Catlin	102.6	89.8	(12.8)	82	381	(78)
Chubb	95.3	89.3	(6.0)	1,678	2,174	(23)
Endurance	112.9	88.7	(24.2)	94	365	(74)
Everest Re	118.5	102.8	(15.7)	(81)	365	(122)
Fairfax Financial	114.2	103.5	(10.7)	45	347	(87)
IAG	104.8	100.3	(4.5)	233	(77)	403
Monpelier	131.1	82.0	(49.1)	115	212	(46)
Munich Re	113.6	100.5	(13.1)	710	2,430	(71)
Nationwide	na	na	na	(582)	959	(161)
Partner Re	125.4	95.0	(30.4)	520	852	(39)
Platinum	143.0	86.0	(57.0)	(224)	215	(204)
Renaissance Re	118.6	45.1	(73.5)	(90)	861	(110)
RSA	94.9	96.4	1.5	427	355	20
Swiss Re	101.6	93.9	(7.7)	1,285	2,476	(48)
Suncorp	108.3	99.3	(9.0)	262	502	(48)
XL Group	107.5	94.8	(12.7)	(404)	643	(163)
Zurich	98.8	97.9	(0.9)	2,265	2,667	(15)
Simple Average				658	1,480	(56)

Notes:

1. All figures are as reported

2011 FY insurance margin analysis



2011: large individual risk and catastrophe claims - frequency and severity

Events and losses	2011 Net cost US\$M	% of NEP
US crop flood and hail claims	319	2.1
Thailand floods	261	1.7
19 severe US tornadoes	243	1.6
Christchurch earthquakes	222	1.5
Japan earthquake and tsunami	154	1.0
Two Queensland storms	142	0.9
Cyclone Yasi	138	0.9
Victorian hail and storms	98	0.6
Hurricane Irene	50	0.3
Western Australia bushfires	31	0.2
Copenhagen floods	11	0.1
Other catastrophes	64	0.4
Total catastrophes	1,733	11.3
Large individual risk claims (including IBNR)	622	4.0
2011 total large individual risk and catastrophe claims	2,355	15.3
2010 comparison	1,080	9.5

Reinsurance expense: net benefit from new worldwide programs

- 2011 new comprehensive program benefited profit by US\$219M when compared with using the 2010 program
- 2011 reinsurance expense excluding US crop and lender placed homeowners' business was 11.1% (2010: 13.8%)
- 2012 maximum event retention for a natural catastrophe is projected to be around 3.8% compared with 4.0% in 2011
- Limited and very expensive aggregate cover available for a frequency of catastrophes
- 2012 aggregate cover cost close to 50% of the US\$200M protection above US\$1Bn of catastrophes (deductible US\$5M)
- Equator Re provides protection to divisions below the US\$200M catastrophe and US\$50M per risk retention of Group worldwide covers
- Equator Re has purchased retrocessional cover of US\$200M to cover catastrophes below the Group worldwide catastrophe retention
- The Group purchased a risk aggregate reinsurance (GAR) of US\$165M for a frequency of risk claims
- Inwards reinsurance, marine and energy (Lloyd's syndicate 1036), QBE LMI, and crop are not part of the worldwide catastrophe and risk covers

Claims ratios: lower attritional claims more than offset by higher large individual risk and catastrophe claims and lower 2H risk-free rates

		2011			2010		
		1H 30 Jun	2H 31 Dec	FY	1H 30 Jun	2H 31 Dec	FY
NEP	US\$M	6,778	8,581	15,359	5,240	6,122	11,362
Attritional	%	49.3	49.1	*49.2	49.0	50.9	50.0
Large individual risk and catastrophes	%	15.9	14.8	15.3	9.3	9.7	9.5
Claims settlement costs	%	2.4	2.7	2.5	2.3	2.9	2.7
Discount	%	(3.4)	(0.4)	(1.7)	(2.9)	(4.3)	(3.6)
Accident year claims ratio	%	64.2	66.2	65.3	57.7	59.2	58.6
Savings on central estimate	%	(0.1)	(0.6)	(0.4)	(0.4)	(0.5)	(0.4)
Other (including release of prior year discount and movement in risk margins)	%	1.8	4.5	3.3	2.6	1.2	1.7
Financial year	%	65.9	70.1	68.2	59.9	59.9	59.9

* 2011 includes attritional claims ratio of 65% for US crop (2010:60%)

2011 accident year results: assisted by lower commission and expense ratios

		2011	2010	2009
Net central estimate claims ratio (pre risk margins)	%	65.3	58.6	59.5
Commissions	%	14.9	15.5	16.2
Expenses	%	13.7	14.3	13.1
Central estimate COR	%	93.9	88.4	88.8
Accident year underwriting profit	US\$M	937	1,314	1,060
Accident year underwriting profit margin	%	6.1	11.6	11.2

2011 insurance profit: consistent savings on central estimates

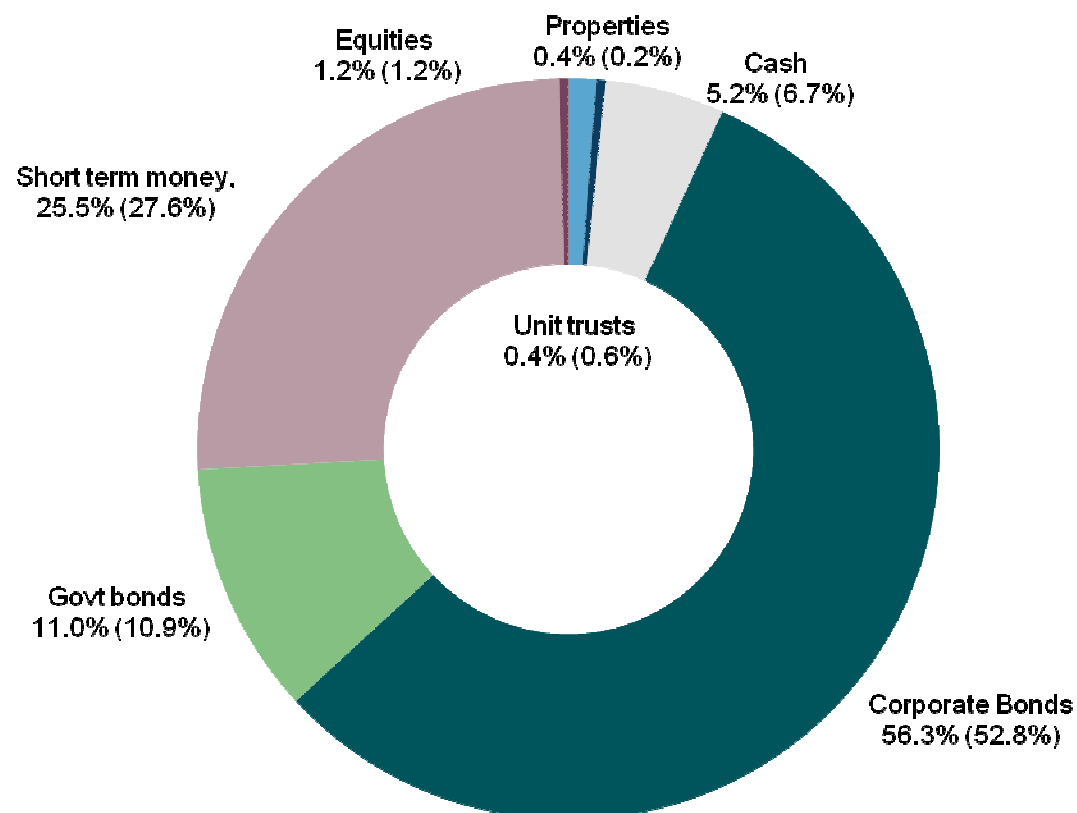
	2011		2010		2009	
	US\$M	Ins. profit margin %	US\$M	Ins. profit margin %	US\$M	Ins. profit margin %
Central estimate accident year underwriting profit	937	6.1	1,314	11.6	1,060	11.2
Savings on prior year central estimates	64	0.4	49	0.4	61	0.7
Release of discount and other from prior years net of movement in risk margins	(507)	(3.3)	(195)	(1.7)	(140)	(1.5)
Reported underwriting profit	494	3.2	1,168	10.3	981	10.4
Investment income on policyholders' funds	591	3.9	535	4.7	628	6.6
Reported insurance profit	1,085	7.1	1,703	15.0	1,609	17.0

Investment income: lower net yield due to wider credit spreads

		2011 FY	2010 FY	
Net investment income	US\$M	776	659	▪ Credit spreads volatile, with unrealised losses at year end of US\$241M
Net yield on policyholders' funds	%	3.3	3.3	▪ Underlying gross yield on cash and fixed interest portfolio was 2.3% (2010: 2.5%)
Net yield on shareholders' funds	%	2.1	1.6	▪ FI returns benefited from additional yield on corporate bonds
Total net yield	%	2.9	2.8	
Net yield on policyholders' funds excluding operational FX gains	%	2.2	2.4	▪ Net investment income includes operational FX gains of US\$188M (2010: US\$141M)

Investment portfolio: 36% in US\$, 33% in A\$, 15% in £ and 8% in €

Total investments & cash
US\$28,024M (2010: US\$25,328M) ⁽¹⁾



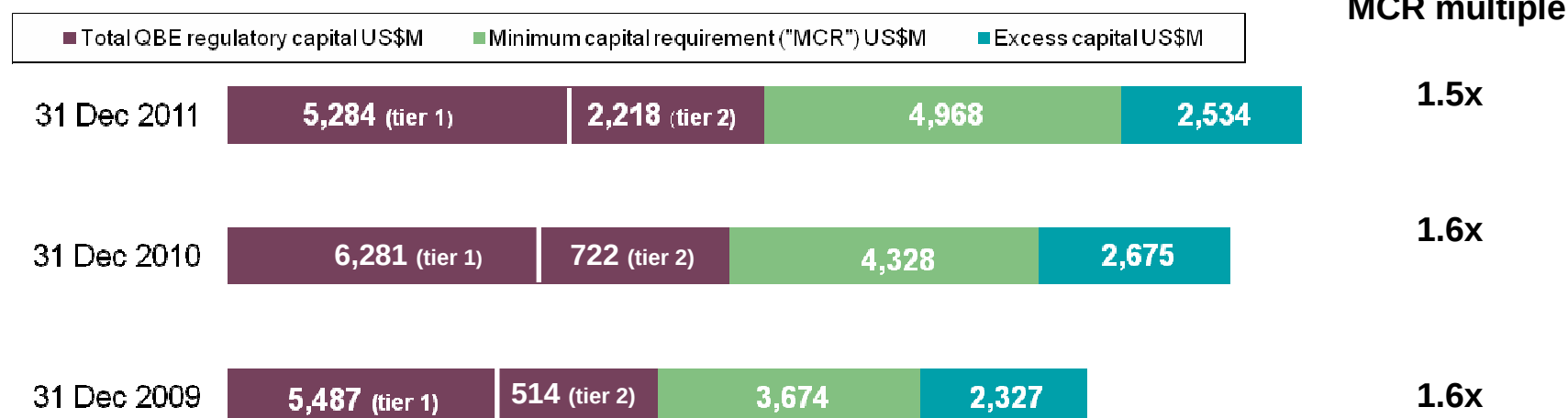
(1) Figures in parentheses represent 2010 comparatives

- Successfully avoided any permanent impairment
- Fixed interest book remains short and highly liquid with modified duration of 0.4 years and average credit quality of Aa
- Modest equity exposure of around 1% of total cash and investments at balance date (now 2%)
- 25bps movement in credit spreads equal to US\$88M impact on investment income at 31 Dec 2011
- Additional detailed disclosure highlighting the high quality, low risk profile of our investment portfolio is shown in Appendices

Capital adequacy: QBE prepared for expected regulatory changes globally

Based on current APRA criteria

Bar chart not to scale



- The multiple of 1.5X is in line with our internal benchmark and is lower than 2010 due to reduced discount rates and credit spread movements representing around 0.11x impact on the MCR multiple
- APRA developments continue on LAGIC. For 2013 onwards the new benchmark will be the Prescribed Capital Amount. Consultations continue with APRA to determine final mechanics of the calculation and changes in capital charges. On our current understanding, QBE's core tier 1 capital is well in excess of the expected Prudential Capital Requirement.

Acquisitions: converted three acquisitions in 2011 - all exceeding profit expectations

2011 acquisitions	Business	Additional annualised GWP US\$M	Effective date
US insurance operations of Renaissance Re	Mainly crop	618	1 January 2011
Balboa in the US	Lenders placed homeowners business	1,852	1 April 2011
CUNA Mutual Australia	Consumer credit, general insurance and term life	82	1 April 2011

- In addition, we obtained licences to write general insurance business in Chile and Norway
- In February 2012, completed Optima Insurance acquisition in Puerto Rico
- Several bolt-on acquisitions and growth initiatives are under consideration – total annualised GWP around US\$750M – we expect these to be funded from internal sources

North America: strong underwriting profit despite increased frequency and severity of catastrophes

		2011	2010	
Gross written premium	US\$M	7,529	4,606	▪ COR up slightly to 90.6%, with high frequency of claims arising from tornadoes, crop flood and hail and Hurricane Irene
Gross earned premium	US\$M	7,431	4,563	▪ Underperformance in intermediated segments offset by strong performance in specialist product lines
Net earned premium	US\$M	4,018	2,555	▪ Significant actions underway to remediate poorer performing portfolios to deliver benchmark returns
Claims ratio	%	65.2	62.4	▪ GWP growth of 63% to US\$7,529M, driven by crop and Balboa acquisitions
Commission ratio	%	6.6	9.6	▪ Premium rates up an average 3% on renewed business in 2011, with 2H 11 up 4%
Expense ratio	%	18.8	17.1	▪ Hardening premium rate environment accelerating due to poor market results
Combined operating ratio	%	90.6	89.1	▪ Commission ratio lower at 6.6%, mainly due to the crop and lender-placed businesses
Insurance profit margin	%	11.0	13.9	▪ Expense ratio increased to 18.8%, driven by integration costs and lower net agency income from third parties
Return on equity ⁽¹⁾	%	16.5	16.1	

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

Latin America: strong growth through acquisitions and rate increases in our major markets

		2011	2010	
Gross written premium	US\$M	768	559	▪ Strong premium rate increases in the SME portfolios in Argentina and Mexico up 12% and 6% respectively and flat in the other regions
Gross earned premium	US\$M	752	554	▪ GWP up 37% from last year benefiting from acquisitions in Argentina and Ecuador
Net earned premium	US\$M	620	454	▪ Improved COR of 89.7%, due to strong underwriting discipline in each region, and low level of catastrophe claims
Claims ratio	%	56.7	57.3	▪ Acquisition of Optima (Puerto Rico) and Chile start up will benefit premium growth in 2012
Commission ratio	%	19.0	22.2	
Expense ratio	%	14.0	13.9	
Combined operating ratio	%	89.7	93.4	
Insurance profit margin	%	16.3	12.3	
Return on equity ⁽¹⁾	%	32.5	24.5	

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

Europe: benefits from business transformation programs offset by frequency of catastrophe claims

		2011	2010
Gross written premium	US\$M	4,828	4,156
Gross earned premium	US\$M	4,635	4,008
Net earned premium	US\$M	3,150	2,593
Claims ratio	%	65.3	57.7
Commission ratio	%	17.0	16.9
Expense ratio	%	13.2	15.9
Combined operating ratio	%	95.5	90.5
Insurance profit margin	%	9.5	14.5
Return on equity ⁽¹⁾	%	16.3	22.4

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

- Renewal retention on quality business maintained at over 80%, with overall average premium rate increase around 2%
- GWP up 16% or (12% in local currency) driven by the acquisition of the Belgian reinsurer, Secura, acquired in late 2010
- NEP up 21% assisted by lower cost of the Group's reinsurance protections and reduced proportional reinsurance with Equator Re
- COR of 95.5%, an excellent result given difficult market conditions and exposure to the record level of catastrophes
- Results significantly impacted by large individual risk and catastrophe claims
- Expense ratio down due to increased fee income on Lloyd's business and lower staff costs
- Operational transformation programs largely complete – savings and efficiencies have begun to benefit claims ratio in 2011

Australia: record year for catastrophes with net claims and lower discount rates affecting underwriting profit

		2011	2010	
Gross written premium	US\$M	4,486	3,707	▪ GWP up 21% (or 6% in local currency), aided by CUNA Mutual acquisition, FX and rate increases
Gross earned premium	US\$M	4,355	3,720	▪ Average 2011 premium rate increases > 5% on renewed business and > 7% in Q4
Net earned premium	US\$M	3,767	3,033	▪ Retention ratio remains stable in the low 80% range despite rate increases, demonstrating strength of intermediary relationships
Claims ratio	%	69.4	60.9	▪ Over 30,000 claims from our customers in catastrophe affected areas
Commission ratio	%	13.0	10.4	▪ Commission ratio increased due to change in the business mix and reinsurance arrangements
Expense ratio	%	16.9	17.9	▪ Expense ratio down due to reduced staff costs
Combined operating ratio	%	99.3	89.2	▪ Significant actions taken to improve profitability in 2H – price adjustments, increased deductibles and expense reduction initiatives
Insurance profit margin	%	6.5	17.0	▪ Operational cost reduction initiatives on track, with further savings expected in 2012
Return on equity ⁽¹⁾	%	10.2	19.3	

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

Asia Pacific: a year of high frequency and severity of catastrophes

		2011	2010
Gross written premium	US\$M	680	601
Gross earned premium	US\$M	653	587
Net earned premium	US\$M	442	420
Claims ratio	%	46.6	45.7
Commission ratio	%	22.9	20.0
Expense ratio	%	22.6	21.0
Combined operating ratio	%	92.1	86.7
Insurance profit margin	%	13.3	18.3
Return on equity ⁽¹⁾	%	3.1	25.5

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

- GWP up 13% despite challenging market conditions
- Overall average premium rate increases were around 4% for the region – largely driven by New Zealand property
- NEP growth adversely impacted by reinstatement premiums payable following severe catastrophe experience
- COR of 92.1% due to record catastrophe experience, which adversely impacted expense ratios via reinstatement costs
- Net claims ratio was relatively stable supported by low divisional catastrophe retention
- Improved claims experience in Hong Kong, Malaysia and Singapore portfolios
- All countries other than New Zealand and Thailand made an underwriting profit
- Reviewing underwriting approach for risk concentration e.g. industrial parks in Asia following Thailand experience

Equator Re: like all reinsurers, higher CORs will occur in years of extreme catastrophe activity

		2011	2010
Gross written premium	US\$M	3,807	2,479
Gross earned premium	US\$M	3,697	2,363
Net earned premium	US\$M	3,362	2,307
Claims ratio	%	77.8	61.4
Commission ratio	%	23.3	24.9
Expense ratio	%	3.4	3.8
Combined operating ratio	%	104.5	90.1
Insurance profit margin	%	(1.7)	14.0

- GWP growth of 54% aided by increased proportional reinsurance from US acquisitions
- COR increased to 104.5%, in line with global reinsurers, due to record level of catastrophes compared with 7 year average COR of 91.9%
- Continued careful risk selection providing protection to the operating divisions below the Group's retention under the worldwide reinsurance program
- Result includes US\$109M increase in undiscounted risk margins and US\$82M adverse impact of lower risk-free rates used to discount claims

Operational transformation programs

- The major IT and transformation program in Europe due for completion in 1H12 and is set to deliver a return of around 40% over 5 years on an approximate £100M investment
- The Americas change program is on schedule to complete in 2014
- We are upgrading our forecast 2012 claims leakage and expense savings to US\$50M from US\$20M reported 1H 2011
- Our plan to deliver additional annualised benefits of around 1% of COR or \$200M by 2014 all in train - further update at 1H12
- Our cross divisional activities are now delivering new business initiatives, reinsurance efficiency, as well as claims and expense savings

2012 financial performance targets: subject to the usual caveats

	2012 FY
GEP growth	low single digit
NEP growth	low single digit
Reinsurance expense ratio (to GEP)	around 12.5%
Claims ratio	less than 60.5%
Combined commission & expense ratio	less than 29.5%
COR	less than 90%
Insurance profit margin	greater than 13%
Gross investment yield on policyholders' funds	around 3%
Tax rate	around 23%

Based on the following projected average exchange rates - A\$/ US\$1.008, £/US\$ 1.583 and €/US \$1.360

Outlook and closing remarks

- Our businesses are in good shape and are quickly maximising the value to be derived from improving market conditions
- Overall average premium rates up by more than 5% in 2012. Early indications point to a hardening of the insurance and reinsurance market
- Focus on reducing exposure to certain catastrophe prone areas taking priority over top line growth
- Continue to look for bolt-on opportunities with 2012 expected to be a year of low growth and consolidation after two years of very strong growth
- Comprehensive reinsurance arrangements with only a modest overall price increase
- Attritional claims ratio expected to improve from actions targeted to benefit risk to reward profile
- Commission and expense ratios anticipated to slightly increase due to higher incentive costs
- Expect the lower interest yields and discount rates to continue
- Capital adequacy expected to increase steadily during the year
- We have a unique DNA – our QBE culture – that is built on combining strong business acumen with entrepreneurial flair and excellent leadership

Disclaimer

The information in this presentation provides an overview of the results for the year ended 31 December 2011.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange ("ASX") including QBE's full year results filed with the ASX on 28 February 2012. Copies of those lodgements are available from either the ASX website www.asx.com.au or QBE's website www.qbe.com.

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

This presentation contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those expressed or implied in such statements.

There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and QBE assumes no obligation to update such information.

Disclaimer

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no overall reduction in premium rates; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts.

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Appendices

1. Weighted average discount rates
2. PoA of total insurance liabilities
3. Analysis of movement in risk margins
4. Investments - corporate bonds, fixed and floating rate
5. Investments - sovereign/supranational bonds
6. Reinsurance – 2012 worldwide programs
7. QBE business model – growth by acquisition

Weighted average discount rates

Weighted average risk-free discount rates on outstanding claims %

Currency		31 Dec 2010	30 June 2011	31 Dec 2011	23 Feb 2012 ⁽¹⁾
Australian dollar		5.45	5.05	3.65	4.00
US dollar		1.85	1.65	0.95	1.00
Sterling		2.25	2.25	1.20	1.30
Euro		2.50	2.85	1.95	2.00
Group weighted average		3.22	3.15	2.10	2.25
Estimated impact of discount rate movement:					
Claims incurred – P&L	US\$M	(25)	(41)	(252)	38
Risk margins – PoA impact	US\$M	(42)	1	(200)	18
Total	US\$M	(67)	(40)	(452)	56
Probability of adequacy	%	89.8	88.5	86.3	86.6

▪ 31 December 2011 risk-free discount rate slightly lower than 2.15% estimated at 12 Jan, with adverse P&L /PoA implications relative to market announcement

▪ US\$55M movement in risk margins approximates to a +/-1% change in the PoA

⁽¹⁾ Assuming risk-free rates only have moved from 31 Dec 2011 to 23 Feb 2012

Probability of adequacy of total insurance liabilities at 92.6%

	2011 US\$M	2010 US\$M	2009 US\$M	2008 US\$M
Net outstanding claims	16,984	15,017	12,864	11,346
Unearned premium net of deferred insurance costs	5,929	4,785	4,374	3,608
Net total insurance liabilities	22,913	19,802	17,238	14,954
Risk margin – outstanding claims	(1,201)	(1,270)	(1,017)	(842)
Risk margin – unearned premium	(867)	(884)	(887)	(677)
Total risk margins	(2,068)	(2,154)	(1,904)	(1,519)
Discounted central estimate	20,845	17,648	15,334	13,435
Risk margin >75% PoA using APRA criteria	1,152	1,353	1,198	816
PoA of outstanding claims %	86.3	89.8	88.1	86.1
PoA of total insurance liabilities %	92.6	95.5	95.5	93.2
Weighted average discount rate for outstanding claims only %	2.10	3.22	3.20	2.46

Analysis of movement in risk margins – balance sheet

	2011 US\$M	2010 US\$M
At 1 January	1,270	1,017
Foreign exchange movements and other impacts	(15)	(9)
Acquisitions	76	384
Adverse movement in discount rates partly offset by increase in undiscounted risk margins and other factors	(130)	(122)
Risk margins at 31 December	1,201	1,270

Investments: corporate bonds, fixed & floating rate

COUNTRY	31 Dec 11		31 Dec 10	
	US\$M	%	US\$M	%
Australia	5,346	36	4,495	38
USA	3,003	20	2,664	23
UK	2,556	17	2,039	17
Japan	119	1	29	-
Canada	485	3	163	1
ROW other	1,388	9	978	8
Germany	235	2	62	1
France	749	5	630	5
Netherlands	455	3	122	1
GIIPS ⁽¹⁾	(2) (3) 533	4	633	6
Eurozone other	-	-	26	-
TOTAL	(4)(5) 14,869	100.0	11,840	100.0

(1) No exposure to Greece, Ireland or Portugal at 31 December 2011

(2) Maturities and (profitable) disposals post year end amount to US\$170M with only the Santander exposure remaining

(3) \$253M of this exposure pertains to Santander's UK subsidiary, Abbey National Plc

(4) Comprises senior debt 93% and sub-debt 7%

(5) Does not include US\$905M relating mainly to government-guaranteed corporates and agencies

Investments: sovereign/supranational bonds

COUNTRY	31 Dec 11		31 Dec 10	
	US\$M	%	US\$M	%
Australia	760	13	896	16
USA	2,078	37	2,087	37
UK	699	12	500	9
Japan	-	-	29	1
Canada	559	10	255	5
ROW other	627	11	667	12
Germany	239	4	407	7
France	402	7	376	7
Netherlands	48	1	70	1
GIIPS	-	-	28	-
Eurozone other	275	5	278	5
TOTAL	(1)5,687	100	5,593	100

(1) This figure includes supranational holdings and is thus higher than the Government Bond exposure referenced in slide 18

Reinsurance – 2012 program enhancements

- QBE's 2012 worldwide (WW) catastrophe reinsurance structure⁽¹⁾ included a number of enhancements:
- Vertical limit on Australian cat cover extended by A\$0.25bn to A\$4.5bn
- Sterling lender-placed risks removed from WW cat XoL and included with Balboa risks in an expanded standalone QBE FIRST cat XoL program
- QBE FIRST vertical limit increased by \$400m to \$1.5bn to reflect Sterling transfer in
- QBE FIRST inures to the WW cat XoL cover net of a \$100m aggregate deductible – see example below
- WW cat retention US windstorm 1st event \$300m (down from \$350m in 2011) and ROW (including US windstorm 2nd event) \$200m in most circumstances⁽¹⁾
- Equator Re has increased divisional cat retentions and raised pricing in response to 2011 claims experience
- \$200m Group Aggregate Cat Cover (GACC) pertains to cat claims in respect of all business (ex crop, QBE LMI and Lloyd's syndicate 566 inwards retro)
- \$165m Group Aggregate Risk Cover (GAR)⁽¹⁾
- Equator Re acquired \$200m of vertical with drop downs to act like an aggregate cover to protect against cat frequency/severity below the Group's cat retention

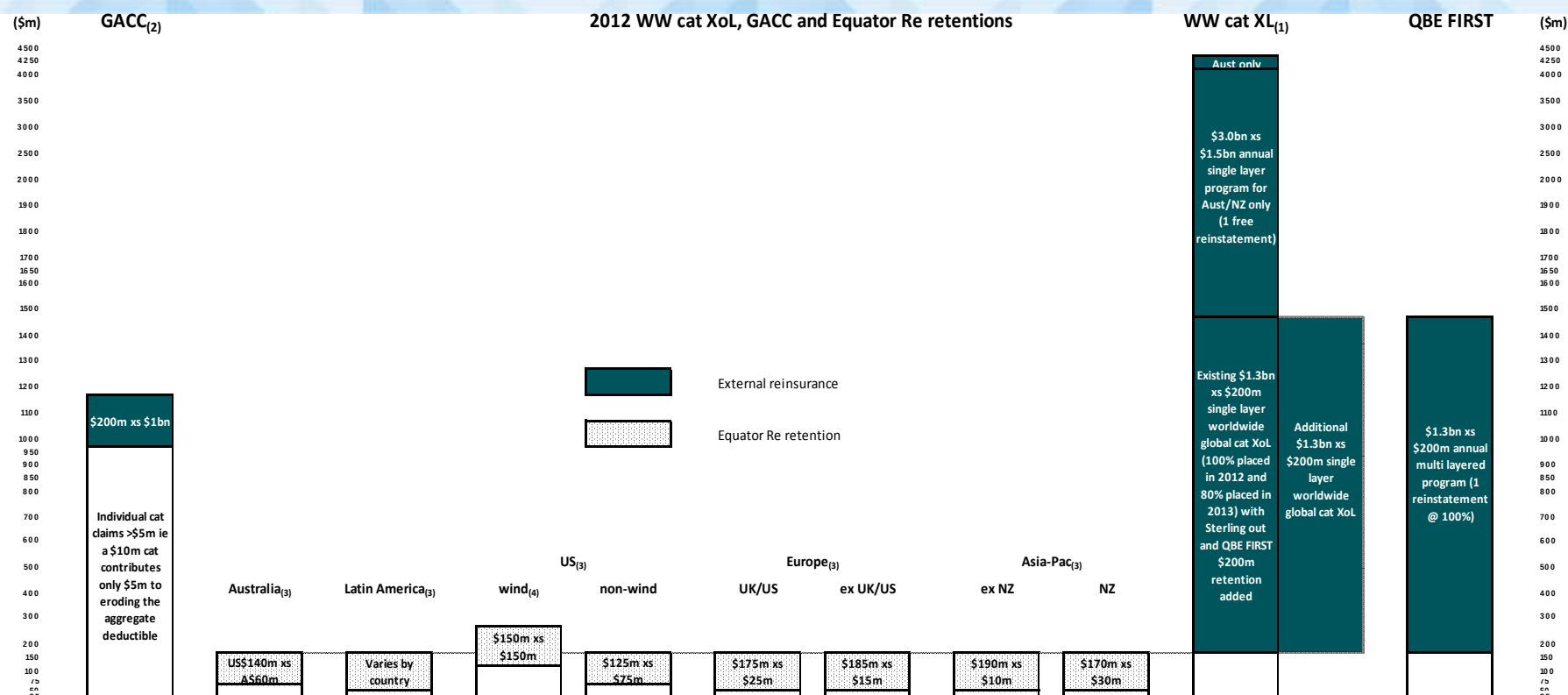
Interaction of WW XoL and QBE FIRST cat programs for US wind

US catastrophe retention	1st US wind event		
	WW cat XoL	QBE First cat XoL	Group
	(\$m)	(\$m)	(\$m)
Gross loss	500	500	1000
Recovery	300	300	600
From worldwide ⁽²⁾		100	100
Net loss	200	100	300

(1) Includes all QBE business except inwards reinsurance, marine and energy (Lloyd's syndicate 1036), QBE LMI, QBE FIRST (with lenders-placed now covered by a separate QBE FIRST treaty) and crop, all of which have their own reinsurance protection

(2) \$200m QBE FIRST event retention net of \$100m aggregate deductible

Reinsurance – 2012 worldwide cat XoL



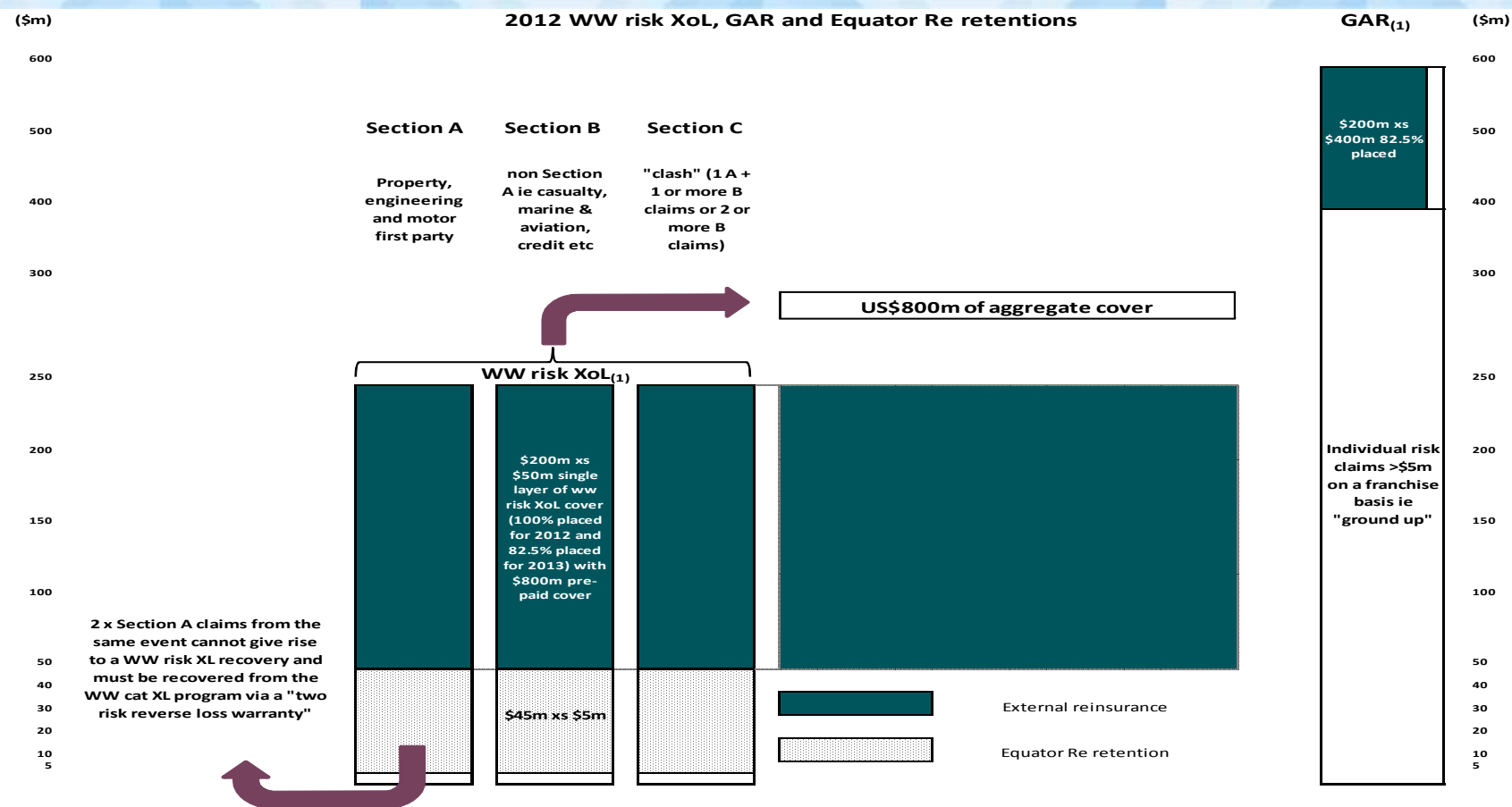
(1) Worldwide cat XoL reinsurance includes all QBE business except inwards reinsurance, marine and energy (Lloyd's syndicate 1036), QBE LMI, QBE FIRST (with lenders-placed now covered by a separate QBE FIRST treaty) and crop, all of which have their own reinsurance protection

(2) GACC – Group Aggregate Catastrophe Cover includes all classes that apply to the WW cat XoL but also inwards reinsurance, marine and energy (Lloyd's syndicate 1036) and QBE FIRST

(3) Pre quota share to Equator Re ie management versus legal entity basis

(4) US wind first event retention is usually \$300m including QBE FIRST per reconciliation on preceding slide

Reinsurance – 2012 worldwide risk XoL



(1) Includes all QBE business except inwards reinsurance, marine and energy (Lloyd's syndicate 1036), QBE LMI, QBE FIRST (with lenders-placed now covered by a separate QBE FIRST treaty) and crop, all of which have their own reinsurance protection

QBE business model: growth by acquisition

