EXHIBIT C

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PROVISIONS

	THE COMPANY		CONSOLIDATED	
	2006 $M	2005 $M	2006 $M	2005 $M
Long service leave	–	–	20	18
Amounts payable under acquisition agreements	22	13	35	31
Other provisions	–	–	11	15
	22	13	66	64
Payable within 12 months	–	–	1	2
Payable in 12 months or more	22	13	65	62
	22	13	66	64

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INTEREST BEARING LIABILITIES

(A) Analysis of interest bearing liabilities

		THE COMPANY		CONSOLIDATED	
		2006 $M	2005 $M	2006 $M	2005 $M
Repayable as follows:–					
Bank loans					
27 February 2006	A$400 million	–	400	–	400
Senior debt					
28 September 2009	£175 million	433	409	433	409
Eurobonds					
2 August 2020	A$150 million/£58 million	–	–	149	149
2 August 2020	A$20 million/£8 million	–	–	20	20
2 August 2020	€115 million/£70 million	–	–	190	185
		–	–	359	354
Hybrid securities[1]					
15 April 2022	US$101 million (2005 US$201 million)	–	–	77	165
21 September 2024	US$558 million (2005 US$558 million)	–	–	447	466
		–	–	524	631
Subordinated debt					
1 July 2023	US$250 million	312	336	312	336
Capital securities					
No fixed date	£300 million	–	–	736	–
Total interest bearing liabilities[2]		745	1,145	2,364	2,130
Payable within 12 months		–	400	77	400
Payable in 12 months or more		745	745	2,287	1,730
Total interest bearing liabilities[2]		745	1,145	2,364	2,130

(1) Hybrid securities are shown net of the equity conversion option. The US dollar principal amounts shown are the outstanding amounts payable at the end of the 20 year term.

(2) ABC securities for funds at Lloyd's are not included in this analysis. Details of ABCs are included in note 34(C).

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INTEREST BEARING LIABILITIES CONTINUED

(B) Finance costs

$8 million of finance costs have been capitalised in the year (2005 $nil).

(C) Security and facility arrangements

In the normal course of business, bank loans are made to controlled entities and secured by guarantees or letters of comfort given by the company.

The Eurobonds were issued by a controlled entity and secured by guarantees given by the company and another controlled entity. The US$250 million subordinated debt was issued by the company. The claims of bondholders pursuant to both of these interest bearing liabilities will be subordinated in right of payment to the claims of all senior creditors, including policyholders, of the relevent controlled entity.

The hybrid securities are guaranteed by the company and a controlled entity. The claims of investors under these guarantees in general will rank equally with all existing and future unsecured and unsubordinated indebtedness of the company and the controlled entity.

The performance of the obligations of the controlled entity under the capital securities is guaranteed by the company. The guarantee is an unsecured and subordinated obligation of the company. The guarantee ranks senior to the claims of the holders of ordinary shares of the company, equally with equally ranked securities and instruments of the company and junior to the claims of creditors of the company.

(D) Eurobonds

A controlled entity is exposed to interest rate and currency risk in respect of its three Eurobond financing arrangements. Accordingly, the consolidated entity has entered into swap agreements which result in the consolidated entity's financial liabilities being fixed at sterling amounts until 2010, at which point the consolidated entity will be liable for the original Australian dollar and Euro amounts in the underlying financing arrangements. The facility can be extended for a further 10 years to 2020. Under the swap agreements, the variable interest rates of between 1.8% and 2.0% above the wholesale interbank rate are swapped to fixed rates of between 8.4% and 8.6% payable quarterly until 2010. The timing of the payments under the swap agreements matches the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The underlying financial liabilities are measured at amortised cost in original currency and translated to Australian dollars at the closing rate of exchange. The swaps are measured at fair value. The swaps are designated as cash flow hedges and have satisfied the relevant hedge effectiveness tests throughout the year and at the balance date. The gain or loss on the cash flow hedges is recognised directly in equity. Any ineffectiveness in the cash flow hedges is recognised directly in the income statement. Each financial year end, until the close out of the swap agreements in 2010, an amount is transferred from equity to the income statement to offset:

- the differential between the fixed and variable interest payments; and
- the movement in the spot rate on the financial liabilities.

During the year, a gain of $nil (2005 gain before tax of $2 million) was recognised in equity relating to the movements in the fair value of the swaps. During the year, a loss before tax of $14 million (2005 gain before tax of $2 million) was transferred from equity and included in the income statement.

(E) Hybrid securities

(i) Hybrid securities due 2024

In 2004, a controlled entity issued US$375 million of 20 year hybrid securities. Investors have the option to convert the security if:

- the company calls for their redemption;
- the market value of the security is less than the market value of the underlying shares in the company for five consecutive trading days; or
- certain corporate transactions occur (e.g. change in control).

In the event of conversion, approximately 29 million shares will be issued.

(ii) Hybrid securities due 2022

In 2002, two controlled entities issued US$471 million of 20 year hybrid securities. Investors have the option to convert the security if:

- the company calls for their redemption;
- the market value of the security is less than the market value of the underlying shares in the company for two consecutive trading days; or
- certain corporate transactions occur (e.g. change in control).

In 2006, 14 million shares (2005 28 million) were issued as a result of the conversion of 12% (2005 24%) of the hybrid securities due 2022. In the event of conversion of the remaining securities, approximately 13 million shares will be issued.

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INTEREST BEARING LIABILITIES CONTINUED

(F) Capital securities

In 2006, a controlled entity issued £300 million of capital securities. The securities have no fixed redemption date and may not be called for redemption or conversion by the investors.

The securities are subordinated. Distributions are deferrable and not cumulative. However, if a distribution or principal amount is not paid by the controlled entity, and the company does not pay the amount under the guarantee, then the capital securities are to be redeemed for QBE preference shares. For so long as the distributions or principal amounts are outstanding, no payments (including distributions or principal amounts) are to be made on the company's shares or other instruments ranking junior to the securities. However, payment of distributions or principal amounts on equal ranking securities may be paid proportionally.

(G) Fair value of interest bearing liabilities

	THE COMPANY		CONSOLIDATED	
	2006 $M	2005 $M	2006 $M	2005 $M
Bank loans	–	400	–	400
Senior debt	433	423	433	423
Eurobonds	–	–	363	358
Hybrid securities	–	–	1,212	1,105
Subordinated debt	291	350	291	350
Capital securities	–	–	755	–
	724	1,173	3,054	2,636

There has been no active trading of interest bearing liabilities during 2006. The fair value has been estimated using valuation techniques based on market available data for similar debt instruments.

Hybrid securities have been valued with reference to the underlying market value of shares in the consolidated entity. The ability to convert the hybrid securities is restricted by the terms and conditions included in note 24(E).