

QBE Insurance Group Limited ABN 28 008 485 014
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4 May 2016

The Manager
Market Announcements Office
ASX Limited
Level 4
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

**QBE ANNOUNCES AN EXCHANGE OFFER FOR £325,000,000 FIXED RATE RESET
GUARANTEED EXCHANGEABLE SUBORDINATED CALLABLE NOTES DUE 2041
ISSUED BY QBE CAPITAL FUNDING IV LIMITED ("EXISTING NOTES")**

Please find attached an announcement for release to the market.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Carolyn Scobie", written over a light blue horizontal line.

Carolyn Scobie
Company Secretary

Encl.



MARKET RELEASE

4 May 2016

QBE ANNOUNCES AN EXCHANGE OFFER FOR £325,000,000 FIXED RATE RESET GUARANTEED EXCHANGEABLE SUBORDINATED CALLABLE NOTES DUE 2041 ISSUED BY QBE CAPITAL FUNDING IV LIMITED ("EXISTING NOTES")

QBE is pleased to announce that it has launched an invitation to holders of Existing Notes to tender their notes in exchange for new GBP-denominated subordinated notes due 2042 ("**New Notes**") to be issued by QBE under its recently established U.S.\$4,000,000,000 Medium Term Note Programme.

The exchange offer is being undertaken as a specific measure to improve capital efficiency by means of the replacement of the Existing Notes with the New Notes, which will qualify as Tier 2 Capital under the Australian Prudential Regulation Authority's ("**APRA**") capital adequacy framework and which are likely to include the following terms:

- a term of 26 years;
- New Notes will bear a fixed rate of interest per annum interest, payable semi-annually in arrear;
- interest will be reset on the sixth, and thereafter each fifth, anniversary of the issue date;
- QBE has an option to defer payment of interest in certain circumstances (which will not constitute an event of default);
- QBE has an option to redeem the securities at face value on each Interest Rate Reset Date and for certain tax and regulatory events (in each case subject to APRA's prior written approval);
- if APRA determines QBE to be non-viable, all the securities (or in certain circumstances some of them) will convert into QBE ordinary shares;
- the number of QBE ordinary shares issued on conversion will be based on a volume-weighted average price (VWAP) over a certain period around the time APRA determines QBE to be non-viable, less a discount of 1%. The number of QBE ordinary shares issued on conversion will be capped at a maximum of 20% of the VWAP of the QBE ordinary shares at the issue date; and
- events of default are limited to:
 - non-payment of principal and interest within a certain period after due; and
 - the occurrence of certain events in connection with the winding-up of QBE,

and remedies for defaults are limited.

The principal amount of the New Notes to be issued will depend on the level of participation in the offer. There will be no cash offer of New Notes.

Pricing and further details in relation to the New Notes and the offer will be the subject of a further announcement following pricing of the offer and the New Notes on 18 May 2016 in London.

This offer will expire at 5:00PM London time on 17 May 2016, unless extended, re-opened or terminated by QBE.

No shareholder approval is needed for the offer and the issue of the New Notes.

The offer is not being made under this announcement. The Existing Notes were issued outside Australia to wholesale investors, and any person who is considering participating in the offer must

obtain a copy of the Exchange Offer Memorandum relating to the offer from the Company or the Dealer Managers (details below). A resident of Australia may only participate in the offer if it holds Existing Notes and is eligible to do so under the terms of the Exchange Offer Memorandum.

Dealer Managers:

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

Telephone: +44 (0)20 7992 6237

Attention: Liability Management Group

Email: liability.management@hsbcib.com

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Telephone: +44 (0)20 7677 5040

Attention: Liability Management Group

Email: liabilitymanagementeuropa@morganstanley.com

Book Runner:

National Australia Bank Limited

225 George Street
Sydney NSW 2000
Australia

Telephone: +61 2 9237 9518

Attention: Head of Hybrid & Structured Capital Origination

Email: nicholas.chaplin@nab.com.au

For further information, please contact:

Debt Relations

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QBE Insurance Group Limited is listed on the Australian Securities Exchange and is recognised as one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 37 countries.

DISCLAIMER

This market release does not constitute an offer to sell or a solicitation of an offer to buy, any securities in the United States. The securities referenced herein have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States absent registration except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable U.S. state securities laws.