

QBE Insurance Group Limited ABN 28 008 485 014
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22 September 2015

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

Dear Sir/Madam

QBE announces successful pricing of A\$200 million of Subordinated Debt

Please find attached an announcement for release to the market.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Peter Horton'.

Peter Horton
Company Secretary

Encl.



QBE

MARKET RELEASE

22 September 2015

QBE ANNOUNCES SUCCESSFUL PRICING OF AUS\$200 MILLION OF SUBORDINATED DEBT

Further to the announcement made on 1 September 2015, QBE Insurance Group Limited (QBE) has successfully priced AUS\$200 million of 25 year non call 5 Tier 2 subordinated debt securities.

The securities will qualify as Tier 2 Capital under the Australian Prudential Regulation Authority's (APRA) capital adequacy framework and will include the following terms:

- a term of 25 years (maturing 29 September 2040);
- cumulative deferrable interest will accrue on the securities from and including the issue date at a rate equal to the sum of (i) the then applicable 90 day average mid-rate bank bill rate as displayed by Reuters and (ii) a margin of 4% per annum (payable quarterly in arrears on 29 March, 29 June, 29 September and 29 December each year);
- 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 the 5th anniversary of the date of issue of the relevant securities and on each subsequent interest payment date during the 12 months following the 5th anniversary 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 such 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
- the securities are otherwise not convertible.

As a separate matter, QBE has swapped the floating rate under the securities for a fixed rate by entering into interest rate swap arrangements with one or more banks.

No shareholder approval is needed for the issue.

The net proceeds from the issue of the securities will be used for general corporate purposes and to replace internal cash resources that will be used to fund the retirement of senior debt.

Mr Pat Regan, QBE CFO said: "The successful pricing of the AUS\$200 million Tier 2 subordinated debt is the bank bill rate from time to time plus 4% and the transaction will be beneficial to our regulatory and rating agency capital levels. Our gearing ratios will also improve as a result of the repayment of £300 million of maturing senior debt. Our weighted average cost of borrowings will remain unchanged."

Settlement and the issue of the securities is scheduled for 29 September 2015.

For further information, please contact:

Investor Relations

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QBE Insurance Group Limited is listed on the Australian Securities Exchange, is recognised as one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 38 countries.

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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.