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26 May 2016

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

Dear Sir/Madam

**QBE ANNOUNCES HSBC IS MAKING A TENDER OFFER TO HOLDERS OF  
OUTSTANDING U.S.\$1,000,000,000 FIXED RATE RESET GUARANTEED  
EXCHANGEABLE SUBORDINATED CALLABLE NOTES DUE 2041 ISSUED BY QBE  
CAPITAL FUNDING III LIMITED ("NOTES")**

Please find attached an announcement for release to the market.

Yours faithfully,

A handwritten signature in blue ink that reads "Peter Smiles".

Peter Smiles  
**Deputy Company Secretary**

Attachment.



## MARKET RELEASE

26 May 2016

### **QBE ANNOUNCES HSBC IS MAKING A TENDER OFFER TO HOLDERS OF OUTSTANDING U.S.\$1,000,000,000 FIXED RATE RESET GUARANTEED EXCHANGEABLE SUBORDINATED CALLABLE NOTES DUE 2041 ISSUED BY QBE CAPITAL FUNDING III LIMITED ("NOTES")**

QBE notes that The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") has launched an invitation to holders of Notes to tender their Notes for purchase by HSBC in exchange for cash ("**Offer**") up to a maximum nominal amount of US\$600,000,000.

The Offer is being made by HSBC as a principal. The Offer has an early deadline for tenders of 8 June 2016 (unless extended) and Notes tendered and accepted for tender by that deadline will be acquired on 9 June 2016 (unless extended) (the "**Early Settlement Date**"). Notes may also be tendered up until 22 June 2016 and those accepted up to that date would be acquired on 23 June 2016.

QBE makes no recommendation as to whether holders of Notes should tender Notes in the Offer.

HSBC intends to exchange any Notes that it has acquired on the Early Settlement Date ("**Acquired Notes**") for U.S. dollar-denominated Fixed Rate Subordinated Notes due 2046 to be issued directly by QBE pursuant to its U.S.\$4,000,000,000 Medium Term Note Programme ("**New Notes**").

The New Notes would be designed to qualify as Tier 2 Capital of QBE under the Australian Prudential Regulation Authority's ("**APRA**") capital adequacy framework. They would have a term of 30 years, with interest reset on the tenth and twentieth anniversaries of the issue date. QBE would have an option to redeem all the New Notes on each date on which the interest rate is reset and for certain tax and regulatory events, in each case with APRA's prior written approval. The terms would otherwise be substantially the same as QBE's issue of GBP denominated subordinated notes due 2042 and the subject of QBE's announcement on 19 May 2016. There will be no cash offer of New Notes. Pricing and further details in relation to any New Notes would be the subject of a further announcement following pricing of the New Notes. No shareholder approval would be needed for the issue and the securities would not be offered to a particular class of security holders.

Any issue of New Notes would be scheduled to be priced on or about 15 June 2016. If QBE does not enter into a subscription agreement for the issue of New Notes by that date, HSBC would have the option to sell the Acquired Notes to QBE. The rationale of the Offer is to help enhance the efficiency of QBE's capital base.

QBE intends to retain any Notes it acquires from HSBC under these arrangements and does not intend to remarket them.

For further information, please contact:

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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.