

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

QBE Insurance Group Limited

ABN

28 008 485 014

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | USD Tier 2 subordinated convertible notes due 2046 (Subordinated Notes) |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 2,620 |

+ See chapter 19 for defined terms.

- 3 Principal terms of the *securities (e.g. if options, exercise price and expiry date; if partly paid *securities, the amount outstanding and due dates for payment; if *convertible securities, the conversion price and dates for conversion)

The Subordinated Notes are direct, unsecured and subordinated debt obligations of the Issuer, issued in registered form.

The main features of the Subordinated Notes include:

- a term of 30 years (maturing 17 June 2046);
- Subordinated Notes will bear interest at a fixed rate of 5.875% for the first interest period, which will be reset for subsequent interest periods at a mid market swap rate plus a margin of 4.395%;
- interest is payable semi-annually in arrears;
- QBE has the option to defer payment of interest in certain circumstances (which will not constitute an event of default);
- QBE has an option to redeem the Subordinated Notes at their face value on 17 June 2026 and 17 June 2036 and at any time for certain tax and regulatory events (in each case, subject to the prior written approval of the Australian Prudential Regulation Authority (APRA));
- if APRA determines QBE to be non-viable, all the Subordinated Notes (or in certain circumstances, some of them) will convert into QBE ordinary shares; and
- the number of QBE ordinary shares issued on conversion will be based on a volume-weighted average price (VWAP) converted from AUD to GBP 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.

4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

No. Prior to conversion, Subordinated Notes carry no right to participate in dividends payable in respect of other securities of QBE.

The Subordinated Notes constitute direct and unsecured, subordinated obligations of QBE, ranking in a winding-up of QBE:

- ahead of the obligations of QBE in respect of instruments of QBE issued as Tier 1 Capital (as defined by APRA from time to time) (whether or not constituting Tier 1 Capital at the issue date or commencement of the winding-up of QBE) and any shares (including ordinary shares) in the capital of QBE (**Junior Ranking Instruments**);
- equally among themselves and with the obligations of QBE in respect of any instrument that ranks in a winding-up of QBE as the most junior claim ranking senior to Junior Ranking Instruments (including other instruments issued after 1 January 2013 as Tier 2 Capital (as defined by APRA from time to time) (**Equal Ranking Instruments**); and
- behind the obligations of QBE in respect of the claims of all creditors of QBE which would be entitled to be admitted to the winding-up of QBE other than claims in respect of Equal Ranking Instruments or Junior Ranking Instruments (**Senior Ranking Debt**).

In a winding-up of QBE, claims for amounts owing by QBE in connection with Subordinated Notes are subordinated to claims in respect of Senior Ranking Debt, in that:

+ See chapter 19 for defined terms.

- all claims in respect of Senior Ranking Debt must be paid in full before any claim in respect of the Subordinated Notes is paid; and
- until the claims in respect of Senior Ranking Debt have been paid in full, holders of Subordinated Notes must not claim in the winding-up of QBE in competition with the creditors under Senior Ranking Debt.

If conversion of the Subordinated Notes occurs in accordance with the terms, the QBE ordinary shares issued on conversion will rank equally in all respects with all other QBE ordinary shares.

5 Issue price or consideration

See (6) below.

6 Purpose of the issue
(If issued as consideration for the acquisition of assets, clearly identify those assets)

Notes will only be issued in exchange for USD456,192,000 of the USD1,000,000,000 Fixed Rate Reset Guaranteed Exchangeable Subordinated Callable Notes due 2041 (issued by QBE Capital Funding III Limited and guaranteed by QBE Insurance Group Limited) pursuant to a Private Exchange Agreement dated on or about 15 June 2016 between QBE Insurance Group Limited and The Hongkong and Shanghai Banking Corporation Limited.

6a Is the entity an *eligible entity that has obtained security holder approval under rule 7.1A?

No.

If Yes, complete sections 6b – 6h in relation to the *securities the subject of this Appendix 3B, and comply with section 6i

6b The date the security holder resolution under rule 7.1A was passed

Not applicable.

6c Number of *securities issued without security holder approval under rule 7.1

Not applicable.

6d	Number of +securities issued with security holder approval under rule 7.1A	Not applicable.	
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Not applicable.	
6f	Number of +securities issued under an exception in rule 7.2	Not applicable.	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable.	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable.	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Not applicable.	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	17 June 2016	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number 1,371,270,339	+Class Ordinary Shares

+ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the ⁺ securities in section 2 if applicable)	Number	⁺ Class
		2,620	Subordinated Notes
		3,271	Subordinated, unsecured notes due 2042
		1,500	Subordinated, unsecured notes due 2045
		3,500	Subordinated, unsecured notes due 2044
		20,000	Subordinated, unsecured notes due 2040
		30,396	Un-exercised employee options
		15,350,108	Un-exercised employee conditional rights
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Not applicable.	

Part 2 - Pro rata issue

11	Is security holder approval required?	Not applicable.
12	Is the issue renounceable or non-renounceable?	Not applicable.
13	Ratio in which the ⁺ securities will be offered	Not applicable.
14	⁺ Class of ⁺ securities to which the offer relates	Not applicable.
15	⁺ Record date to determine entitlements	Not applicable.

- | | | |
|----|--|-----------------|
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | Not applicable. |
| 17 | Policy for deciding entitlements in relation to fractions | Not applicable. |
| 18 | Names of countries in which the entity has security holders who will not be sent new offer documents

<small>Note: Security holders must be told how their entitlements are to be dealt with.
Cross reference: rule 7.7.</small> | Not applicable. |
| 19 | Closing date for receipt of acceptances or renunciations | Not applicable. |

+ See chapter 19 for defined terms.

20	Names of any underwriters	Not applicable.
21	Amount of any underwriting fee or commission	Not applicable.
22	Names of any brokers to the issue	Not applicable.
23	Fee or commission payable to the broker to the issue	Not applicable.
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable.
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable.
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable.
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable.
28	Date rights trading will begin (if applicable)	Not applicable.
29	Date rights trading will end (if applicable)	Not applicable.
30	How do security holders sell their entitlements <i>in full</i> through a broker?	Not applicable.
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable.

+ See chapter 19 for defined terms.

- 32 How do security holders dispose of their entitlements (except by sale through a broker)? Not applicable.
- 33 ⁺Issue date Not applicable.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of ⁺securities
(tick one)
- (a) ☐ ⁺Securities described in Part 1
- (b) ☐ All other ⁺securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders
- 36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	Not applicable.	
39	+Class of +securities for which quotation is sought	Not applicable.	
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: - the date from which they do - the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment - the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Not applicable.	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	Not applicable.	
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	Number	+Class
		Not applicable.	Not applicable.

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:

Peter Smiles

Date:

22/6/2016

(Director/Company secretary)

Print name:

PETER SMILES

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+ See chapter 19 for defined terms.

