



27 October 2016

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

Dear Sir/Madam

QBE announces amendments to Exchange Offer

Please find attached an announcement for release to the market.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Carolyn Scobie", written in a cursive style.

Carolyn Scobie
Company Secretary

Attachment.



MARKET RELEASE

27 October 2016

QBE ANNOUNCES AMENDMENTS TO EXCHANGE OFFER

On October 19, 2016, QBE announced (the “**Initial Press Release**”) that it had commenced a private invitation to certain Eligible Holders (as defined below) of the outstanding U.S.\$538,608,000 7.25% Fixed Rate Reset Guaranteed Exchangeable Subordinated Callable Notes due 2041 (CUSIP: G7306BAA2 and 74734PAA0; ISIN: US74734PAA03 and USG7306BAA29) issued by QBE Capital Funding and guaranteed by QBE (the “**Existing Notes**”) to tender any and all of their Existing Notes in exchange (the “**Exchange Offer**”) for new U.S.\$-denominated Fixed Rate Subordinated Notes due 2043 (“**New Notes**”) to be issued by QBE. Capitalized terms used by not defined in this release have the same meaning given to such terms in the Initial Press Release.

QBE today announced that it had made the following changes to the terms of the New Notes being offered in the Exchange Offer:

- The initial interest rate will be increased to 7.50% per annum from 7.25% per annum;
- The interest rate will reset only on November 24, 2023 and November 24, 2033, rather than on November 24, 2023 and every five years thereafter up to November 24, 2038; and
- The reset margin applicable at the time of each interest rate reset will increase to 6.03% per annum.

Additional changes that will allow for the automatic acceleration of the New Notes upon certain bankruptcy events and will increase the percentage of New Notes required for holders to approve certain amendments to the New Notes (from 50% to 66 2/3%) are also described in a supplement to the Exchange Offer Memorandum being sent to Eligible Holders.

In light of these changes, QBE today also announced that each of the Early Participation Time and the Withdrawal Time will be extended to 5:00 p.m., New York City time, on November 2, 2016 (from November 1, 2016). The Expiration Time will remain at 11:59 p.m., New York City time, on November 16, 2016 and the Settlement Date is expected to remain on November 21, 2016, New York City time.

Except as described above in this release, the terms of the Exchange Offer and the New Notes set out in the Exchange Offer Memorandum remain unchanged.

Details in relation to the results of participation in the Exchange Offer will be the subject of further announcements following completion of the Early Participation Time and the Expiration Time.

QBE has not registered, and will not register, the New Notes under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), any state securities laws or the securities laws of any other jurisdiction. The New Notes may not be offered or issued in the United States or to any U.S. persons except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The New Notes will be offered for exchange only to (1) “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) in the United States and (2) persons other than “U.S. persons” (as defined in Rule 902 under the Securities Act) outside the United States in compliance on Regulation S under the Securities Act. Only holders of Existing Notes who complete and return an eligibility certification, which is available at www.dfking.com/qbe (who are referred to as “**Eligible Holders**”) are authorized to receive and review the Exchange Offer Memorandum (including

the supplement describing the changes noted above) and the accompanying letter of transmittal and to participate in the Exchange Offer. No assurance can be given that the Exchange Offer will be completed.

Holders of the Existing Notes who desire a copy of the eligibility letter may contact the D.F. King & Co., Inc., the Information and Exchange Agent for the Exchange Offer, by telephone at +1 (212) 269-5550 or at +1 (800) 966-9021 or by email at qbe@dfking.com.

This announcement does not constitute an offer to purchase, nor a solicitation of an offer to sell, the Existing Notes or an offer to sell, nor a solicitation of an offer to buy, any New Notes, nor shall any such offer, solicitation or sale occur in any state or jurisdiction in which such offer, solicitation or sale would be unlawful. 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 Information and Exchange Agent. A resident of Australia may only participate in the Exchange Offer if it holds Existing Notes and is eligible to do so under the terms set out in the Exchange Offer Memorandum.

The communication of this announcement and any other document or materials relating to the Exchange Offer and the New Notes discussed herein is not being, and will not be, made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, participation in the Exchange Offer is only available to, and any investment or investment activity to which this announcement relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this announcement or any of its contents.

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