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19 May 2016

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

Dear Sir/Madam

**PRICING ANNOUNCEMENT IN RELATION TO QBE'S OFFER TO EXCHANGE
£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 blue ink that reads "Peter Smiles".

Peter Smiles
Deputy Company Secretary

Attachment.



MARKET RELEASE

19 May 2016

PRICING ANNOUNCEMENT IN RELATION TO QBE'S OFFER TO EXCHANGE £325,000,000 FIXED RATE RESET GUARANTEED EXCHANGEABLE SUBORDINATED CALLABLE NOTES DUE 2041 ISSUED BY QBE CAPITAL FUNDING IV LIMITED ("EXISTING NOTES")

As previously announced on 4 May 2016, QBE 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.

QBE announces today that it has accepted the offer and successfully priced the New Notes. As a result of the offer, QBE will exchange £291,025,000.00 of Existing Notes for New Notes.

The New Notes 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 26 years (maturing 24 May 2042);
- New Notes will bear 6.115% per annum interest, payable semi-annually in arrear;
- interest will be reset on 24 May 2022, 24 May 2027, 24 May 2032 and 24 May 2037 to a rate calculated by reference to the then mid-market swap rate plus a margin of 5.00% per annum, payable semi-annually in arrear;
- 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.

No shareholder approval is needed for the issue and the securities are not being offered to a particular class of security holders.

Mr Pat Regan, QBE Group Chief Financial Officer said: "We were particularly satisfied with the level of Investor participation in our Tender Exchange transaction, with the new notes further enhancing the quality of the Group's regulatory capital position. We were also extremely pleased with the pricing levels achieved on the new bonds".

Settlement and the issue of £327,186,000.00 of the New Notes at an issue price of £100,000 each is scheduled for 24 May 2016.

Further details of the pricing of the exchange offer are included in the Pricing and Results Announcement, a copy of which is attached to this notice.

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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.

*** QBE ANNOUNCES PRICING AND RESULTS OF GBP TIER 2 EXCHANGE OFFER VIA HSBC / MS / NAB ***

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION TO ANY U.S. PERSON OR IN OR INTO THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THE EXCHANGE OFFER MEMORANDUM. THE EXCHANGE OFFER IS MADE SUBJECT TO OFFER RESTRICTIONS IN CERTAIN JURISDICTIONS AS SET OUT IN THE EXCHANGE OFFER MEMORANDUM.

18 May 2016 - On 4 May 2016 QBE Insurance Group Limited ("QBE") announced its invitation to holders of the outstanding GBP 325,000,000 Fixed Rate Reset Guaranteed Exchangeable Subordinated Callable Notes due 2041 (Regulation S Notes ISIN XS0615238473) issued by QBE Capital Funding IV Limited and guaranteed by QBE (the "Existing Notes") to offer to exchange any and all Existing Notes for GBP denominated Fixed Rate Subordinated Notes due 2042 to be issued by QBE pursuant to its USD 4,000,000,000 Medium Term Note Programme on the terms and subject to the conditions set out in the Exchange Offer Memorandum dated 4 May 2016 (the "Exchange Offer Memorandum").

The Exchange Offer is made on the terms and subject to conditions set out in the Exchange Offer Memorandum. The Exchange Offer expired at 5.00 pm UKT on 17 May 2016.

Further to pricing which took place at the Pricing Time, QBE hereby announces that it will accept valid offers of Existing Notes for exchange pursuant to the Exchange Offer and the pricing information is as follows:

- (i) the Exchange Price is 112.462 per cent., the Exchange Yield is 4.676 per cent., the Exchange Ratio is 1.124620 and the Interpolated Mid-Swap Rate is 1.026 per cent.;
- (ii) the Reference Rate is 1.115 per cent., the New Notes Yield is 6.115 per cent. and the New Notes Coupon is 6.115 per cent.;
- (iii) Accrued Interest in respect of the Existing Notes is nil;
- (iv) the aggregate principal amount of New Notes to be issued is GBP 327,186,000; and
- (v) the aggregate principal amount of Existing Notes accepted for Exchange is GBP 291,025,000.

The expected Settlement Date for the Exchange Offer is 24 May 2016. The ISIN code for the New Notes is XS1419859142.

On the Settlement Date, QBE will also pay, or procure to be paid, any Accrued Interest Payment and the Exchange Rounding Amount for Existing Notes validly offered for exchange by a Holder and accepted by QBE.

Terms used herein have the meaning set out in the Exchange Offer Memorandum.

Lead Dealer Managers:

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Exchange Agent

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