



29 February 2012

The Manager
Company Announcements
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Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

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ABN 28 008 485 014

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Australia

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Dear Sir/Madam,

QBE lodges pro forma documents for Share Purchase Plan

Further to our market releases of 28 and 29 February 2012, we now lodge, for the market's information, the attached pro forma letter from our Chairman and terms and conditions.

The attached documents are in the process of being sent to shareholders along with an application form.

Yours faithfully,

Duncan Ramsay
Company Secretary

Encls.

Dear Shareholder

QBE Insurance Group Limited - Share Purchase Plan

On behalf of the Board of Directors, I am pleased to offer eligible QBE shareholders an opportunity to participate in the Share Purchase Plan (**SPP**) which was announced on 28 February 2012. The SPP allows eligible QBE shareholders to purchase up to A\$15,000 worth of new ordinary shares in QBE Insurance Group Limited (**QBE**) (subject to discretionary scale back) without brokerage or transaction costs.

QBE recently conducted a placement of ordinary shares to institutional and professional investors, raising A\$450 million. The SPP gives you the chance to increase your QBE holding at a price (**SPP Price**), which is the lesser of:

- 1) A\$10.70 per share, which is the same price institutional investors were offered new shares under the institutional placement and represents a discount of approximately 4.9% to the closing price of QBE ordinary shares on 27 February 2012 (being A\$11.25), adjusted for the final dividend of \$0.25 per share; or
- 2) a 2% discount to the volume weighted average price (**VWAP**) of QBE ordinary shares during the five trading days before the closing date for applications under the SPP, expected to be on 26 March 2012 (rounded down to the nearest cent).

All eligible Australian and New Zealand registered ordinary shareholders who hold shares on the record date, being 7.00pm (Australian Eastern Daylight Time) (**AEDT**) on 27 February 2012 are generally eligible to participate in the SPP.

Participation in the SPP is entirely voluntary. If you are an eligible QBE shareholder and wish to participate in the SPP, you may apply to purchase a parcel of shares valued at A\$1,000, A\$2,000, A\$5,000, A\$10,000 or A\$15,000. If you do not wish to participate, you may disregard this letter.

Full details of this offer are set out in the attached Terms and Conditions and Application Form.

Purpose of the SPP

The purpose of the SPP is to provide eligible shareholders with the opportunity to invest in QBE ordinary shares at the institutional offer price under the placement (or, if lower, a 2% discount to the 5-day VWAP prior to the closing date for applications under the SPP), without brokerage or other transaction costs. The capital raised under the placement and the SPP will be used to refinance the US\$500 million Macquarie Tier 2 Notes, with any excess being for general corporate purposes.

Scale back

QBE intends to raise up to A\$150 million via the SPP and reserves absolute discretion regarding the right to scale back applications should total demand exceed A\$150 million. QBE may take into account the size of an applicant's shareholding in determining the amount (if any) by which to scale

back that applicant's application. Should this happen, you may be allocated shares to a value which is less than the parcel for which you applied and the difference will be refunded to you.

Please keep this potential scale back in mind when deciding how much to apply for as it will impact how many shares you receive. For example, if you hold A\$1,000 of shares, apply for A\$15,000 of shares and QBE scales back the offer, you may only receive A\$1,000 of shares (or less), rounded down to the nearest share, with A\$14,000 being refunded to you without interest.

Any balance remaining above the cost of your share allocation which is less than the cost of one share will be donated to the Salvation Army.

Important Points

- New shares in QBE issued under the SPP will not be entitled to the 2011 final dividend for the six months to 31 December of A\$0.25 as they will be allotted after the record date that determines eligibility for the dividend.
- The SPP offer is non-renounceable, which means that you cannot transfer your right to purchase shares under the SPP to anyone else.
- You may only apply for a maximum amount of A\$15,000. If you make applications for each of your registered holdings of QBE shares, the total of all the applications must not exceed A\$15,000. QBE reserves the right to decline applications from multiple registered holdings if the total exceeds A\$15,000, including where those registered holdings are in similar but not identical names, are held directly or indirectly or are held alone or with others.

You should be aware that the market price of QBE shares may rise or fall between the date of the SPP offer and the date that shares are allotted to you under the SPP. Therefore, the number of new QBE shares you receive may be more or less than the number you might calculate using the market price of QBE shares on the allotment date.

Timetable

Record date	27 February 2012
Opening date	12 March 2012
SPP Pricing Period	20 March to 26 March 2012
Closing date	26 March 2012
Scale	29 March 2012
back announcement	
Allotment date	5 April 2012

How to participate

If you would like to participate in the SPP, you can:

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- (i) complete an application via the QBE offer website which will be accessible from www.qbe.com from 12 March 2012 (you will require your SRN/HIN for this process); or
 - (ii) complete the enclosed Application Form and forward it to our share registry,

but for either process you choose the application must be received by our share registry no later than 5.00pm (AEDT) on 26 March 2012 (**Closing Date**).

Whichever application method you choose you will have to make the payment by:

- (i) forwarding any of a cheque, bank draft or a money order for the relevant amount to our share registry; or
- (ii) paying directly via BPAY® on the internet or by telephone (for Australian shareholders only).

Payment must be received by the Closing Date. If you are sending the payment by post, then please leave several days for delivery. If you are paying by BPAY®, then please check the processing cut-off time for BPAY® with your financial institution. For the sake of all applicants, QBE will not hold up the allocation process because of late postal deliveries or payments.

If you are forwarding by post, please send the documents to:

QBE Insurance Group Limited
c/- Link Market Services Limited
GPO Box 3560
SYDNEY NSW 2001

If you are hand delivering the documents, please deliver them to:

QBE Insurance Group Limited
c/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes, NSW 2138

Please note that this letter does not constitute financial product advice and does not take into account the investment objectives, financial situation, tax position or particular needs of individuals. If you are in doubt as to the course of action you should follow, you should consult your stockbroker, accountant, taxation adviser, solicitor or other professional adviser before participating in the SPP.

I advise you to carefully read the Terms and Conditions of the SPP enclosed with this letter before making your investment decision. In particular, you should note the risk of movements in the QBE share price, which is set out in section 3(n).

If you have any questions in relation to the SPP or how to complete the Application Form, please call Link Market Services at any time from 8.30am to 5.30pm (AEDT) Monday to Friday from 12 March 2012 as set out below.

Within Australia: 1800 645 237

Within New Zealand: 0800 767 556

On behalf of the Board, I thank you for your continued support as a QBE shareholder.

Yours sincerely

Belinda Hutchinson AM

Chairman

The securities referred to in this document have not and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act), in the absence of registration or an available exemption from registration. This document has been prepared for publication in Australia and New Zealand only and may not be released elsewhere.

SHARE PURCHASE PLAN

TERMS AND CONDITIONS

IMPORTANT NOTICE: *If you apply to participate in the SPP by making a BPay[®] payment or completing and returning the Application Form with any of a cheque, bank draft or money order, you are accepting the risk that the market price of Shares may change between the Record Date, the date on which you send in an Application Form or make a BPay[®] payment and the Allotment Date. This means it is possible that, up to or after the Allotment Date, you may be able to buy Shares at a lower price than the Issue Price.*

1. Eligible Shareholders

Subject to clauses 1(a) to 1(c), all persons registered as holders of ordinary fully paid shares of QBE Insurance Group Limited (collectively the **Shares**), at 7.00pm (Australian Eastern Daylight Time (**AEDT**)) on 27 February 2012 (the **Record Date**), whose address in the share register of QBE Insurance Group Limited (ABN 28 008 485 014) (**QBE**) is in Australia or New Zealand, may participate in the Share Purchase Plan (the **SPP**) (the **Eligible Shareholders**).

- (a) Shareholders who hold Shares on behalf of persons who reside outside Australia or New Zealand including those who are "US persons" (as defined in Regulation S under the US Securities Act of 1933, as amended) (**US Persons**) or who act for the account or benefit of a US Person are not entitled to participate in the SPP.
- (b) Shareholders who are joint holders of Shares are taken to be a single registered holder of Shares for the purposes of determining whether they are an Eligible Shareholder, and the certification under clause 3(d) by one joint holder will be effective in respect of the other joint holder(s).
- (c) Where a custodian (as defined in ASIC Class Order 09/425) is a registered holder of Shares and holds Shares on behalf of one or more persons ("**Beneficiaries**"), the SPP Offer is made to the custodian and the custodian has the discretion whether to extend the SPP Offer to the Beneficiaries. If a custodian applies for Shares on behalf of a Beneficiary, QBE will not issue SPP Shares unless the custodian certifies the following in writing to QBE:
 - (i) either or both of the following:
 - (A) that the custodian holds the Shares on behalf of one or more persons that are not custodians ("**Participating Beneficiaries**"); or
 - (B) that another custodian ("**Downstream Custodian**") holds beneficial interests in Shares on behalf of a Participating Beneficiary, and the custodian holds the Shares to which those

beneficial interests relate on behalf of the Downstream Custodian or another custodian,

on the Record Date and that each Participating Beneficiary has subsequently instructed the following persons:

- (C) where sub-paragraph (i)(A) applies – the custodian; and
 - (D) where sub-paragraph (i)(B) applies – the Downstream Custodian, to apply for Shares under the SPP on their behalf;
 - (ii) the number of Participating Beneficiaries;
 - (iii) the name and address of each Participating Beneficiary, and that each Participating Beneficiary's address is located in Australia or New Zealand;
 - (iv) in respect of each Participating Beneficiary:
 - (A) where sub-paragraph (i)(A) applies - the number of Shares that the custodian holds on their behalf; and
 - (B) where sub-paragraph (i)(B) applies – the number of Shares to which the beneficial interests relate;
 - (v) in respect of each Participating Beneficiary:
 - (A) where sub-paragraph (i)(A) applies – the number or the dollar amount of Shares they instructed the custodian to apply for on their behalf; and
 - (B) where sub-paragraph (i)(B) applies – the number or the dollar amount of Shares they instructed the Downstream Custodian to apply for on their behalf;
 - (vi) there are no Participating Beneficiaries in respect of which the total of the application price for the following exceeds A\$15,000:
 - (A) the Shares applied for by the custodian under the SPP in accordance with the instructions referred to in sub-paragraph (v); and
 - (B) any other Shares issued to the custodian in the 12 months before the application as a result of an instruction given by them to the custodian or the Downstream Custodian to apply for Shares on their behalf under an arrangement similar to the SPP;
 - (vii) that a copy of this SPP booklet was given to each Participating Beneficiary; and
 - (viii) where sub-paragraph (i)(B) applies – the name and address of each custodian who holds beneficial interests in the Shares held by the custodian in relation to each Participating Beneficiary.
- (d) Custodians must request a "**Custodian Certificate**" when making an application on behalf of Beneficiaries. To request a Custodian Certificate or further information about the custodian application process, a shareholder should contact QBE's

Share Registry Inquiry Line on 1800 645 237(within Australia) or 0800 767 558 (within New Zealand) between 8.30am to 5.30pm (AEDT time) Monday to Friday. Applications received from custodians must be accompanied by a duly completed and signed Custodian Certificate.

- (e) A registered holder of Shares will be ineligible to participate in the SPP if their participation would be in breach of ASIC Class Order 09/425.
- (f) If you are an Eligible Shareholder, your rights under this offer are personal to you and are non-renounceable, which means you cannot transfer your rights to another person.

2. Applying for Shares

- (a) Participation in the SPP is optional. Eligible Shareholders may apply to purchase a parcel of ordinary fully paid QBE shares with a value of either A\$1,000, A\$2,000, A\$5,000, A\$10,000 or A\$15,000. If you are an Eligible Shareholder and wish to participate in the SPP, you must:

- (i) complete an application via the QBE SPP Offer website accessible from www.qbe.com; or
- (ii) complete an Application Form and forward it to our share registry,

and for either process you choose the application must be received by our share registry no later than 5.00pm (AEDT) on 26 March 2012 (**Closing Date**).

Whichever application method you choose you will have to make the payment by:

- (i) forwarding a cheque, bank draft or a money order for the relevant amount to our share registry; or
- (ii) paying directly via BPay® on the internet or by telephone (for Australian shareholders only),

and for either process you choose the payment must be received by our share registry no later than the Closing Date.

If you make a payment by BPay® and QBE receives an amount which is not equal to A\$1,000, A\$2,000, A\$5,000, A\$10,000 or A\$15,000, QBE will round down the value of Shares which you are applying for to the next lowest parcel, or if QBE receives less than A\$1,000, reject your application, and refund any application monies to you which are not used to purchase Shares, without interest, following allotment.

- (b) If you apply for Shares under the SPP, you will apply for a certain value, rather than a certain number, of Shares. Subject to clauses 2(c) and 6, QBE will divide the parcel value you select by the Issue Price (as determined under clause 4(a)) in order to determine the number of Shares which you have applied for (rounded up or down to the nearest whole number of Shares). Any balance remaining as a result of rounding received by QBE will be donated to the Salvation Army.
- (c) Eligible Shareholders who receive more than one offer under the SPP (for example, because they hold Shares in more than one capacity or in different

registered holdings) may apply on different Application Forms for Shares but may not apply for Shares with an aggregate value of more than A\$15,000.

- (d) QBE may either accept or reject your application for Shares at its absolute discretion. QBE may reject your application in the following circumstances (among others):
- (i) your Application Form is incorrectly completed, incomplete or otherwise determined by QBE to be invalid;
 - (ii) you have applied for less than A\$1,000 worth of Shares;
 - (iii) your cheque is dishonoured;
 - (iv) the cheque, bank draft or money order that you enclose with your Application Form is not made out for the amount corresponding to amount of Shares you have selected to purchase;
 - (v) your BPay[®] payment is not received by the Closing Date or is otherwise incomplete or invalid;
 - (vi) QBE believes that you are applying either directly or indirectly (such as through a trust) to buy more than an aggregate of A\$15,000 of Shares;
 - (vii) QBE believes that you and one or more other registered holders of the same or similar name or address are applying to buy more than an aggregate of A\$15,000 of Shares;
 - (viii) your Application Form or BPay[®] payment is received after the Closing Date. Late payments will be refunded (without interest);
 - (ix) QBE believes you are not an Eligible Shareholder (subject to compliance with any applicable Australian Securities and Investments Commission or ASX requirements); or
 - (x) your name is not recorded in the register of members on the Record Date. For example, applications by people claiming an interest in Shares through a registered holder of shares will not be accepted if the registered holder of shares is not noted on the register of members as holding the Shares on account of another person.

3. Effect of Making an Application

If you submit a BPay[®] payment or complete and return an Application Form:

- (a) you acknowledge that you are an Eligible Shareholder;
- (b) you irrevocably and unconditionally agree to these Terms and Conditions and the terms of the Application Form and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of the SPP;
- (c) you acknowledge your application is irrevocable and unconditional;
- (d) you certify that the total of the application price for the following does not exceed A\$15,000:

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- (i) the SPP Shares the subject of your application;
 - (ii) any other SPP Shares or any similar arrangement in the 12 months before the date of your application;
 - (iii) any other Shares which you have instructed a custodian to acquire on your behalf under the SPP; and
 - (iv) any other Shares issued to a custodian under an arrangement similar to the SPP in the 12 months before the date of your application for SPP Shares as a result of an instruction given by you to the custodian or another custodian and which resulted in you holding beneficial interests in such Shares,

even though you may have received more than one offer under the SPP or received offers in more than one capacity under the SPP;

- (e) you authorise QBE to correct minor errors in your Application Form and to complete the Application Form by inserting any missing minor detail;
- (f) you acknowledge that QBE may determine that your Application Form is valid, in accordance with these Terms and Conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
- (g) you accept the risk associated with any refund that may be dispatched to you to your address or nominated bank account as shown on QBE's register;
- (h) you are responsible for any dishonour fees or other costs QBE may incur in presenting a cheque for payment which is dishonoured;
- (i) you acknowledge that no interest will be paid on any application monies held pending the allotment of the Shares or subsequently returned to you for any reason;
- (j) you acknowledge that you have not been provided with investment advice or financial product advice by either QBE or Link Market Services Limited and that neither of them has any obligation to provide this advice in relation to your consideration as to whether or not to purchase Shares;
- (k) you acknowledge that QBE is not liable for any exercise of its discretions referred to in these Terms and Conditions;
- (l) you acknowledge that the Shares have not, and will not be, registered under the US Securities Act or the securities law of any state or other jurisdiction outside Australia or New Zealand and accordingly, the Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- (m) you agree not to send any materials relating to the SPP to any person in the United States or that is or is acting for the account or benefit of a US person; and
- (n) you acknowledge that the market price of Shares may rise or fall between the date of this offer and the date the Shares are allotted to you under the SPP (the

Allotment Date) and that the Issue Price you pay for the Shares may exceed the market price of the Shares on the Allotment Date.

4. Issue Price of Shares under the SPP

- (a) The Issue Price per Share on offer under the SPP will be to the lesser of:
 - (i) A\$10.70; or
 - (ii) a 2% discount to the average of the daily volume weighted average prices of QBE shares traded on the ASX during the 5 trading days up to and including the Closing Date on 26 March 2012, rounded down to the nearest cent.
- (b) The current Share price can be obtained from the ASX and is listed in the financial and business section of major daily newspapers circulating in Australia.
- (c) You agree to pay the Issue Price per Share for the number of Shares calculated under clause 2(b) or, if there is a Scaleback, the number of Shares calculated under clause 6.

5. The Shares

- (a) Shares issued under the SPP will rank equally in all respects with existing Shares quoted on the ASX, with the same voting rights, dividend rights and other entitlements other than to the 2011 final dividend.
- (b) QBE will apply for new Shares issued under the SPP to be quoted on the ASX.

6. Scaleback

- (a) If the total value of applications for Shares under the SPP is more than A\$150 million, QBE may, in its absolute discretion, undertake a Scaleback to the extent and in the manner that it sees fit, including by taking into account the size of an applicant's shareholding before the SPP. A **Scaleback** is a reduction in the allotments of Shares (compared to parcels applied for) that QBE will undertake if it receives applications under the SPP for more Shares than it wishes to issue.
- (b) If there is a Scaleback you may receive less than the parcel of Shares for which you have applied. If a Scaleback produces a fractional number of Shares when applied to your parcel, the number of Shares you will be allocated will be rounded up or down to the nearest whole number of Shares.
- (c) In the event of a Scaleback the difference between the application monies received, and the number of Shares allocated to you multiplied by the Issue Price, will be refunded to you by direct credit (to your nominated account as recorded on QBE's share register) or cheque as soon as practicable, without interest.

7. Costs of Participation

QBE will not charge any brokerage, commissions or other transaction costs in respect of the application for, and allotment of, Shares under the SPP.

8. Timetable

- (a) Subject to clause 8(b):
- (i) **(Offer Date)** this offer is dated and taken to be made on 28 February 2012, which was the date the SPP was announced by QBE;
 - (ii) **(Record Date)** the offer is made to all persons registered as holders of Shares, at 7.00pm (AEDT) on 27 February 2012 whose address in the share register of QBE is in Australia or New Zealand,
 - (iii) **(Opening Date)** the offer opens on 12 March 2012;
 - (iv) **(Closing Date)** the offer closes at 5.00pm (AEDT) on 26 March 2012. If QBE does not receive a payment made by BPay or a completed Application Form and any of a cheque, bank draft or money order before the Closing Date, QBE reserves the right to return any payment and not allot any Shares to the shareholder;
 - (v) **(Scaleback announcement)** any Scaleback will be announced to the ASX on 29 March 2012;
 - (vi) **(Allotment Date)** QBE proposes to allot the Shares on 5 April 2012;
 - (vii) **(Trading Date)** QBE expects trading on ASX of new Shares issued under the SPP to commence on 5 April 2012; and
 - (viii) **(Dispatch Date)** the date on which transaction confirmations are sent to shareholders and if applicable, a direct credit deposit to your nominated account is made or refund cheque is dispatched as a result of any Scaleback being applied to your allotment.
- (b) QBE may vary any of the above dates in clause 8(a) at its absolute discretion (even if the offer has been opened, or BPay[®] or Application Forms have been received) by lodging a revised timetable with ASX.

9. Dispute Resolution

QBE may settle in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP and the decision of a Company Secretary of QBE will be conclusive and binding on all participants and other persons to whom the determination relates.

10. Waiver and Withdrawal

QBE may, at its absolute discretion:

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- (a) waive compliance with any provision of these Terms and Conditions; and
 - (b) withdraw the offer at any time up to the Allotment Date.

11. No Underwriting

The SPP will not be underwritten.

12. Governing Law

These Terms and Conditions are governed by the laws in force in New South Wales.

13. Other terms and conditions

Shareholders will be bound by the constitution of QBE and these Terms and Conditions by accepting the offer to acquire Shares under the SPP.

Before you apply for shares under the SPP, you should consider obtaining professional financial and/or taxation advice to assist you in determining whether or not, and the extent to which, you wish to participate in the SPP (taking into account your own financial situation, needs and objectives). QBE and its officers make no recommendation about whether or not you should apply for Shares under the SPP, and nothing in these Terms and Conditions, the Application Form or any other accompanying documentation constitutes investment or financial product advice or is intended to influence your decision whether or not to participate in the SPP.

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction. Neither the SPP nor the Shares have been or will be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from registration.