QBE Insurance Group Limited
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12 December 2012

The Manager
Company Announcements
ASX Limited
Level 6
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

QBE confirms issue of Subordinated Convertible Debt Securities

Please find attached an announcement for release to the market.

Yours faithfully,

D Ramsay

Duncan Ramsay
Company Secretary

Encl.

MARKET RELEASE

12 December 2012

QBE confirms issue of Subordinated Convertible Debt Securities

Further to its release on 12 November 2012, QBE confirmed today the issue of US$500 million of lower tier 2 subordinated convertible debt securities ("the Securities").

The main features of the Securities include:

- maturity in December 2039;
- floating interest rate of 3.25% over 6 month US$ LIBOR, payable semi-annually in arrears;
- after 18 months and otherwise in certain circumstances, the Securities may convert into QBE ordinary shares at the holder's option;
- after 7 years, subject to regulatory approval, QBE can redeem the Securities for cash;
- the number of shares to be issued on conversion will be the lesser of the maximum conversion number and a number determined using a volume weighted average share price calculated over a period around the time of conversion, a discount of 1% and an A$/US$ exchange rate (in each case calculated according to the formula in the terms of the Securities); and
- the Securities will qualify for regulatory lower tier 2 capital.

QBE has calculated that after the issuance of the Securities, its 31 December 2012 regulatory capital is expected to be greater than 1.6 times the APRA minimum capital requirement and the prescribed capital amount under the new LAGIC regime.

As required under Australian accounting standards, the calculation of diluted earnings per share will include the number of shares expected to be issued if the Securities are converted.

For further information, please contact:

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QBE Insurance Group Limited is listed on the Australian Securities Exchange, is recognised as one of the top 20 global insurance and reinsurance companies as measured by net earned premium and has operations in 50 countries.