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QBE

28 May 2013

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

Dear Sir/Madam

Senior Convertible Securities Tender

Please find attached an announcement for release to the market.

Yours faithfully,

D Ramsay

Duncan Ramsay
Company Secretary

Encl.

Market release

Date: 28 May 2013

SENIOR CONVERTIBLE SECURITIES TENDER

As part of its ongoing capital and debt management program, QBE today announced that it is conducting a limited tender offer for up to US$500 million of the outstanding Senior Convertible Securities due 2030 (“SCS”) issued by QBE Funding Trust V in May 2010.

The tender follows QBE’s placement of US$600 million of senior debt securities (notified to the ASX on 26 April 2013) and the SCS becoming available for redemption in May 2013.

Participating SCS holders will be able to elect to receive the tender purchase price as:
(i) cash only; or
(ii) cash and/or QBE ordinary shares.

The option of cash and/or shares is subject to a cap of no more than US$300 million of QBE ordinary shares being issued in the tender process. QBE retains absolute discretion for determining the proportion of either cash or shares that will be used to pay the tender purchase price.

The tender purchase price for each SCS will be US$678.3621, which is equal to its Issue Price, any Extraordinary Cash Dividend Pass Through due on the SCS and the original issue discount that it has accrued to the date of settlement of the tender, being 27 June 2013.

The number of QBE ordinary shares to be issued for the tender consideration will be determined by reference to the purchase price divided by a US dollar conversion of the price per QBE ordinary share, in turn determined from a volume weighted average price of QBE ordinary shares over a period prior to 27 June 2013.

The tender offer is subject to the terms and conditions set out in the tender offer memorandum, which has been sent separately to SCS holders.

The tender offer is due to close on Tuesday, 4 June 2013 (London time). An announcement of the results of the tender will be made on Thursday, 6 June 2013 (London time).

John Neal, QBE’s Group Chief Executive Officer said "The tender offer is the next step in our ongoing capital and debt management program. It follows our successful senior debt placement in April 2013 and will make an important contribution to QBE achieving its target debt to equity ratio of around 40% or lower by the end of 2013. We advised the market of this target as part of our 2012 annual results presentation given in February 2013."

To assist understanding of the impact a successful tender will have on QBE’s earnings per share dilution, a guidance note is attached.

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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 48 countries.

Senior Convertible Securities Tender
Guidance Note on Earnings Per Share Dilution

As at 31 December 2012, QBE's diluted earnings per share calculation (refer Note 25(E)(i) and Note 28 of the 2012 annual report) included an allowance of 80.1m shares for the possible conversion of the SCS. Refer to the table below.

Rolled forward to the tender completion date of 27 June 2013, the revised SCS dilution at an assumed share price of A$15.50 per share and an assumed AUD:USD exchange rate of 0.970 would be 47.3m shares (refer also to the table below).

Based on the same share price and AUD:USD exchange rate, assuming US$300m worth of shares are issued and approximately US$211m of SCS remain outstanding (with the balance of SCS redeemed), the dilution from the SCS outstanding after the tender settlement date would be approximately 14m shares (again refer to the table below).

		31-Dec-12	27-Jun-13
SCS accreted value	**(US$m)**	908	917
Redemptions YTD			(206)
SCS outstanding at date of tender offer	**(US$m)**		711
AUD:USD		1.040	**0.970**
SCS outstanding at date of tender offer	**(A$m)**	873	733
Share price		$ 10.90	**$ 15.50**
SCS share dilution (m) pre tender		**80.1**	**47.3**
Less dilution pertaining to SCS tendered for shares [1]			(20.0)
Less dilution pertaining to SCS tendered for cash [2]			(13.3)
SCS share dilution (m) post tender			**14.0**
Ordinary shares issued on 27 June as a result of SCS tendered for shares [1]			**20.0**

Notes:

1. US$300M/0.97 = A$309M @ $15.50 share price = 20.0M shares.

[2.] Total tender offer is for $500M, of which $300M is the maximum amount redeemed for shares.
Therefore assumes $200M is redeemed for cash (excluding unrelated YTD redemptions of $206M)
US$200M/0.97 = A$206M @$15.50 share price = 13.3M shares.
Assumes US$211M of SCS remains outstanding after the tender.

In addition to the above theoretical adjustment to earnings per share dilution as at 31 December 2012, associated with the SCS tender, investors will need to recognise the additional shares resulting from the SCS conversion in the issued share capital count at 30 June 2013, with an appropriate "weighting" adjustment necessary for the purposes of assessing 1H13 and FY13 earnings per share.