

QBE Insurance Group Limited ABN 28 008 485 014
Level 27, 8 Chifley Square, SYDNEY NSW 2000 Australia
GPO Box 82, Sydney NSW 2001
telephone + 612 9375 4444 • facsimile + 612 9231 6104

www.qbe.com



25 February 2019

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

Dear Sir/Madam

QBE Senior Notes Tender Offer and Fixed Income Investor Update

Please find attached an announcement for release to the market in relation to QBE's Senior Notes Tender Offer, together with its Fixed Income Investor Update.

Yours faithfully,

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

Carolyn Scobie
Company Secretary

Encl.



MARKET RELEASE

25 February 2019

QBE LAUNCHES TENDER OFFER AND CONSENT SOLICITATION FOR SENIOR NOTES

QBE Insurance Group Limited (“**QBE**”) is pleased to invite holders of its outstanding Fixed Rate Senior Notes due 2022 (ISIN XS1589873097) (“**Notes**”) to tender for purchase by QBE for cash any and all of their Notes (the “**Tender Offer**”). QBE is also convening a meeting of holders to approve amendments to the Notes to enable QBE to redeem all (but not some) of the Notes not purchased in the Tender Offer before their scheduled maturity (the “**Consent Solicitation**” and together with the Tender Offer, the “**Invitation**”).

The Invitation is subject to the “Offer and Distribution Restrictions” described in the tender offer and consent solicitation memorandum, dated 25 February 2019 (the “**Tender Offer and Consent Solicitation Memorandum**”).

The Invitation will be conducted under the terms and conditions stated in the Tender Offer and Consent Solicitation Memorandum. Holders should consult the Tender Offer and Consent Solicitation Memorandum for more details.

Capitalised terms used but not defined in this announcement have the meanings given to them in the Tender Offer and Consent Solicitation Memorandum. The Tender Offer and Consent Solicitation Memorandum and related documents are available from DF King, the Information, Tabulation and Tender Agent on the Invitation Website: <https://sites.dfkingltd.com/qbe>.

The purpose of the Invitation is to acquire all outstanding Notes. Notes purchased by QBE pursuant to the Tender Offer will be cancelled and will not be re-issued or re-sold.

Additional consideration will be paid to holders tendering their Notes, or giving instruction to vote in favour of the amendments, by the Early Invitation Deadline.

In addition to the Purchase Price, QBE will also pay Accrued Interest in respect of the Notes accepted for purchase under the Tender Offer.

Following settlement of the Tender Offer, if the amendments to the Notes are approved and become effective, QBE intends to redeem all remaining Notes at their face value together with accrued interest.

The following sets out the expected dates of the key events relating to the Invitation.

| | |
|------------------|---|
| 25 February 2019 | Announcement and commencement of the Invitation (including the Notice of Meeting) |
| 8 March 2019 | Early Invitation Deadline |
| 11-12 March 2019 | Announcement of early results |
| 25 March 2019 | Invitation Deadline |
| 26 March 2019 | Meeting to approve amendments |

| | |
|--|--|
| 26 March 2019 | Results Announcement |
| 28 March 2019 | Expected Settlement Date (if QBE accepts Notes for purchase) |
| As soon as practical after the Settlement Date | Redemption notice given by QBE (if the amendments to the Notes become effective) |
| 7 days after the redemption notice is deemed to be given | Redemption of the outstanding Notes following the Tender Offer (if the amendments to the Notes become effective) |

The Invitation will expire on the Invitation Deadline, unless extended, re-opened or terminated by QBE.

The Invitation is not being made under this announcement. The Notes (ISIN XS1589873097) were issued outside Australia to wholesale investors, and any person who is considering participating in the Invitation must obtain a copy of the Tender Offer and Consent Solicitation Memorandum from QBE, the Information, Tabulation and Tender Agent or the Dealer Managers, as listed in the Tender Offer and Consent Solicitation Memorandum. A resident of Australia may only participate in the Invitation if it holds Notes and is eligible to do so under the terms of the Tender Offer and Consent Solicitation Memorandum. The Invitation will only be distributed to holders of the Notes who complete a form confirming their eligibility on the Invitation Website described above.

For further information, please contact:

| | |
|--|--|
| Debt Relations | QBE Insurance Group Limited |
| Group Treasurer Danny Fischer Tel: +61 (2) 9375 4911 Cell: +61 (0) 466 029 355 Email: danny.fischer@qbe.com | ABN 28 008 485 014 Level 27, 8 Chifley Square Sydney NSW 2000 Australia www.qbe.com |

Media Enquiries

Group Head of External Communications
Ben Pratt
Tel: +61 (2) 9375 4534
Email: ben.pratt@qbe.com

DISCLAIMER

THE COMPLETE TERMS AND CONDITIONS OF THE TENDER OFFER AND CONSENT SOLICITATION ARE SET FORTH IN THE TENDER OFFER AND CONSENT SOLICITATION MEMORANDUM. THIS MARKET RELEASE IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER TO BUY OR A SOLICITATION OF AN OFFER TO SELL ANY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION.

NONE OF THE TENDER OFFER, THE CONSENT SOLICITATION OR THE NOTES HAVE BEEN OR WILL BE REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY OTHER APPLICABLE SECURITIES LAW AND, UNLESS SO REGISTERED, THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OF ANY U.S. PERSON, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF. ACCORDINGLY, THE TENDER OFFER AND CONSENT SOLICITATION ARE BEING MADE ONLY TO (I) "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (II) NON-"U.S. PERSONS" WHO ARE OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT. NON U.S.-PERSONS MAY ALSO BE SUBJECT TO ADDITIONAL ELIGIBILITY CRITERIA.

IT IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION TO ANY PERSON LOCATED OR RESIDENT IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DISTRIBUTE THE TENDER OFFER AND CONSENT SOLICITATION MEMORANDUM. THE TENDER OFFER AND CONSENT SOLICITATION REFERRED TO HEREIN ARE NOT BEING MADE TO, NOR WILL TENDERS OR CONSENTS FROM HOLDERS OF NOTES BE ACCEPTED IN ANY JURISDICTION IN WHICH THE TENDER OFFER AND CONSENT SOLICITATION WOULD VIOLATE THE SECURITIES OR OTHER APPLICABLE LAWS OF SUCH JURISDICTION OR REQUIRE THE REGISTRATION OR QUALIFICATION OF THE TENDER OFFER UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.



2018 QBE Insurance Group
Fixed Income
Investor Update

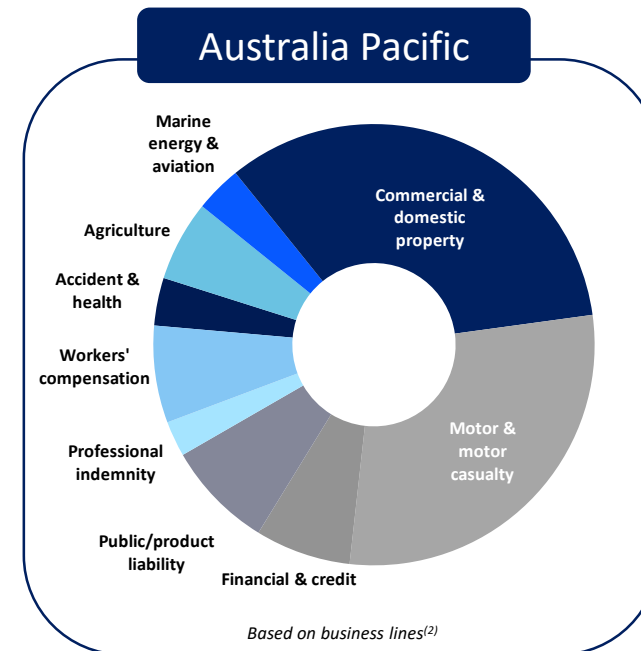
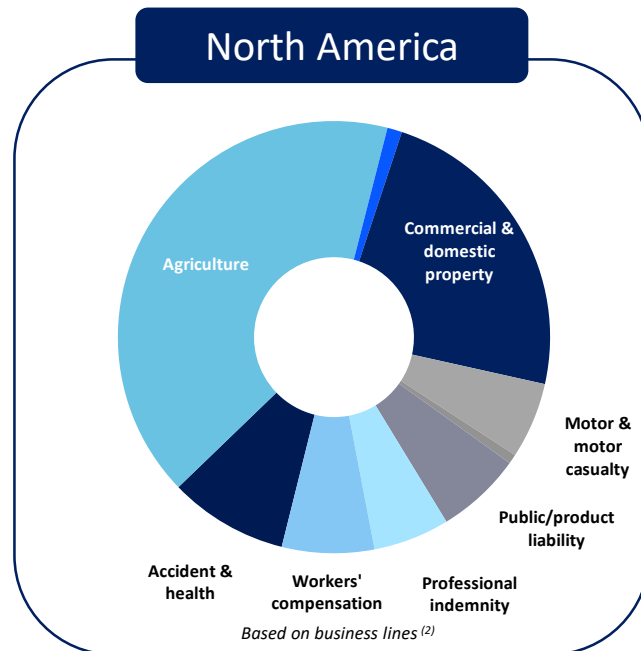
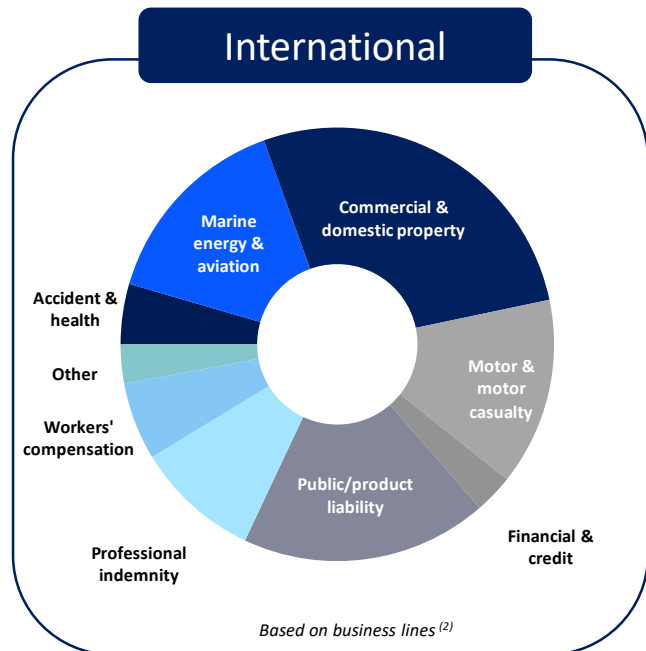
Monday 25 February 2019

All figures in US\$ and as at 31 December 2018 unless otherwise stated

QBE Insurance Group Limited (“QBE”) operates in 3 divisions⁽¹⁾ with operations in 31 countries globally

QBE is an international general insurance and reinsurance company, with meaningful operations in the major insurance hubs. QBE is listed on the Australian Securities Exchange and headquartered in Sydney, Australia.

QBE is a specialty property and casualty insurer and reinsurer, with primary focus on commercial lines.



1. Effective 1 January 2019 when QBE’s operations consolidate into three divisions: International (consisting of European Operations and Asia), Australia Pacific (consisting of Australia, New Zealand, the Pacific Islands and India), and North America

2. Approximate representation of divisional premium by class, post consolidation of divisions

Maintaining a strong capital position

- PCA multiple at 1.78x (1.6x-1.8x range)
- Remains above S&P 'AA' minimum levels

Ratings

- S&P, Moody's, Fitch & AM Best affirmed QBE's credit rating
- Ratings are supported by the Group's globally diversified multiline business, strong market positions and robust balance sheet

Regulatory

- QBE is regulated by key global regulators in Australia, UK, Europe, USA and Bermuda

Reducing Debt

- Active liability management (borrowings reduced by \$428M since December 2017) via repurchase of \$399M (face value) senior debt
- Debt to Equity ratio down from 40.8% to 38.0% (closer to 25%-35% target range)
- Net reduction of \$1,744M in value of borrowings since December 2012



**Strong
Capital**



**Ratings
Strength**



**Globally
Regulated**



**Lower
Gearing**

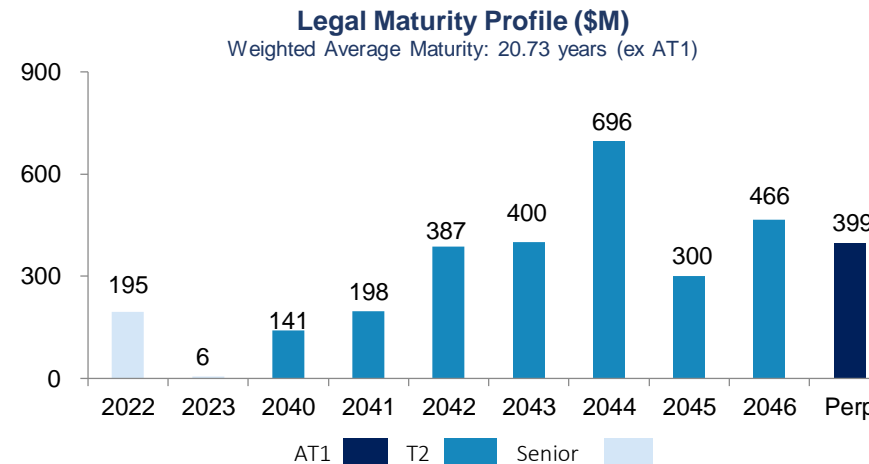
QBE Insurance Group is rated by 4 major rating agencies

| | Long Term FSR ^{(1) (2)} | Debt Issue ICR ⁽³⁾ | Outlook | Rating Affirmation |
|---------|-------------------------------------|----------------------------------|----------|-----------------------|
| S&P | A+ | A- | Stable | September 2018 |
| AM Best | A (excellent) | bbb+ | Stable | June 2018 |
| Fitch | A+ | A- | Stable | September 2018 |
| Moody's | A1 | A3 | Negative | December 2018 |

1. Insurance Financial Strength ratings: reflects ability of an insurer to meet its obligations and claims

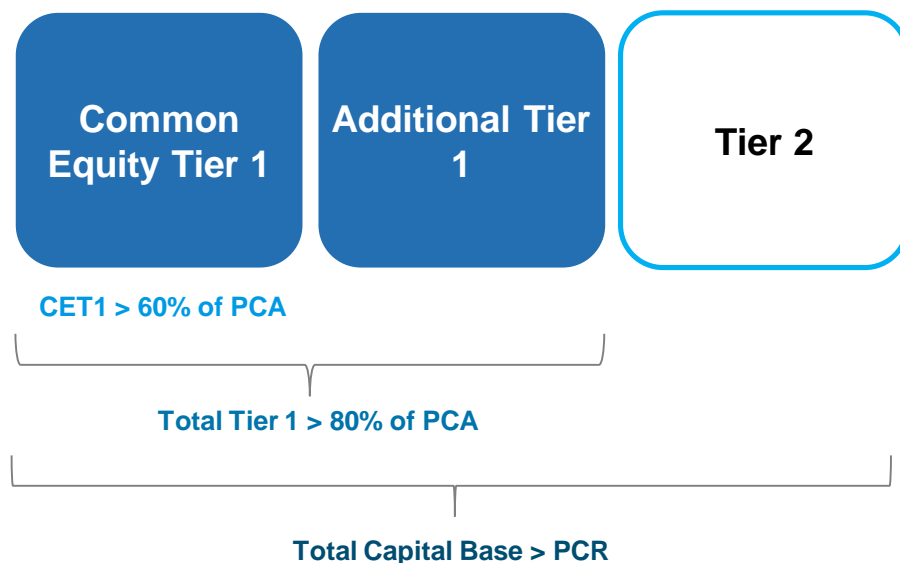
2. Insurance Financial Strength (IFS) ratings, as applicable to operating insurance entities. QBE Insurance Group Limited as the holding company is rated two notches lower

3. Debt ratings: reflects ability of the company to pay the security holder's interest in addition to principal repayment



| ISN/CUSIP | Currency | Issue Date | Principal Amount (\$M) | Balance Sheet Value (USD) | Coupon | First Call Date | Maturity Date |
|----------------------------------|----------|----------------|------------------------|---------------------------|-------------|-----------------|----------------|
| Junior Subordinated (AT1) | | | | | | | |
| XS1707749229 | USD | November 2017 | 400 | 399 | 5.250% | May 2025 | Perpetual |
| Subordinated (Tier 2) | | | | | | | |
| AU3FN0029039 | AUD | September 2015 | 200 | 141 | BBSW + 4.0% | September 2020 | September 2040 |
| USG7306BAA29 | USD | May 2011 | 1,000 | 167 | 7.250% | May 2021 | May 2041 |
| XS0615238473 | GBP | May 2011 | 325 | 31 | 7.500% | May 2021 | May 2041 |
| XS1419859142 | GBP | May 2016 | 327 | 387 | 6.115% | May 2022 | May 2042 |
| US74737DAA46 | USD | October 2016 | 399 | 400 | 7.500% | November 2023 | November 2043 |
| XS1144495808 | USD | November 2014 | 700 | 696 | 6.750% | December 2024 | December 2044 |
| XS1311098815 | USD | November 2015 | 300 | 300 | 6.100% | November 2025 | November 2045 |
| XS1423722823 | USD | June 2016 | 524 | 466 | 5.875% | June 2026 | June 2046 |
| Senior | | | | | | | |
| XS1589873097 | USD | April 2017 | 300 | 195 | 3.000% | - | October 2022 |
| XS1688390068 | USD | September 2017 | 300 | 6 | 3.000% | - | May 2023 |
| Total | | | | 3,188 | | | |

Capital Base / Tiers of Capital



Source: Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", January 2013

| | \$M | FY 2018 |
|--------------|-----|---------|
| Capital Base | | 8,761 |
| PCA | | 4,930 |
| PCA Multiple | | 1.78x |

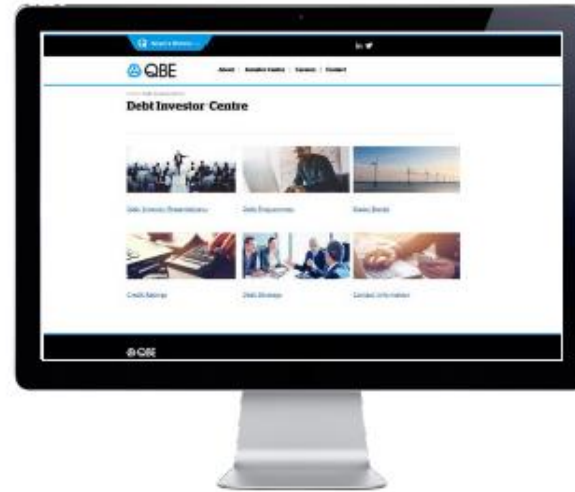
Point of Non-Viability Loss Absorption

- All Additional Tier 1 and Tier 2 must include loss absorption provisions (via conversion or write-down) upon a non-viability trigger event
- Both sequential (loss absorption hierarchy) and partial loss absorption amongst parity securities are permitted by APRA:

"A regulated institution may provide for Additional Tier 1 Capital instruments to be converted or written off prior to any conversion or write-off of Tier 2 Capital instruments. In these circumstances, conversion or write-off of Tier 2 Capital instruments will only be necessary to the extent that conversion of Additional Tier 1 Capital instruments has not resulted in APRA withdrawing the notice issued to the regulated institution" - Prudential Standard GPS 112, "Capital Adequacy: Measurement of Capital", January 2013

- APRA has stated that it is of the view that it is **less likely for insurers (compared to banks) to trigger non-viability** in Australia:

"A decision by APRA that it is necessary to trigger write off or conversion in circumstances where an insurer would otherwise become non-viable is expected to be less likely for insurers than may be expected to be the case for ADIs. This reflects the different nature of the circumstances that may lead to an insurer becoming non-viable and the options available to APRA and the insurer to address such situations." - APRA Response to Submissions – Review of capital standards for general insurers and life insurers, December 2011



www.group.qbe.com/investor-centre/disclaimer/debt-investor-centre

Contact our Global Treasury team

Danny Fischer
Group Treasurer
QBE Insurance Group Limited
+61 2 9375 4911
danny.fischer@qbe.com

The information in this presentation provides an overview of the results for the year ended 31 December 2018.

This presentation should be read in conjunction with all information which QBE has lodged with the Australian Securities Exchange (“ASX”). Copies of those lodgments are available from either the ASX website www.asx.com.au or QBE’s website www.qbe.com.

The information is supplied in summary form and is therefore not necessarily complete. Prior to making a decision in relation to QBE’s securities, products or services, investors, potential investors and customers must undertake their own due diligence as to the merits and risks associated with that decision, which includes obtaining independent financial, legal and tax advice on their personal circumstances. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

This presentation contains certain “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws. The words “anticipate”, “believe”, “expect”, “project”, “forecast”, “estimate”, “likely”, “intend”, “should”, “could”, “may”, “target”, “plan”, “outlook” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and

other factors, many of which are beyond the control of QBE that may cause actual results to differ materially from those either expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. You are cautioned not to place undue reliance on forward-looking statements. Such forward-looking statements only speak as of the date of this presentation and QBE assumes no obligation to update such information.

Any forward-looking statements assume large individual risk and catastrophe claims do not exceed the significant allowance in our business plans; no reduction in premium rates in excess of our business plans; no significant fall in equity markets and interest rates; no major movement in budgeted foreign exchange rates; no material change to key inflation and economic growth forecasts ;recoveries from our strong reinsurance panel; no unplanned asset sales and no substantial change in regulation. Should one or more of these assumptions prove incorrect, actual results may differ materially from the expectations described in this presentation.

This presentation does not constitute an offer or invitation for the sale or purchase of securities. In particular, this presentation does not constitute an offer of securities for sale in the United States, or to any person that is, or is acting for the account or benefit of, any U.S. Person, or in any other jurisdiction in which such an offer would be illegal. Securities of QBE may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. Persons without registration under the Securities Act or an exemption from registration.