QBE

QBE INSURANCE GROUP LIMITED

MARKET ANNOUNCEMENT

QBE REFINANCES SUBORDINATED DEBT SECURITIES

QBE announced today the issue of US$500 million lower tier 2 subordinated debt notes ("the Notes") by way of a private placement. The proceeds of the issue will be used to repay the forthcoming redemption of Eurobonds due in August 2010 and for general corporate purposes.

The main features of the Notes include:

- maturity in June 2020;
- floating interest rate of 2.5% over 3 months US$ LIBOR, payable quarterly in arrears;
- after 12 months the Notes may convert into QBE ordinary shares at the holder's option;
- after 12 months, subject to regulatory approval, QBE can redeem the Notes for cash;
- the number of shares to be issued on conversion will depend on a market price calculated around the time of conversion; and
- the Notes will qualify as lower tier 2 capital for regulatory purposes.

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

For further information, please email investor.relations@qbe.com

30 June 2010