Made possible

QBE

Solvency and Financial Condition Report

QBE European Operations plc

QBE UK Limited

QBE Re (Europe) Limited

QBE Europe SA/NV

Contents

Summary

This document (the Solvency and Financial Condition Report, or 'SFCR') sets out the 31 December 2018 solvency condition of QBE European Operations plc ('EO plc' or 'the Company'), a holding and investment company and its key subsidiary undertakings:

- QBE UK ('QUK') (formerly known as QBE Insurance (Europe) Limited ('QIEL'))
- QBE Re (Europe) Limited ('QBE Re')
- QBE Europe SA/NV ('QBE Europe') – A Belgium-based (re)insurer incorporated (and subsequently authorised by the National Bank of Belgium (NBB)) during 2018 in order to preserve QBE's ability to operate across the European Economic Area (EEA) in light of the UK's expected exit from the European Union.

For the purposes of this document the EO Group is defined as EO plc and its subsidiary undertakings including QUK, QBE Re and QBE Europe. The EO Group also manages two Lloyd's syndicates through its managing agent QBE Underwriting Limited ('QUL'). The SFCR does not include the QBE share of the Lloyd's syndicates as the syndicates are not regulated insurers.

At 1 January 2019, EO Group restructured its European business by consolidating its (re)insurance platforms in Europe into one Belgium-based (re)insurer, QBE Europe as follows:

- QBE UK the principal European insurance company in the EO Group, transferred all its general (re)insurance business written through its active branches in Denmark, France, Germany, Italy, Spain and Sweden, and previously written by its branches in Belgium, Bulgaria, Estonia, Ireland and Norway, to QBE Europe
- QBE Re transferred all its general and long-term reinsurance business written through its Belgium, Bermudian and Irish branches (comprising the entirety of QBE Re's business), to QBE Europe. From 1 January 2019, QBE Re no longer exists as an entity.

The restructure of the EO Group division was undertaken through a legal process combining an insurance business transfer (known as a "Part VII Transfer") and a cross-border merger which were both approved by the High Court in the United Kingdom on 21 December 2018.

QBE's decision to restructure the EO Group was in response to the decision of the UK electorate to leave the European Union ('Brexit'). The restructure enables the EO Group to continue to service its European (re)insurance clients and underwrite new business for them even if the current Freedom of Services and Freedom of Establishment permissions cease to apply to UK-domiciled (re)insurance companies following Brexit.

The principal activities of QUK, QBE Re and QBE Europe (together the 'regulated subsidiaries'), are the transaction of insurance and reinsurance business. QUK writes UK and other non-European insurance business and QBE Europe writes (re)insurance business across the EEA on a freedom of services basis and through its European and Bermudian branch network.

EO plc, the holding company of the EO Group, currently holds a waiver from the Prudential Regulation Authority ('PRA') that allows it to produce a single SFCR that covers both the EO Group and its wholly owned regulated subsidiaries. The NBB have also recognised the waiver from the PRA for EO plc to issue a single group-wide SFCR.

EO plc, is a wholly owned indirect subsidiary of the Sydney headquartered QBE Insurance Group Limited ('QBE Group'). The QBE Group is listed on the Australian Securities Exchange (ASX) and is a top 20 global general insurer and reinsurer. During 2018, QBE Group successfully exited a number of countries and portfolios which has allowed streamlining of the operating structure. Effective January 2019 the QBE Group manages its operations through three divisions:

- QBE International (consisting of European Operations and Asia)
- QBE North America ('QBE NA')
- QBE Australia Pacific (consisting of Australia, New Zealand, The Pacific Islands and India)

The strategic 2019 priorities for the QBE Group are as follows:

- Deliver the 2019 plan

  Continue to drive a rigorous performance management focus through cell reviews and deliver our 2019 target combined operating ratio. Reduce operational costs by $130 million (net) over a three-year period

- Brilliant Basics

  Drive the next phase of the Brilliant Basics agenda, building on our early successes in upgrading our capabilities in the core areas of underwriting, pricing and claims. Further enhance our underwriting governance and pricing capability through the newly established Group Chief Underwriting Office

- Talent and Culture

  Bring our QBE DNA to life, which is essential to our ability to deliver for our people, customers, communities and our shareholders. Reward and celebrate our people and create an environment that supports diversity, inclusiveness and flexibility

- Future Focus

  Build a successful QBE for the future and a strong platform for sustainable and targeted growth. Leverage our enhanced data and analytics capabilities, technology roadmap and leading Insurtech partnerships. Continue our focus on reducing complexity, increasing automation and simplifying processes

- Customer Focus

  Bring our new customer commitment program to life, delivering a consistent level of outstanding service to our customers and partners. Through technical expertise and know-how, we will provide solutions for our customers' current and emerging needs

- Managing Risk

  Build a stronger and more resilient QBE by continuing to invest in managing our risks in an increasingly dynamic environment

- Operating Sustainability

  Continue our focus on sustainability and making positive contributions where we operate by working with our customers, partners and communities to address key economic, social and environmental issues

Business and Performance Summary

Key drivers of the business model and performance are the net income written by each of the underlying insurance undertakings, the net claims experience in relation to that net income, performance of investment portfolio and management of the underlying expense base. In particular, management monitor the net claims experience on current and prior year underwriting. The key indicators used by management to monitor performance are gross written premium, net earned premiums, claims and expense ratios. Investment strategy is set and monitored on an absolute return basis, against the financial plan set during the planning process for each year.

On a consolidated basis the EO Group has increased gross written premiums over the previous year. This growth reflects the improved rating environment and targeted growth in Continental European insurance, life and accident reinsurance and the improved rating environment in several London market portfolios.

During 2018, in line with the global insurance industry, the EO Group experienced above average catastrophe activity and a high incidence of large individual risk claims. However, the severity and size of these CATS were lower than the previous year and the net cost remained within the EO Group's planned allowances.

QUK

QUK prepared its financial statements in accordance with UK Generally Accepted Accounting Principles ('UK GAAP'), the table below presents the underwriting performance for the year ended 31 December 2018 together with comparative information.

	2018 £'000	2017 £'000
Gross written premium	1,404,142	1,336,018
Gross earned premium	1,368,461	1,335,686
Net earned premium	1,159,429	1,130,466
Claims ratio	64.6%	48.0%
Commission ratio	15.5%	17.0%
Expense ratio	20.7%	18.2%
Combined operating ratio	100.8%	83.2%

Despite challenging market conditions across most lines of business, and with an ever-changing economic and political environment, gross written premium has exceeded the prior year. Underwriting teams continue to display leadership and discipline with a focus on poorer performing portfolios. We remain committed to achieving the pricing required to deliver an acceptable and sustainable risk-adjusted return on capital.

Gross written premium growth was achieved as a result of targeted growth in profitable portfolios, and through an improved rating environment including certain motor and financial lines classes. Gross earned and net earned premium were substantially unchanged from the prior year.

The claims ratio is adverse to the prior year and contributed to QUK reporting an adverse combined operating ratio, with reserve strengthening recorded during 2018 on certain general liability portfolios and certain financial lines portfolios contributing to the adverse result. The prior year's claims ratio benefitted from the one-off reassessment of the Ogden discount rate.

QBE Re

The table below presents the UK GAAP underwriting performance for the year ended 31 December 2018 together with comparative information.

	2018 €'000	2017 €'000
Gross written premium	446,882	430,803
Gross earned premium	441,038	438,066
Net earned premium	381,695	379,630
Claims ratio	55.5%	61.1%
Commission ratio	19.0%	19.4%
Expense ratio	11.3%	8.3%
Combined operating ratio	85.8%	88.8%

QBE Re maintained a consistent underwriting approach in 2018 utilising their established offices in Dublin, London, Brussels, Bermuda offices. The entity experienced premium growth during 2018 on the back of rate increases across numerous classes of business. This was prevalent in the Credit and Transport as well as short tail classes of business.

QBE Re had lower claims for the year despite the higher frequency of claims reported for the year. This was due to the previous year experiencing significant CAT losses.

QBE Europe

The entity did not underwrite any (re)insurance policies incepting prior to 1 January 2019. Underwriting activity in 2018 was limited to quoting for and binding 2019 business in the UK branch.

Investment performance

The investment performance of each company over the reporting period was as follows:

- EO plc: The combined currency total return for the year was 0.98% (2017: 1.82%).
- QUK: The combined currency total return for the year was 0.71% (2017: 1.76%).
- QBE Re: The combined currency total return for the year was 0.36% (2017: 1.32%).
- QBE Europe: Investments were limited to assets backing capital requirements prior to the Cross Border Merger and Part VII transfers.

System of Governance Summary

The Boards of Directors of the Company are responsible for the long-term success of the EO Group. The role of the Board of EO plc is to provide leadership; to oversee the design and implementation of EO Group strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed.

The Board ensures that the necessary financial and human resources are in place for the EO Group to meet its objectives and reviews the performance of management in delivering on EO Group strategic aims, which are aligned with those of the QBE Group, the ultimate holding company of the EO Group.

A formal corporate governance structure, using Board Committees and Management Groups, operates in the EO Group. This structure forms the foundation of a robust system of governance that is further supported by Board Charters and Committee and Management Group terms of reference; functional terms of reference for all control functions; a Committee and Management Group meetings calendar (with a forward plan of regularly recurring items for review and approval); agendas, minutes and action points for all Boards, Committees and Management Groups; and key Board approved policies and documents including the ORSA, Internal Control Framework, Outsourcing Policy, Fit & Proper Policy and Management Responsibilities Maps (as required under the SM&CR).

Everyone within the EO Group has the responsibility for managing risks as part of a 'three lines of defence' approach. This ensures that the identification of, assessment of, reporting of, and response to a variety of risks is timely and well controlled.

The governance framework is supplemented by an independent internal audit function that objectively evaluates the effectiveness of the internal control system.

During 2018, following its incorporation, the Board of QBE Europe established a Management Committee and jointly constituted the existing EO Board Committees (being the Investment Committee, Audit Committee, Remuneration & Nomination Committee and Risk & Capital Committee). The EO Executive Management Board supports the Board of EO plc in providing executive management of the entire EO Division, as well as acting as a UK Management Committee for QUK and QBE Underwriting Limited (QUL).

Risk Profile Summary

The EO Group is exposed to various risks and uses a number of methods and techniques to identify, assess, evaluate and mitigate these risks. The main risks comprise:

- Strategic Risk
- Insurance Risk
- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Compliance Risk
- Group Risk

A dedicated risk management function ensures that these risks are fully understood and their impact on EO Group is comprehensively evaluated.

The internal risk profile has remained stable during 2018. However, the external risk profile has deteriorated due to continuing uncertainty in the global political and economic environment (including Brexit).

Valuation Summary

The valuation methodology of assets and liabilities within the EO Group and its regulated subsidiaries is consistent with the prior year.

Capital Management Summary

EO Group's primary capital management objective is to maintain sufficient own funds to cover the Solvency Capital Requirement ('SCR') with an appropriate surplus. EO Group has adopted a Capital Appetite Framework, setting out the target levels of capital and potential remediation actions in the event that capital falls below the stated appetite. The Capital Appetite Framework has been approved by the Board of the EO Group and the regulated subsidiaries and senior management carry out regular reviews, on at least a quarterly basis, to monitor the ratio of Eligible Own Funds ('EOF') over SCR.

The EO Group has an approved Internal Model which it uses as the basis for the SCR. The Internal Model reflects the risk assessment processes that have been reflected across the business for several years and considers all classes of business underwritten by the regulated subsidiaries. The Internal Model incorporates consideration of underwriting risk, reserving risk, credit risk, market risk, liquidity risk, operational risk, group risk and pension risk.

The EO Group meets the requirements of a transitional arrangement afforded under Article 308b(9) and (10) of the Directive which permits the group to classify the Subordinated Loan notes as Tier 2 basic own funds for a period of 10 years.

In February 2019, the PRA approved a major model change that updated the SCR for EO plc and QUK. The NBB approved an Internal Model for QBE Europe in February 2019.

The regulatory reporting requirements are to disclose the SCR in force as at 31 December 2018. As a result, EO Group and the regulated subsidiaries reported the following EOF, SCR and SCR coverage ratios:

Entity	Eligible Own Funds to meet the SCR (m)/(€m)	SCR 31 December 2018 (£m)/(€m)	SCR coverage ratio
EO Group	£1,585	£1,214	130.6%
QBE Re	€ 625	€ 444	140.7%
QUK	£1,122	£885	126.8%
QBE Europe	€50	€35	140.6%

At 31 December 2018 all entities were within the target levels of capital outlined in the Capital Appetite Framework ('CAF'). All entities continue to meet the CAF at Q1 2019.

EO plc declared dividends, in the knowledge that on the forward looking basis, the coverage ratio would be consistent with the Capital Appetite Framework. EO plc has a foreseeable dividend of £96.4m in 2019. There are no foreseeable dividends for QUK, QBE Re or QBE Europe at 31 December 2018.

The effect of the EO plc dividend is to reduce the EOF for EO Group and has been included in the EOF in the tables above and below.

The EO Group eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (58%), Tier 1 restricted (14%), Tier 2(27%) and Tier 3 (1%). The QUK eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (97%) and Tier 3 (3%). The QBE Re eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (78%), Tier 2 (19%) and Tier 3 (3%). The QBE Europe eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (64%) and Tier 2 (36%).

EOF to meet the MCR limits the amount of tier 2 capital that can be recognised and excludes tier 3 capital as per the Solvency II rules. At 31 December 2018, EO Group and the regulated subsidiaries reported the following EOF to meet the MCR, MCR and MCR coverage ratios:

Entity	Eligible Own Funds to meet the MCR (£m)/(€m)	MCR (000) (£m)/(€m)	MCR coverage ratio
EO Group	£1,253	£586	214.0%
QBE Re	€524	€200	262.3%
QUK	£1,092	£398	274.3%
QBE Europe	€34	€9	382.5%

Directors' Report

Statement of Directors' responsibilities

The Directors are responsible for ensuring that the Solvency and Financial Condition Report, including the attached public quantitative reporting templates, have been prepared in all material respects in accordance with PRA rules and Solvency II regulations.

The Directors are satisfied that, throughout the year and in all material respects, the QBE EO Group, QUK, QBE Re and QBE Europe have complied with the requirements of the Solvency II Directive, the Delegated Acts, Technical Standards and Guidelines, and PRA rules and that it is reasonable to believe that compliance with these rules and regulations will continue in all material respects for the foreseeable future.

Statement of disclosure of information to auditors

Each person who is a Director at the date of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the auditors are unaware
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of, and to establish that the Group's auditors are aware of, any relevant audit information

By order of the Board:

Director

QBE European Operations Plc

Registered Number 2641728

London

31 May 2019

Auditors' Report

Report of the external independent auditors to the Directors of QBE European Operations Plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2018:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2018, ('**the Narrative Disclosures subject to audit**'); and
- Group templates S.02.01.02, S.23.01.22 and S.32.01.22 ('**the Group Templates subject to audit'**).
- Company templates S.02.01.02, S.12.01.02, S.17.01.02, S.23.01.01 and S.28.01.01 in respect of QBE UK Limited, QBE Re (Europe) Limited and QBE Europe SA/NA ('the group members') and company template S.25.01.21 in respect of QBE Europe SA/NA ('**the Company Templates subject to audit'**).

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- Information contained within the relevant elements of the Single Group-Wide Solvency and Financial Condition Report set out above which is, or derives from the Solvency Capital Requirement, except insofar as it relates to QBE Europe SA/NA (which is within the scope of our audit), as identified in the Appendix to this report;
- The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
- Group templates S.05.01.02, S.05.02.01 and S.25.03.22;
- Company templates S.05.01.02, S.05.02.01, S.19.01.21 and S.25.03.21;
- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Statement of Directors' Responsibilities**').

To the extent the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2018 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single Group-Wide Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Single Group-Wide Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed below:

- Permission to publish a single group-wide SFCR;
- Approval to use full internal model to calculate group Solvency Capital Requirement;
- Approval to use full internal model to calculate solo Solvency Capital Requirement for QBE UK Limited and QBE Re (Europe) Limited; and
- Approval to classify certain equity accounted subordinated liabilities as restricted tier 1 capital.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Single Group-Wide Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Other Matter

The Company has authority to calculate its Group Solvency Capital Requirement using an internal model ('the Group Model') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. QBE UK Limited and QBE Re (Europe) Limited have authority to calculate their Solvency Capital Requirements using internal models ('the Solo Models') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion (and in accordance with PRA Rules), we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Group Model and the Solo Models, or whether the Group Model and the solo Models are being applied in accordance with the Company's and the group members' application or approval order.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

Chartered Accountants

London

31 May 2019

Appendix – relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Single Group-Wide Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Group template S.23.01.22
  - Row R0020: Non-available called but not paid in ordinary share capital at group level
  - Row R0060: Non-available subordinated mutual member accounts at group level
  - Row R0080: Non-available surplus at group level
  - Row R0100: Non-available preference shares at group level
  - Row R0120: Non-available share premium account related to preference shares at group level
  - Row R0150: Non-available subordinated liabilities at group level
  - Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
  - Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
  - Row R0210: Non-available minority interests at group level
  - Row R0380: Non-available ancillary own funds at group level
  - Row R0680: Group SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
  - Row R0750: Other non available own funds

- The following elements of Company template S.02.01.02:
  - Row R0550: Technical provisions - non-life (excluding health) - risk margin
  - Row R0590: Technical provisions - health (similar to non-life) - risk margin
  - Row R0640: Technical provisions - health (similar to life) - risk margin
  - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
  - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of Company template S.12.01.02
  - Row R0100: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of Company template S.17.01.02
  - Row R0280: Technical provisions calculated as a sum of BE and RM - Risk margin

- The following elements of Company template S.23.01.01
  - Row R0580: SCR
  - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

- The following elements of Company template S.28.01.01
  - Row R0310: SCR

- Elements of the Narrative Disclosures subject to audit identified as ‘unaudited’.

Section A: Business and Performance

1. Business

QBE European Operations Plc (EO plc) is an Insurance Holding Company whose main business is to acquire and hold participations in subsidiary undertakings, where those subsidiary undertakings are mainly insurance or reinsurance undertakings. EO plc is incorporated in the United Kingdom and is the ultimate EEA parent at which group supervision will be applied by the PRA. The entire issued share capital of the EO plc is owned by QBE Insurance Holdings Pty Limited and is ultimately wholly owned by QBE Insurance Group Limited (QBE Group). QBE Insurance Group Limited is listed on the ASX and is subject to supervision by the Australian Prudential Regulation Authority.

At 31 December 2018 EO Plc owned 100% of the two PRA regulated (re)insurance undertakings, QUK and QBE Re[1], both private companies limited by shares. EO Plc also owns 100% of the newly incorporated QBE Europe entity which is regulated by the NBB. A full list of undertakings within the EO Group at 31 December 2018, and the nature of those undertakings, can be found in the quantitative reporting template (QRT) S.32.01.22, included in Appendix A.

Subsidiaries and branches

The EO Group has overseas operations in a number of countries. The table below sets out the EO Group's regulated subsidiaries and branch locations (based on structure at 31 December 2018) from which insurance and reinsurance business has, during 2018, been actively operating. The table also includes the structure as at 1 January 2019 subsequent to the Brexit restructuring process.

Subsidiary	Locations	
	2018	**2019**
QUK (formerly known as QIEL during 2018)	UK – Head Office	UK – Head Office
	Denmark – Branch	
	France – Branch	
	Germany – Branch	
	Italy – Branch	
	Spain – Branch	
	Sweden – Branch	
	United Arab Emirates – Branch	United Arab Emirates - Branch
QBE Re	Belgium – Head Office	
	Bermuda – Branch	
	Ireland – Branch	
QBE Europe		Belgium – Head Office
		Bermuda – Branch
		Ireland – Branch
		Denmark – Branch
		France – Branch
		Germany – Branch
		Italy – Branch
		Spain – Branch
		Sweden – Branch
		UK - Branch

[1] QBE Re was dissolved on 1 January 2019

The Solvency II EO Group consolidation process involves moving from Australian IFRS to a Solvency II EO Group consolidated basis. Under Solvency II reporting the results of the Lloyd's participations are not consolidated on a line by line basis but recognised separately under 'Holdings in related undertakings''. This will result in material differences between the IFRS consolidation valuation column and the Solvency II valuation column, even where the valuation approach for the two bases are similar.

QUK has its head office in London and has further offices across the UK. During 2018 it also had active branches in locations across continental Europe. It predominantly underwrites from its UK offices and International (non-European) property, casualty, financial lines, marine and motor business. Some of the Company's business is written in conjunction with Syndicate 2999 and Syndicate 386, the EO Group's managed Lloyd's syndicates.

During 2018 QBE Re transacted reinsurance business whilst QUK transacted insurance and facultative reinsurance business. QUK and QBE Europe will continue these activities through the development of existing lines of business, while actively seeking new opportunities for expansion and profitable growth.

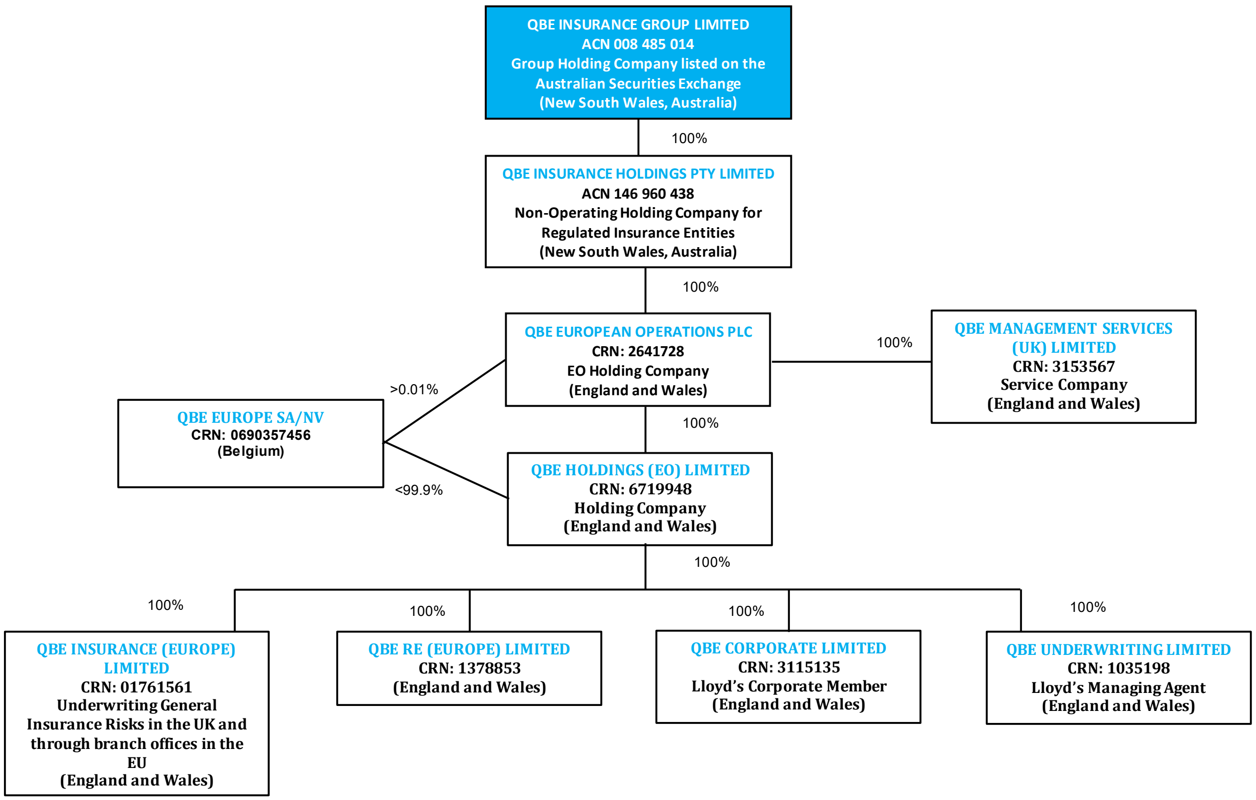
A number of QUK branches in Belgium, Bulgaria, Estonia, Ireland, Norway, Romania and Switzerland were in run-off in 2018.

During the year QBE Re continued to write International Property and Casualty business from its Dublin-based branch; European non-life multiline reinsurance and worldwide life business from its Brussels-based branch and North American Property, International Property and US Casualty business from its Bermuda-based branch.

Both QUK and QBE Re are authorised by the PRA and regulated by the Financial Conduct Authority ('FCA') and the PRA. The Dubai branch of QUK and the Bermudan branch of QBE Re are separately authorised and regulated by the Dubai Financial Services Authority ('DFSA') and Bermuda Monetary Authority ('BMA') respectively. As of 1 January 2019, the newly incorporated QBE Europe entity under the regulation of the NBB commenced transacting both insurance and reinsurance business across Europe. This follows the Part VII transfer and cross border merger of both QBE Re and part of QUK with QBE Europe.

A summarised version of the QBE Group structure as at 31 December 2018 and 1 January 2019 along with the principal subsidiary undertakings that are included in the EO Group, is shown below:

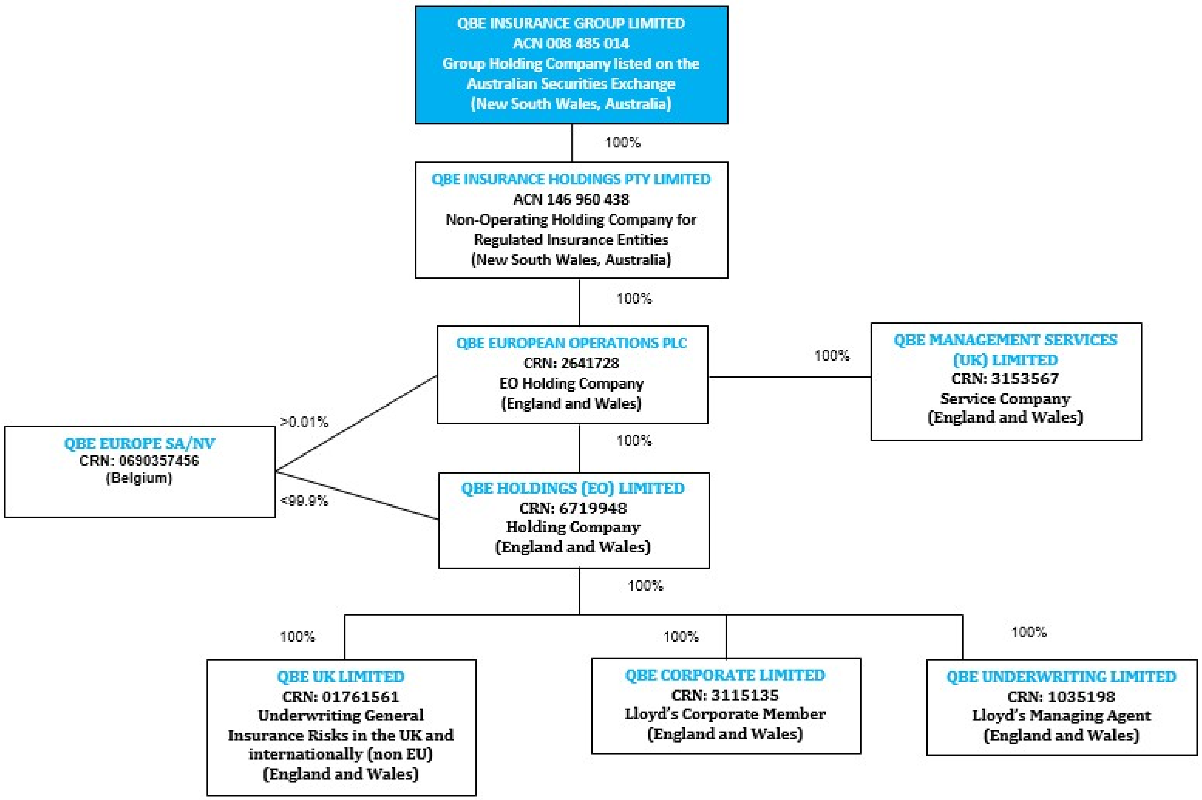
Organisational chart as at 31 December 2018



Notes:

1. This is a high level simplified structure showing ownership chain of key operational companies in QBE European Operations
2. A full list of undertakings within the Group, and the nature of those undertakings, can be found in the quantitative reprting template (QRT) S.32.01, included in Appendix A

Organisational chart as at 1 January 2019



Notes:

1. This is a high level simplified structure showing ownership chain of key operational companies in QBE European Operations
2. A full list of undertakings within the Group, and the nature of those undertakings, can be found in the quantitative reprting template (QRT) S.32.01, included in Appendix A

External Contacts

The EO Group, QUK and QBE Re's Supervisor is the PRA. The PRA contact details are as follows:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH
Telephone: +44 (0) 203 4614 444

The FCA contact details are:

Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS
Telephone: +44 (0) 2070 661 000

The DFSA contact details are:

Dubai Financial Services Authority
Level 13
West Wing
The Gate DIFC
+971 (0) 4362 1500

The BMA contact details are as follows:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
HM12
(441) 295 5278

QBE Europe's supervisor is the NBB. Contact details for the NBB are as follows:

National Bank of Belgium
Boulevard de Berlaimont 14
1000 Brussels
Telephone: +32 2 221 21 11

The external auditor of the EO Group and its subsidiaries is PricewaterhouseCoopers LLP. Contact details are as follows:

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT
Telephone: +44 (0) 2075 835 000
www.pwc.co.uk

2. Underwriting Performance

EO Group

Underwriting performance during the year

The underwriting result of the EO Group for the year ended 31 December 2018, represents the aggregation of the QUK and QBE Re underwriting performance. In line with Solvency II requirements and guidance issued by EIOPA the Lloyd's entities within the EO Group have been treated as *Other Related Undertakings* and are therefore not consolidated on a line by line basis. Information on the QUK and QBE Re underwriting performance is detailed in the relevant sections below.

QBE Europe did not perform any underwriting activities during 2018.

QUK

Underwriting performance during the year

QUK prepares its financial statements in accordance with UK GAAP, the table below presents the underwriting performance for the year ended 31 December 2018 together with comparative information.

	2018 £'000	2017 £'000
Gross written premium	1,404,142	1,336,018
Gross earned premium	1,368,461	1,335,686
Net earned premium	1,159,429	1,130,466
Claims ratio	64.6%	48.0%
Commission ratio	15.5%	17.0%
Expense ratio	20.7%	18.2%
Combined operating ratio	100.8%	83.2%

Despite challenging market conditions across most lines of business, and with an ever-changing economic and political environment, gross written premium has exceeded the prior year. Underwriting teams continue to display leadership and discipline with a focus on poorer performing portfolios. We remain committed to achieving the pricing required to deliver an acceptable and sustainable risk-adjusted return on capital.

Gross written premium growth was achieved as a result of targeted growth in profitable portfolios, and through an improved rating environment including certain motor and financial lines classes. Gross earned and net earned premium were substantially unchanged from the prior year.

The claims ratio is adverse to the prior year and contributed to QUK reporting an adverse combined operating ratio, with reserve strengthening recorded during 2018 on certain general liability portfolios and certain financial lines portfolios contributing to the adverse result. The prior year's claims ratio benefitted from the one-off reassessment of the Ogden discount rate.

Underwriting performance by Solvency II line of business

The tables below provide a summary of the key performance indicators for the material Solvency II lines of business underwritten by QUK for the current year and prior year (based on the value of gross written premium in 2018). The only difference to the UK GAAP result is the net loss ratio which is driven by the Solvency II adjustments.

31 December 2018	Motor vehicle liability insurance £'000	Marine, aviation and transport insurance £'000	Fire and other damage to property insurance £'000	General liability insurance £'000	Credit and suretyship insurance £'000	Other £'000	Total £'000
Gross written premium	252,656	76,249	333,342	528,303	60,386	153,206	1,404,142
Net earned premium	224,711	63,383	255,884	463,981	43,375	108,095	1,159,429
Net claims incurred	134,774	42,251	194,356	265,834	17,824	93,514	748,553
Expenses incurred	71,742	18,751	101,100	172,073	19,694	36,266	419,626
Underwriting performance	18,195	2,381	(39,572)	26,074	5,857	(21,685)	(8,750)

31 December 2017	Motor vehicle liability insurance £'000	Marine, aviation and transport insurance £'000	Fire and other damage to property insurance £'000	General liability insurance £'000	Credit and suretyship insurance £'000	Other £'000	Total £'000
Gross written premium	270,521	103,711	310,798	507,034	57,222	86,732	1,336,018
Net earned premium	235,877	67,526	266,105	437,295	47,566	76,097	1,130,466
Net claims incurred	109,653	22,552	85,083	241,305	21,167	26,284	506,044
Expenses incurred	75,848	21,584	100,684	181,831	18,966	31,775	430,688
Underwriting performance	50,376	23,390	80,338	14,159	7,433	18,038	193,734

The 'Other' Solvency II lines of business consist largely of Other motor insurance, Marine, aviation and transport non-proportional reinsurance, Property non-proportional reinsurance, Casualty non-proportional reinsurance, Legal expense insurance, Other motor insurance and Income Protection insurance which collectively represent 11% of QUK's Gross Written Premium.

QUK also incurred net claims of £1,615k (2017: £3,521k) on annuities stemming from non-life insurance contracts which are classified as Life business under Solvency II. These are not included in the table above.

Underwriting performance by material geographical areas

Underwriting performance within QUK's material geographical areas are shown in the tables below for the current year and prior year. The results are prepared on the same basis as QRT S.05.02.01 which requires the information to be reported by a mix of risk location and location from which premium is written.

31 December 2018	UK £'000	France £'000	Italy £'000	Ireland £'000	Spain £'000	Germany £'000
Gross written premium	887,531	159,569	52,842	50,894	46,690	39,644
Net earned premium	757,585	115,245	47,957	47,500	34,240	31,371
Net claims incurred	447,229	97,782	48,955	29,646	8,239	(11,107)
Expenses incurred	263,077	47,482	16,422	11,939	12,383	12,723
Underwriting performance	47,279	(30,019)	(17,420)	5,915	13,618	29,755

31 December 2017	UK £'000	France £'000	Italy £'000	Ireland £'000	Germany £'000	Spain £'000
Gross written premium	911,631	142,443	63,980	34,340	34,231	18,939
Net earned premium	778,047	106,599	59,546	19,005	28,406	18,605
Net claims incurred	278,331	35,728	31,586	16,953	16,899	9,350
Expenses incurred	293,971	42,548	22,439	13,925	11,251	8,026
Underwriting performance	205,745	28,323	5,521	(11,873)	256	1,229

QBE Re

Underwriting performance during the year

QBE Re prepares its financial statements[2] in accordance with UK GAAP, the table below presents the underwriting performance for the year ended 31 December 2018 together with comparative information.

	2018 €'000	2017 €'000
Gross written premium	446,882	430,803
Gross earned premium	441,038	438,066
Net earned premium	381,695	379,630
Claims ratio	55.5%	61.1%
Commission ratio	19.0%	19.4%
Expense ratio	11.3%	8.3%
Combined operating ratio	85.8%	88.8%

QBE Re maintained a consistent underwriting approach in 2018 utilising the long-term relationships with core retrocessionaire's to ensure renewals of the outwards reinsurance programme. Profit has been favourably assisted by written premium growth due to rate

[2] Financial Statements will not be prepared for the year ending 31 December 2018.

increases across most classes of businesses within QBE Re. This was particularly prevalent in the Credit and Transport as well as short tail classes of business. Another significant factor was the renewal of the major Latin America Treaties which resulted in large growth within the Life and Accident account. Dublin premiums held relatively flat as compared to the previous year with small reductions in Property policies where loss making accounts were not renewed.

Although there was a higher claims frequency for large and CAT losses in 2018, the size and severity of those CATS were lower than in 2017. In the previous year the Company experienced an increase in large risk and catastrophe claims namely Hurricanes Harvey, Irma and Maria as well as the Mexican earthquakes which resulted in an inflated claims loss ratio.

During the process of registering the new entity, QBE Europe, additional expenses were incurred in setup and administration costs hence resulting in an increased expense ratio when compared to 2017.

Underwriting performance by Solvency II line of business

The tables below provide a summary of the key performance indicators for the material Solvency II lines of business underwritten by QBE Re for the current year and prior year (based on the value of gross written premium in 2018). The only difference to the UK GAAP result is the net loss ratio which is driven by the Solvency II adjustments.

31 December 2018	Property €'000	Casualty €'000	Fire and other damage to property insurance €'000	Income protection insurance €'000	Life reinsurance €'000	Other €'000	Total €'000
Gross written premium	116,819	72,887	75,037	49,448	55,253	77,438	446,882
Net earned premium	83,889	70,808	58,098	38,247	53,655	23,573	328,270
Net claims incurred	11,943	44,218	40,447	36,723	36,038	7,104	176,473
Expenses incurred	24,629	16,611	30,053	6,714	12,382	25,342	115,731
Underwriting performance	47,317	9,979	(12,402)	(5,190)	5,235	(8,873)	36,066

31 December 2017	Property €'000	Casualty €'000	Fire and other damage to property insurance €'000	Income protection insurance €'000	Life reinsurance €'000	Other €'000	Total €'000
Gross written premium	113,691	69,535	75,762	30,749	63,869	77,197	430,803
Net earned premium	82,500	58,542	56,242	46,191	61,696	74,459	379,630
Net claims incurred	26,536	22,023	39,060	34,450	59,285	47,554	228,908
Expenses incurred	15,929	15,801	32,899	8,808	11,581	23,095	108,113
Underwriting performance	40,035	20,718	(15,717)	2,933	(9,170)	3,810	42,609

The 'Other' Solvency II lines of business consist largely of credit and suretyship, health, general liability, and motor vehicle liability insurance. 'Other' lines of business represent 17% of QBE Re's Gross Written Premium.

QBE Re also incurred net claims of €502k (2017: €3,973k) on annuities stemming from non-life insurance contracts which are classified as Life business under Solvency II. These are not included in the table above.

Underwriting performance by material geographical areas

Underwriting performance within QBE Re's material geographical areas are shown in the tables below for the current year and prior year. The results are prepared on the same basis as QRT S.05.02.01 which requires the information to be reported by a mix of risk location and location from which premium is written. The 2018 and 2017 top 5 geographical locations below could differ based on varying results in each year.

Non-life obligations

31 December 2018	UK €'000	France €'000	Belgium €'000	Netherlands €'000	Switzerland €'000	Japan €'000
Gross written premium	9,077	81,634	46,118	32,986	28,766	20,982
Net earned premium	8,373	70,022	38,121	28,407	25,540	16,312
Net claims incurred	7,544	43,976	27,162	16,580	6,339	(7,803)
Expenses incurred	2,048	18,701	11,041	7,950	7,931	6,233
Underwriting performance	(1,219)	7,345	(82)	3,877	11,270	17,882

31 December 2017	UK €'000	France €'000	Belgium €'000	Netherlands €'000	Switzerland €'000	Japan €'000
Gross written premium	6,811	68,141	40,375	30,474	28,811	21,133
Net earned premium	6,124	57,625	38,780	26,770	23,768	15,220
Net claims incurred	1,500	15,008	28,165	6,712	6,346	4,655
Expenses incurred	1,805	16,984	11,430	7,890	7,006	4,486
Underwriting performance	2,819	25,633	(815)	12,168	10,416	6,079

Life obligations

31 December 2018	UK €'000	Belgium €'000	Peru €'000	Mexico €'000	Colombia €'000	France €'000
Gross written premium	482	18,407	6,566	4,014	3,893	3,414
Net earned premium	522	17,798	6,310	3,859	3,837	3,291
Net claims incurred	(678)	13,375	7,139	1,836	(456)	2,703
Expenses incurred	89	4,153	1,495	914	852	774
Underwriting performance	1,111	270	(2,324)	1,109	3,441	(186)

31 December 2017	UK €'000	Belgium €'000	Chile €'000	Colombia €'000	US €'000	Spain €'000
Gross written premium	17,140	13,004	6,076	5,329	4,364	4,062
Net earned premium	17,120	12,321	5,909	5,183	4,220	3,879
Net claims incurred	16,953	16,891	6,507	2,335	7,192	2,404
Expenses incurred	2,548	1,834	879	771	628	577
Underwriting performance	(2,381)	(6,404)	(1,477)	2,077	(3,600)	898

3. Investment Performance

The investments of the EO Group are primarily held in fixed income bonds and money market instruments; with a small exposure to growth assets through investment funds in developed market equities, unlisted property, emerging market equities, emerging market debt, high yield debt, infrastructure assets and social impact bonds.

The majority of fixed income [the investment holdings] portfolios have an average credit rating equivalent to or better than Standard & Poor's "A". The minimum permitted credit quality per the guidelines is "BBB-" grade instruments.

Investment Manager

Day to day management of all entity investment portfolios is outsourced to QBE Group Investments via a formalised Investment Management Agreement.

Where appropriate, specialist investment managers are employed in order to gain access to areas of investment markets that require specific expertise.

Those responsible for investing the EO Group's assets do so in line with the Investment Guidelines and Restrictions approved by the Boards and the Investment Management Agreement.

The performance of the investment manager is monitored against an absolute return mandate, using other reference benchmarks or peer group performance as key performance indicators.

Foreign Exchange Management

The EO Group operates a policy to minimise operational foreign risk by entity on an IFRS basis by holding assets in foreign currencies in order to match underwriting liabilities in such currencies where size is deemed material. The residual net asset value in all material currencies is then hedged to mitigate foreign exchange risk.

Investments in securitisation

The EO Group's Investment Guidelines and Restrictions impose certain criteria for investment in relation to securitised assets in addition to that which exists for fixed income investment in general. Specifically and to comply with Article 135 2(a) of the SII Directive 2009/138/EC the fund manager shall when investing in products specified as structured, ensure that:

- The originator of the product at all times retains a net economic interest of no less than 5%
- That a dual rating is retained by each issue in order to avoid that issue being treated as having no rating
- Shall not invest in securities that are classified as 're-securitised' products

Exposure to securitisations within the EO Group's portfolio is currently comprised of ABS (Asset Backed Securities), RMBS (Residential Mortgage Backed Securities) and CLO (Collateralised Loan Obligations).

EO investment return for the year was 0.98% (2017: 1.82%).

Investment returns on Fixed income, (0.83%) with performance impacted by rising bond yields and widening credit spreads. Some recovery was evident in the final quarter of (0.51% return) amid falling global yields as markets scaled back the likelihood and size of Central Bank rate increases. Infrastructure debt continued to strongly support return delivering 4.01% for the year.

Portfolio duration was increased to 2.45 years (at the end of 2018) from 1.42 years (at the end of 2017) as opportunities arose to move asset duration closer to that of our insurance liabilities. Spread duration was also increased slightly from 1.47 years to 1.61 years.

Total growth asset investment return was 2.29% for the year, which enhanced overall EO investment return by 15 basis points. Asset class performance was mixed as Q4 saw dramatic reversals in some of our key markets; Developed Market Equities (-9.73%), Emerging Market Equities (-12.07%), High Yield Debt (-3.88%) and Emerging Market Debt (-2.33%) all ended the year in negative territory. Unlisted assets (including Property and Infrastructure Assets) contributed positively for the full year, while the negative impact of Emerging Market Debt and High Yield Debt was minimised due to small allocations and tactical positioning. Growth Asset allocation deployed during 2018 was an average 8.7% at an EO level.

Investment strategy for EO is applied consistently across all entities at a currency level, however, the differing currency mix unique to each entity causes fluctuations in investment return. In 2018 the investment portfolio of QUK delivered a return of 0.71% and for QBE Re 0.36%.

Primarily the reason for lower investment return in the companies compared to EO Group as a whole is the higher proportion of lower yielding Euro fixed income assets held in these entities. Fixed income return was 0.66% for QUK and 0.10% for QBE Re, whilst portfolio modified duration at the end of 2018 was 2.49 years and 2.81 years respectively.

Variation in market views also provides differing opportunities across currencies for growth asset allocation. For QUK growth asset return was 1.04% and for QBE Re 2.23%, average growth asset allocation for the year was 9.3% and 12.0% respectively.

QBE EO

Details of interest received, investment income received, other income, and realised and unrealised returns in the period are shown in the table below.

Asset Category	Dividends (£'000)		Interest (£'000)		Net Gains and Losses (£'000)		Unrealised Gains and Losses (£'000)	
	2018	2017	2018	2017	2018	2017	2018	2017
Equity	1	1	-	-	-	-	-	-
Government Bonds	-	-	6,398	9,925	(692)	(8,474)	3,076	(3,004)
Corporate Bonds	-	-	100,398	68,981	(13,744)	183	(80,938)	(15,296)
Collective Investment Undertakings	31,748	14,021	-	-	(498)	23,601	(23,118)	9,589
Collateralised Securities	-	-	2,975	4,080	(399)	(1,350)	(3,679)	735
Cash and Deposits	-	-	2,259	2,070	-	-	-	-
Mortgages and Loans	-	-	3,950	-	(148)	36	542	326
Futures	-	-	-	-	819	93	-	-
Derivatives	-	-	-	-	(503)	(11,978)	-	24,987
Total	**31,749**	**14,022**	**115,980**	**85,056**	**-15,165**	**2,111**	**-104,117**	**17,337**

**The details of investment income by asset category are consistent with the requirements of QRT S.09.01*

The total investment returns achieved for the year are set out below. The combined currency total return for the year was 0.98% (2017: 1.82%).

Investment expenses and charges were £162,316k for the period (2017: £105,043k).

Investments are monitored using the asset types below. The yield by asset type, and prior year comparatives, are:

Yield by Asset Type	2018 (%)	2017 (%)
Fixed income	0.76	0.87
Equities	(9.73)	10.41
Infrastructure loans	4.01	3.22
Unlisted property trusts	8.29	7.26
High yield debt	(3.88)	5.17
Emerging market equity	(12.07)	32.53
Emerging market debt	(2.33)	9.78
Social impact bonds	8.69	8.21
Infrastructure assets	14.88	8.04

QUK

Details of interest received, investment income received, other income, and realised and unrealised returns in the period are shown in the table below.

Asset Category	Dividends (£'000)		Interest (£'000)		Net Gains and Losses (£'000)		Unrealised Gains and Losses (£'000)	
	2018	2017	2018	2017	2018	2017	2018	2017
Equity	-	-	-	-	-	-	-	-
Government Bonds	-	-	4,331	7,291	(1,486)	(4,935)	3,612	(2,248)
Corporate Bonds	-	-	39,139	31,698	(8,804)	1,176	(20,422)	(11,035)
Collective Investment Undertakings	20,112	9,280	-	-	1,704	22,518	(17,539)	2,019
Collateralised Securities	-	-	1,812	2,639	187	60	(2,205)	50
Cash and Deposits	-	-	1,362	892	-	-	-	-
Mortgages and Loans	-	-	3,177	7508	440	38	(144)	412
Futures	-	-	-	-	696	64	-	-
Derivatives	-	-	-	-	(302)	21,879	-	10,157
Total	**20,112**	**9,280**	**49,821**	**50,028**	**(7,565)**	**40,800**	**(36,698)**	**(645)**

**The details of investment income by asset category are consistent with the requirements of QRT S.09.01*

The total investment returns achieved for the year are set out below. The combined currency total return for the year was 0.71% (2017: 1.76%).

Investment expenses and charges were £16,306k for the period (2017: £12,427k).

Investments are monitored using the asset types below. The yield by asset type, and prior year comparatives, are:

Yield by Asset Type	2018 (%)	2017 (%)
Fixed income	0.56	0.82
Equities	(8.58)	8.59
Infrastructure loans	4	3.47
Unlisted property trusts	8.48	7.99
High yield debt	(3.88)	5.19
Emerging market equity	(11.03)	31.76
Emerging market debt	(2.32)	9.3
Social impact bonds	8.69	8.16
Infrastructure assets	14.88	8.04

QBE Re

Details of interest received, investment income received, other income, and realised and unrealised returns in the period are shown in the table below.

Asset Category	Dividends (€'000)		Interest (€'000)		Net Gains and Losses (€'000)		Unrealised Gains and Losses (€'000)	
	2018	2017	2018	2017	2018	2017	2018	2017
Equity	1	2	-	-	-	(1,570)	-	1,570
Government Bonds	-	-	1,136	2,136	(1,038)	(3,324)	918	(980)
Corporate Bonds	-	-	11,305	7,561	(5,491)	-	(5,464)	(1,277)
Collective Investment Undertakings	13,046	5,282	-	-	(630)	6,326	(8,163)	3,556
Collateralised Securities	-	-	1,273	1,619	153	(1,216)	(2,467)	384
Cash and Deposits	-	-	876	1,151	-	-	-	-
Mortgages and Loans	-	-	873	606	2	-	109	(101)
Futures	-	-	-	-	138	34	-	-
Derivatives	-	-	-	-	(228)	5,632	-	8,791
Total	**13,047**	**5,284**	**15,463**	**13,073**	**(7,094)**	**5,882**	**(15,067)**	**11,943**

**The details of investment income by asset category are consistent with the requirements of QRT S.09.01*

The total investment returns achieved for the year are set out below. The combined currency total return for the year was 0.36% (2017: 1.32%).

Investment expenses and charges were €11,367k for the period (2017: €7,987k).

Investments are monitored on a different basis using the asset types below. The yield by asset type, and prior year comparatives, are:

Yield by Asset Type	2018 (%)	2017 (%)
Fixed income	0.03	0.43
Equities	(13.61)	5.53
Infrastructure loans	3.24	1.9
Unlisted property trusts	7.43	6.23
High yield debt	(3.9)	5.2
Emerging market equity	(16.15)	33.14
Emerging market debt	(2.55)	10.28
Social impact bonds	0	5.83
Infrastructure assets	15.17	7.95

4. Performance of other activities

The Company has a number of intra-group funding arrangements within the EO Group and also inter-group funding arrangements with other companies within the wider QBE Group, arrangements which lead to interest receivables and payables.

During Q4 2018, QBE Re issued €120m of instruments recognised in liabilities on a GAAP basis and categorised as Tier 2 subordinated debt on a Solvency II basis.

Refer to section D3 for further information on finance and operating leases.

5. Any other information

At 1 January 2019, EO Group restructured its European business by consolidating its (re)insurance platforms in Europe into one Belgium-based (re)insurer, QBE Europe as follows:

- QBE UK the principal European insurance company in the EO Group, transferred all its general (re)insurance business written through its active branches in Denmark, France, Germany, Italy, Spain and Sweden, and previously written by its branches in Belgium, Bulgaria, Estonia, Ireland and Norway, to QBE Europe
- QBE Re transferred all its general and long-term reinsurance business written through its Belgium, Bermudian and Irish branches (comprising the entirety of QBE Re's business), to QBE Europe. From 1 January 2019, QBE Re no longer exists as an entity.

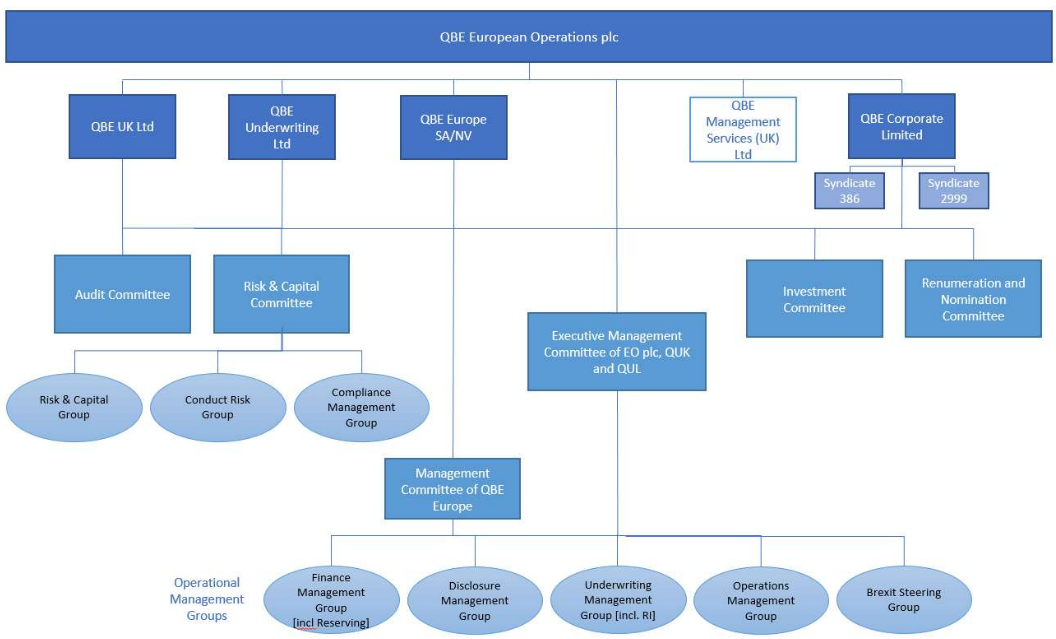
The restructure of the EO Group division was undertaken through a legal process combining an insurance business transfer (known as a "Part VII Transfer") and a cross-border merger which were both approved by the High Court in the United Kingdom on 21 December 2018.

Section B: System of governance

1. General information on the system of governance

The Board charter of EO Plc and its key subsidiaries state that the Board of Directors is responsible for the long-term success of the Company and its subsidiaries. The role of the Board is to provide leadership; to oversee the design and implementation of EO Group strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed within it. The Board of EO plc ensures that the necessary financial and human resources are in place for the EO Group to meet its objectives and reviews the performance of management in delivering on EO Group strategic aims. The Board should set and instil EO Group values and culture in the light of those set by the QBE Group, the ultimate holding company of the EO Group, and ensure that its obligations to its shareholder and other stakeholders are understood and met.

The Board and Committee structure of EO Plc, QUK, QBE Underwriting Ltd ('QUL') and QBE Europe is illustrated below (this structure was also shared with QBE Re prior to its dissolution on 1 January 2019). The Committee structure is also shared with QBE Europe (with the exception of a dedicated Management Committee which operates in respect of QBE Europe only).



The Management Committee of QBE Europe was established in June 2018

The Board of EO plc is chaired by a non-executive director and includes three executive directors.

The role of the Chairman of the Board is distinct from that of the Chief Executive Officer, and each role is clearly established. The Board considers that the experience and areas of focus which each Board member brings to EO Plc results in a strong and balanced leadership team to set and monitor the strategy and values of the EO Group.

Apart from EO Plc, as at 31 December 2018 there were four key operating entities within the EO Group, namely: QUK, QBE Re, QBE Europe and QBE Underwriting Limited (the EO Regulated Subsidiaries).

The Boards of the EO Regulated Subsidiaries each have four non-executive directors, and are chaired by the same Chairman as that of EO Plc. All of the non-executive directors of the EO Regulated Subsidiaries are considered to be independent of management and free from any relationship that could materially interfere with the exercise of the independent judgement.

In conjunction with QBE Group and supported by the Remuneration & Nomination Committee, succession planning is undertaken in accordance with the world-class talent objective, which forms part of the strategic priorities of both the EO Group and QBE Group.

Board Committees

The Boards of EO Plc and the EO Regulated Subsidiaries have jointly constituted Board Committees. The Committees all comprise appropriately skilled members and are supported by attendees as necessary.

The EO Group's key Board Committees comprise:

- Audit Committee
  The role of the Committee is to support the Boards in overseeing the effectiveness of financial reporting. In particular, the Committee oversees, monitors and keeps under review the balance, transparency and integrity of financial reporting (including financial reporting to regulators and shareholders), financial reporting risks, systems and controls (including internal control and risk management systems), accounting policies, practices and disclosures and the scope and outcome of external and internal audit.
- Investment Committee
  The role of the Committee is to support the boards in overseeing the effectiveness of the investment strategy of the EO Regulated Subsidiaries (as approved by the Boards) in the context of the investment strategy approved by the Investment Committee of the Board of QBE Insurance Group Limited. In particular, the Committee will monitor investment performance and investment risks, including asset-liability management and the use of derivatives (where applicable).
- Remuneration & Nomination Committee
  The Role of the Committee is to provide input to the design and operation of the QBE Insurance Group global remuneration framework. The Committee considers remuneration in light of relevant legal and regulatory requirements, the Companies' long-term strategic goals and financial soundness, as well as it's risk management framework and market competitiveness. The Committee keeps under review the balance of skills, knowledge and experience of the Board of each of the EO Regulated Subsidiaries and oversees the selection process for the appointment of any director and Solvency II staff to any of the EO Boards and provides recommendations to the relevant Boards for approval of such appointment. The Committee also approves the design and operation of any EO specific remuneration policies.
- Risk and Capital Committee (RCC)
  The role of the Committee is to support the Boards in overseeing the integration and effectiveness of the risk and capital management framework in order to support strategic objectives, support and inform business plans, ensure that risks are identified, assessed and monitored in line with risk appetite and ensure that adequate capital is maintained against the risks associated with business activities. The Committee, which

is supported by Management Groups (focussing on Compliance, Risk and Capital and Conduct Risk), provides recommendations to the Boards in respect of various matters including the Conduct Risk Framework, the Compliance and Compliance Monitoring plans and matters relating to the Internal Model.

The membership of each Board Committee is comprised of independent Non-Executive Directors only.

In addition, EO plc, QUK and QUL are supported by the Executive Management Board ('EMB').

The role of the EMB is to support the CEO in the performance of their duties in accordance with the CEO delegated authorities in place from time to time (having been issued to the CEO and approved by the Boards ("Delegated Authorities"), including the following:

- design, formulate and recommend to the Boards for approval the strategy and long-term planning of the Companies in the light of the broader strategy of the QBE Group;
- implement and deliver approved strategies and plans;
- manage the day to day effective running of the Companies and their operations and resources (including financial and human resources) in accordance with objectives and controls set by the Boards, as applicable;

In addition, the Board of QBE Europe has constituted the QBE Europe Management Committee.

The role of the Management Committee is to manage QBE Europe in accordance with the strategy, business plans and policies approved by the QBE Europe Board to achieve the Company's agreed objectives. This includes specific responsibilities in respect of strategy and management activities, risk management and company organisation and operation.

The following Management Groups operate in support of (i) the Risk and Capital Committee and (ii) EMB and the QBE Europe Management Committee:

i) Risk and Capital Group ('RCG'), Compliance Management Group ('CMG') and Conduct Risk Group ('CRG'), accountable to the RCC and the QBE EO Boards
ii) Disclosure Management Group ('DMG'), Finance Management Group (including Reserving) ('FMG'), Underwriting Management Group ('UMG') and Operations Management Group ('OMG'), accountable to the EMB and QBE Europe Management Committee.

Delegation of responsibilities to the Committees and Management Groups is undertaken through Board or Committee approved Terms of Reference which are regularly (at least annually) reviewed.

During 2018, the Senior Managers and Certification Regime ('SM&CR') was implemented by the EO Regulated Subsidiaries . This necessitated the identification and training of Senior Managers and Certified staff and the adoption of requisite new and updated policies and Board approved Management Responsibilities Maps.

The membership of the Boards, Board Committees and Management Groups of EO plc and the EO Regulated Subsidiaries are regularly (at least annually) reviewed.

EO Plc and its Regulated Subsidiaries have a robust System of Governance which includes:

- Board Charters and Committee and Management Group terms of reference for each of the Committees and Management Groups referred to above. These Charters and Terms of Reference set out the areas of responsibility of each Board, Committee and

Management Group, the composition and meeting formality requirements and the frequency of meetings.
- Functional terms of reference for all control functions
- A structured Board, Committee and Management Group meetings calendar (with a forward plan of regularly recurring items for review and approval)
- Agendas, minutes and action points for all Boards, Committees and Management Groups
- Key Board approved policies and documents including the Own Risk and Solvency Assessment ('ORSA'), Internal Control Framework, Outsourcing Policy, Fit & Proper Policy and Management Responsibility Maps (as required under the SM&CR)

The Boards of EO plc and the EO Regulated Subsidiaries consider the system of governance to be appropriate and adequate in light of the business strategy and objectives.

Key Function Roles and Responsibilities

A description of the main roles and responsibilities of the key functions of the EO Group are shown below. These functions do not relate solely to any individual entity but operate across QBE EO and the EO Regulated Companies, including QUK, QBE Re and QBE Europe.

Key Function	Main Roles and Responsibilities

Actuarial	• Establish and maintain a robust Actuarial control framework to ensure that the Company:
	  • Complies with all material legal and regulatory requirements
	  • Adheres to relevant Actuarial standards and best practice
	  • Meet all internal QBE EO and/or global internal reporting requirements
	• Minimise the risk of business discontinuity
	• Provision of reserving data and analysis
	• Calculation of technical provisions
	• Pricing
	• Benchmarking
	• Portfolio analysis
	• Support for business planning
	• Calculation of capital requirements

Risk Management & Compliance	• Establishment and maintenance of robust enterprise risk management framework • Production and performance of the Company's ORSA • Monitors the material risks the business faces and ensuring the adequacy of capital should these risks materialise • Support for business planning • Ensuring robust governance of the internal model • Performance of deep dive reviews in areas deemed to be high risk • The main roles and responsibilities of the Compliance function are further detailed in section B.4
Internal Audit	• Evaluate the adequacy and effectiveness of the risk management framework • Evaluate management's assessment of risk exposures relating to QBE's governance, operations, and information systems regarding the: • reliability and integrity of financial and operational information

Key Function	Main Roles and Responsibilities
	• effectiveness and efficiency of operations and programs • safeguarding of assets • compliance with laws, regulations, policies, procedures and contracts • Evaluate the adequacy, effectiveness and efficiency of controls in responding to the above risk exposures • Evaluate the potential for the occurrence of fraud and how QBE manages fraud risk
Claims Management	• Ensure the cost effective delivery of an agreed claims service • Implement and maintain effective leading edge practices and processes to provide maximum value to the business and excellent customer service • Work closely with underwriters and other business functions and lead the development of processes to ensure that the function is aligned to the needs of the business • Adopt best practice and meet regulatory requirements • Ensure adherence to the corporate reserving philosophy and claims handling philosophy to deliver claims excellence • Support decision making by developing and maintaining effective control reports based on the claims environment and claims activity
Operations	• Implement change programmes related to IT outsourcing, service management, and cost savings to achieve cost, service and scalability targets • Execute and manage the operations strategy of the business • Establish contractual servicing where appropriate, deliver workflow tools and create process efficiencies • Support business planning

Investments	• Implement and monitor the effectiveness of local investment strategies
	• Monitor investment performance and investment risks
	• Oversee and monitor the effectiveness of the asset-liability strategy with respect to the matching of:
	  • investment assets
	  • the liabilities generated by insurance activities
	• Make recommendations in respect of investment policy, investment guidelines, target returns and asset-liability strategy
	• Support business planning
	Through related support roles and functions:
	• Maintain the investment governance framework
	• Continually review investment guidance, assumptions, policy and process to ensure procedures remain appropriate and meet industry best practice
	• Monitor compliance with all relevant regulation

Finance	• Establish and maintain a robust financial control framework • Comply with all relevant legal and regulatory requirements • Adhere to relevant accounting standards and good practice • Meet all internal European and/or global internal reporting requirements • Identify and effectively control financial risks (credit, market liquidity, commercial etc.) • Align financial planning, reporting and budgetary controls to corporate goals • Adopt consistent financial processes and/or technologies where appropriate to optimise resources and investment

Key Function	Main Roles and Responsibilities
Underwriting	• Establish and maintain a robust underwriting control framework • Comply with all material legal and regulatory requirements • Adhere to relevant underwriting standards and best practice • Meet internal European and/or global internal reporting requirements • Identify and effectively control their insurance risks • Adopt consistent U/W and Claims processes and/or technologies where appropriate

Legal	• Pro-actively monitor and evaluate legal and regulatory risks, emerging/pipeline legal and regulatory developments, alert the business to specific associated risks and extend principles around legal and regulatory risk management into wider business
	• Provide high quality document execution, retention and administrative services to the Boards and business to ensure legal compliance, good internal governance and document control, including:
	    • Corporate and regulatory filings
	    • Issuing corporate certificates as required
	    • Certification of documents and procuring notarisation
	    • Execution of deeds
	    • Ensuring continuing obligations under documents owned by the function are recorded
	    • Ensuring adherence to document retention policies
	• One other key function is the 'function of effectively running the firm', which is undertaken by the EMB

Human Resources	• Establish and maintain a robust HR control framework to ensure the Company:
	    • Complies with all material legal and regulatory requirements
	    • Adheres to relevant HR standards and good practice
	    • Meets all internal European and/or global internal reporting requirements
	    • Identifies and effectively controls People risks
	• Adopts consistent HR processes and/or technologies where appropriate

The four key Solvency II functions (Finance, Risk and Compliance, Actuarial and Internal Audit) all have representation at key Boards, Committees and Groups, and independent decision-making rights within the management structure of the EO Group that provide them with the necessary authority, resources and operational independence to carry out their tasks.

During 2018, the following changes were made to the System of Governance:

Structural Changes

The Board of QBE Europe established a Management Committee and jointly constituted the existing EO Board Committees (being the Investment Committee, Audit Committee, Remuneration & Nomination Committee and Risk & Capital Committee).

Remuneration

General

The EO Group, as part of the wider QBE Group, has a remuneration and reward framework and associated governance arrangements. This framework is designed to:

- align remuneration and reward with robust risk management practices and strong governance principles; and
- provide a market competitive remuneration structure that attracts, retains and motivates high quality and talented people whilst aligning their remuneration with the creation of sustained shareholder value

The remuneration and reward framework is regularly reviewed to ensure that it evolves and remains appropriate in the context of:

- QBE Group's vision, values and strategy
- the environments in which QBE Group operates
- QBE Group's business model and geographical exposure
- local market needs and regulatory requirements

Within the framework is a remuneration policy, adopted by the Board of the EO Group, that is underpinned by QBE's remuneration strategy which integrates the various components of remuneration, reward and risk across the QBE Group.

QBE Group's global remuneration framework is intended to apply to all individuals employed by QBE Group to the extent possible and subject to local market conditions and regulatory requirements. An individual will be included if they are employed directly by QBE Group (including any controlled entity) on a permanent or contractual basis.

QBE Group's remuneration mix is reflective of each employee's ability to influence results. For all staff, fixed pay is designed to provide a predictable 'base' level of remuneration which is positioned at a level that reflects the contribution and value to the group whilst recognising capability and expertise.

Variable pay at QBE Group is focused towards the longer-term time horizon, enhancing alignment with the delivery of the long-term strategy and shareholders' interests.

The Remuneration Policy is designed to align with QBE Group's risk management framework. Some key components of that framework include:

- the QBE Group Risk Management Strategy (Group RMS) that outlines the principles, framework and approach to risk management adopted by QBE Group and is embedded across the QBE Group providing a consistent approach to managing risk
- an extensive system of delegated authorities that support the structured and measured cascade of risk appetites set by the relevant Boards, empower employees to make decisions within clearly defined risk limits and therefore control the extent to which individuals can commit the current or future assets of QBE Group
- QBE Group policies - employees are required to adhere to a range of policies to ensure risk-taking is well managed, strong governance structures are in place and high ethical standards are maintained

Principles

Remuneration policy across the QBE Group is guided by certain principles designed to promote robust risk management practices and an effective reward framework. Those principles are:

ONE QBE Values	**Simple**	• at-risk reward methodology is easily understood by internal stakeholders with transparency for external shareholders
	Linked to strategy	• incentive performance measures provide significant alignment and linkage to QBE's key strategic priorities
	Globally competitive	• responsibly competitive when setting fixed remuneration by considering the appropriate market data, diversity and expertise of individual roles and the complexity of each operating environment • common global remuneration design that provides flexibility to calibrate local financial targets, enabling QBE to compete in key markets
	Motivating	• at-risk reward schemes combine 'stretch' targets and performance measures linked to statutory disclosures and business plans, which improves the line of sight and leverages participant motivation • locally competitive and flexible benefits designed to provide value to the employee and QBE
	Shareholder aligned	• achievement of risk-adjusted statutory QBE Group ROE targets aligned to shareholder value • delivery of equity awards with significant levels of deferral and financial measures linked to key investor metrics align reward arrangements to shareholder interests • executive minimum shareholding requirements further link executive interests to those of shareholders

Further information on remuneration is available in the 'QBE Group Annual Report 2018', in section 'Remuneration Report', on pages 60 to 82 inclusive.

Material Transactions

During the year, EO plc declared and settled a dividend of £143m (2017: £120m) to its parent QBE Insurance Holdings Pty Limited. EO Plc also declared and settled non-cash dividends to QBE Group of £267m during the year.

QBE Re declared and paid two dividends totalling €76m and €90m on the ordinary shares during the year (2017: €nil).

QUK declared and paid two dividends totalling £96m and £35m on the ordinary shares during the year (2017: £170m).

EO plc has a foreseeable dividend of £96.4m in 2019.

The effect of these payments is to reduce the eligible own funds for EO Group, QUK and QBE Re in order to maintain the EO Group's target capital in accordance with the Groups capital appetite framework.

2. Fit and proper requirements

There is an established Board approved Fit and Proper Policy that applies to the EO Group and the EO Regulated Companies. The policy is reviewed annually and updated as required. The Policy and supporting Guidelines incorporate the requirements of:

- The NBB Circular on the System of Governance and various related NBB Regulations and Circulars on the Suitability of Directors, members of the Management Committee and individuals responsible for the Compliance and Independent Control Functions; and
- The UK SM&CR in relation to those individuals who also perform regulated functions on behalf of the UK regulated entities and the QBE Europe UK branch in respect of those individuals performing roles and functions within the scope of the regime.

Requirements

The Fit and Proper Policy establishes minimum standards required of all Directors and key employees. The Solvency II guidelines describe these individuals as those who 'effectively run the undertaking'. Supervisory approval is required for these individuals and it is necessary that they are of good repute, have integrity and possess the skills necessary to effectively discharge their responsibilities.

All employees of the EO Group and its subsidiaries are required to demonstrate the following:

- The requisite level of competence, knowledge and experience
- The appropriate qualifications
- The completion of, or current involvement in, relevant training to enable them to perform their role or function effectively and in accordance with all relevant regulatory requirements
- Good conduct (including business, financial, criminal and past supervisory conduct), supported where appropriate by satisfactory regulatory references

Appointees to the Boards are further required to:

- Gain confirmation from the Remuneration & Nomination Committee that it is satisfied all relevant internal policies and procedures have been followed
- Meet the minimum standards set out by the relevant regulatory authority for fitness, propriety and conduct
- Have gained approval from the regulatory authority (where applicable)

Assessment process

The Fit and Proper Guidelines are aligned with the EO Group's HR and recruitment processes and apply both at the recruitment stage and throughout an individual's career in the company. Regular assessments are carried out to ensure that the guidelines are being adhered to.

The frequency of assessments and the level of verification sought is determined by a risk-based approach that takes account of the following:

- The level of a person's authority, influence or control
- The reliance of the EO Group on a person's role as an internal control (e.g. Enterprise Risk Management (ERM), Compliance, Underwriting Governance, Actuarial and Internal Audit)
- For regulated roles/functions, the regulatory and/or legal requirements for the role

The assessment process encompasses a number of levels and stages and, for each of these, control checks are applied to ensure on-going adherence to the policies and guidelines. These stages and control checks include:

- Pre-employment, where the individual's fitness and propriety is assessed prior to commencement of the role. Background checks are carried out using a risk-based approach with particular emphasis on the following roles:
    - PRA, FCA and NBB approved functions
    - Defined senior management and internal control roles
    - Individuals holding a delegated authority
    - Finance
    - IT
- The rigour and detail afforded to the assessment of members of the Board of Directors are particularly stringent
- Regular review of all employees, where performance and development assessments are carried out in line with the current QBE Performance Management process. Where individuals are, by virtue of their role and with reference to the risk based approach previously noted, considered to represent a higher risk, the regularity of reassessments is increased. The performance management process incorporates appraisals of employee effectiveness, competency in role, and training requirements
- Regular review of Board and Committee effectiveness and the fitness and propriety of individuals holding positions in these groups. Assessment of individuals in these roles is subject to more rigorous scrutiny
- Internal moves - where a change to a person's role may prompt a reassessment of their suitability

The EO Group's Internal Control Functions, identified in accordance with published PRA and NBB rules (Actuarial, Compliance, ERM, Internal Audit and Underwriting Governance), are also required to ensure that they set out and maintain the competencies necessary to deliver the function to an adequate standard.

The framework of controls in this regard may include:

- Appropriate experience and skills mix
- Role profiles
- Training and development
- Centres of excellence (i.e. development of subject matter experts)
- In-sourcing (e.g. joint projects, secondments etc.)

Where matters affecting a person's suitability are identified, the EO Group will consider the relevance to the person's role and the circumstances and seriousness of the matter. If a person is not deemed to be fit and proper, disciplinary action may be taken and regulators notified where appropriate.

3. Risk management system including the Own Risk and Solvency Assessment

The EO Group and the regulated subsidiaries within the EO Group manage risk via a centralised risk function. This is an appropriate and effective way for the EO Group to assess, evaluate and control risks given the commonality of systems and processes throughout the EO Group. Functions that are consistent across the EO Group include:

- A common risk management framework, applied consistently across all legal entities.
- Key risk assessment processes (e.g. business planning, reserving, exposure management, capital modelling), conducted by common functions using a consistent process across all trading entities.

- Key systems including underwriting finance, IT, HR and Risk Management operate consistently across all trading entities.
- Control functions such as Compliance, ERM and Underwriting Governance operate consistently across all trading entities. Where identified control failures are legal entity specific, they are escalated to the appropriate legal entity Board as appropriate.
- A consistent internal model operated across the regulated subsidiaries, the outputs from which are reviewed by the same governance forums before being reported to their relevant entity Boards.

Control framework

An established control framework is in place to ensure that risks are managed to support the achievement of the EO Group's objectives. The risk management framework provides further structure to the control environment, ensuring that risks have the appropriate controls in place with the appropriate owners. Control assessments are validated by the appropriate committee as part of the risk assessment process and are verified through Internal Audit testing.

The EO Group has adopted the QBE Group Risk Management Strategy (RMS) to identify and assess the risks the EO Group faces in delivering on its strategic and business objectives. Given the centralised nature of the QBE Group's risk management system, the RMS applies equally to all the EO Regulated Companies and is approved by the Boards of those Companies. The strategy sets out the governance arrangements and key roles and responsibilities relating to risk management and identifies the key risk processes and reporting mechanisms.

Risk categories

EO Group identifies and assesses the risks to delivering on its strategic and business objectives. These risks are then categorised into one of eight material risk classes for aggregation, reporting and modelling purposes. The eight material risk classes are listed below. This categorisation enables the application of a specific risk policy for each type of risk and is an effective means of aggregating, monitoring, reporting and measuring those risks.

- Strategic risk
- Insurance risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Compliance Risk
- Group Risk

Risk categories and sub categories are reviewed regularly to ensure they continue to reflect the key risks faced by QBE Group. EO Group recognise the interconnectedness of risk when assessing risk categories and the impact this may have.

Risk Appetite

The QBE Group's Risk Appetite Statement (RAS) sets out the nature and level of risk that the Group Board and GEC are willing to take in pursuit of the organisation's objectives. The RAS is used to support risk-based decision making by clearly defining QBE's appetite (what we should do) and tolerance (what we can do).

The Group-level risk appetite is set by the Group Board and is cascaded, as appropriate, to the Divisions. The risk appetite is reviewed annually to ensure that it reflects changes to strategic objectives and to the internal and external environment.

QBE's Risk Appetite Standard outlines the process for setting, communicating, monitoring and reporting QBE's risk appetite across the Group and Divisions.

Risk Culture

The QBE Group defines risk culture as "observable patterns of behaviour in the way employees perform their work, as it relates to risk, and the judgements they take". Risk culture underpins QBE's ERM Framework. QBE's approach to managing risk culture is comprised of three key elements:

- Defining target risk culture – the behaviours and attitudes QBE Group expects from all employees
- Measuring risk culture – the ERM function conducts an annual review of risk culture across EO senior management and a dashboard with a number of risk metrics relating to risk culture are collated and reported quarterly. The findings are reported to the RCG and RCC
- Influencing culture – the actions and initiatives at an organisational or individual level that are undertaken to either maintain a positive risk culture or to remediate a situation where culture is not operating in line with expectations

Risk culture metrics are reported regularly to the Group RCC to ensure appropriate escalation of cultural issues and trends.

Internal Model

The EO Group has developed an Internal Model that can be used to identify and assess risk to ensure that adequate capital is held in relation to the risks faced by the business.

All business lines written within the EO Group are included within the scope of the Internal Model and are treated in a consistent manner, with differences only arising due to the specific risk profile of the business rather than a different approach to risk assessment. The Internal Model is supported by the ERM Framework, a number of processes within which feed the Internal Model directly as part of the Group's regulatory capital assessment.

There are five key processes that make up the Internal Model:

- Risk identification and emerging risks
- Internal control framework
- Risk assessment
- The economic capital model
- Internal Model governance

Internal Model governance

The high level and detailed governance of the Internal Model is the responsibility of the RCC and the ERM function respectively.

The RCC is a formal committee of the Boards and meets at least on a quarterly basis. The RCC is attended by members of the ERM function to ensure that adequate information regarding the Internal Model is reported to and disseminated from the RCC. A memo outlining the main points of discussion at each RCC meeting is presented to the EO Group Boards to ensure that matters regarding the Internal Model are documented and escalated to the appropriate forum.

There is an annual cycle of model validation tests to independently review and challenge the key assumptions, methodology and output of the Internal Model. This is part of a three-yearly targeted validation plan including annual core tests and at least three-yearly full deep dives. The validation tests are developed and performed independently of the Capital Modelling team and other areas that design and/or operate internal model elements, with findings and any escalations reported through the EO Group's system of governance. The validation process is independently managed by the Risk function, with the Head of Model Validation role held by the ERM Director. There were no material changes to the internal model governance during the period.

Risk identification and emerging risks

The EO Group identifies key risks that have the potential to affect the business' ability to achieve its objectives on a continuous basis. Each risk is assigned a risk owner, who is responsible for the overall management of that risk. Once a risk has been formally identified and included within the Framework, it then becomes fully integrated into the Group's risk and capital management processes.

Risk identification is carried out through the Boards, committees and the business facilitated by the ERM team, and is also supported by the emerging risks process.

Formal Risk and Control Assessments (RCAs) are conducted to identify the risks to the function achieving its objectives, the controls to mitigate these risks, and finally the effectiveness of the controls in managing the risk. The EO Group has established an Emerging Risk Group, an informal working group, to identify and facilitate the effective management of risks that are perceived to be potentially significant, but which may not be fully understood or allowed for in decision making activities.

Risk assessment

Risks are assessed by committees using a combination of qualitative and quantitative techniques. The assessment process brings together key information to support the analysis, including key management concerns, stress and scenario tests, key risk indicators, control assessments, loss data and issues and actions.

Risk assessment is supported by the Group's Economic Capital Model (ECM), part of its Internal Model. The ECM assesses the material risks to which the business is exposed and evaluates the level of capital required to meet solvency requirements at a more onerous level than that required by regulatory minimum standards. The role of the ECM in evaluating the solvency requirements of the EO Group, and facilitating the EO Group's strategy, is detailed in the section 'Determination of Solvency Requirements' later in this section.

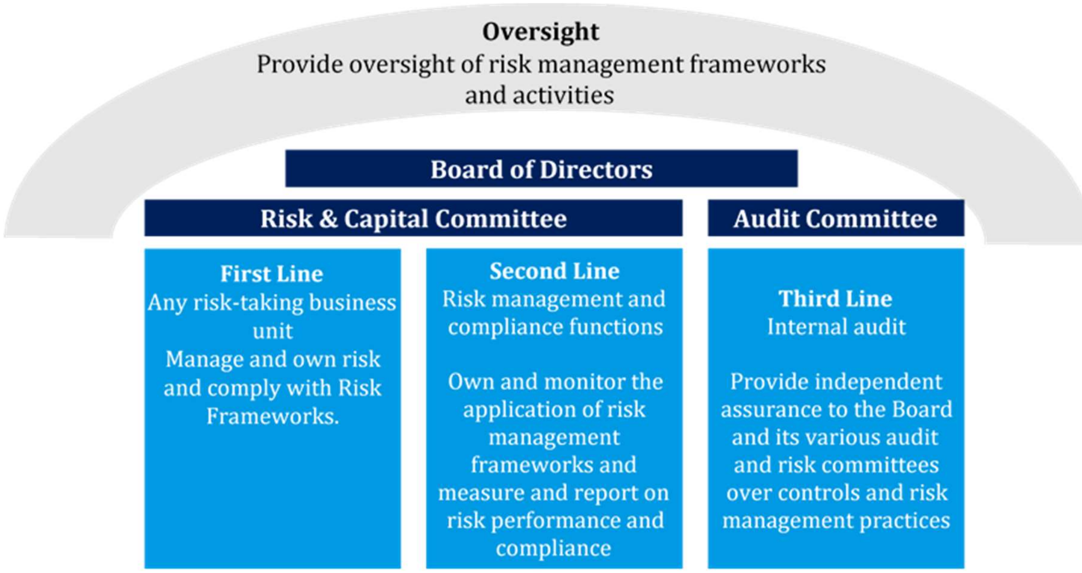
Reporting

The EO Group's governance framework is supported by risk reporting, which is used to provide complete, accurate and timely risk data and analysis that can be used to support day-to-day business decisions. Key stakeholders for risk reporting include Boards, committees, forums, risk owners, business management and support functions. Risk and performance-related information is routinely reported to the Boards and the RCC.

A key element of the Group's risk reporting is the ORSA, details of which can be found later in this section.

Risk management system

Everyone within the QBE Group has responsibility for managing risks and as a result many people are involved in the risk management process. The EO Group employs the three lines of defence approach to managing risk, as described below:



- First line (1a)
  - Overall first line activities are those which are undertaken within the business to ensure that risks are identified and controlled, regardless of second- and third-line activities.
  - First line 1a activities refer to the controls that are implemented by those who are directly responsible for accepting, managing and mitigating risk.
- First line (1b)
  - Review, challenge or provide oversight of 1a risk management activity. Although 1b functions are not fully independent of 1a, they are one step removed from decision making activities and are therefore able to provide an objective view.
  - Provide a specialist service to 1a, such as training or legal advice.
- Second line
  - Second line activities independently review, challenge and provide oversight of first line risk management activities. This is achieved through monitoring controls and ensuring that control verification mechanisms are designed and operating effectively. The second line is independent of first line activities and is therefore entirely objective in its assessment of risk.
- Third line
  - Third line activities evaluate the effectiveness of the organisation's risk management, control and governance processes, providing assurance that both first- and second-line control and assurance activity is effective and appropriate.

The EO Group fully adopted and embedded the 2018 QBE Group RMS and follows the procedures in accordance with the RMS. These procedures cover all risk types and include the Risk and Control Assessment process that is applied across the business. Other procedures following the RMS include internal and external loss event reporting, issues and actions management, scenario analysis, risk appetites, key risk indicators and risk reporting.

Assurance and governance forums

A fully documented assurance approach has been developed for each of the functions within the EO Group to ensure that the application of the three lines of defence approach is adequate and appropriate to identify and control risks that may arise in relation to those functions.

The assurance approach model for each function is allocated a Red, Amber or Green rating and a designated owner is identified to ensure any remedial or improvement actions are effectively undertaken.

The governance forums in the EO Group, noted in section B.1, provide further challenge and assurance on risk taking activity. They also provide practical relationships between the 1a, 1b and 2nd line functions. Members of the 2nd line sit on all Committees and Management Groups established by the EO Group Board, and attend additional working groups and steering committees to deliver challenge across the wide spectrum of business activity.

Transparency of issues is achieved through Board Committee and EO Group reporting or escalation and is overseen by the RCC.

The EO Group's three lines of defence model provides an effective risk governance approach throughout the EO Group and its regulated subsidiaries, ensures the existence of appropriate checks and balances, and enables remedial actions to be taken where weaknesses are identified. Further, by embedding 1a and 1b teams within the business, the EO Group enables:

- the strengthening of the risk culture throughout the organisation
- the business functions to take accountability for managing risk
- the best expertise within the ERM framework to be made available to address risk matters

The Own Risk and Solvency Assessment

The EO Group produces an ORSA report to assess, on a continuous basis, the Solvency needs of the EO Group and its subsidiaries given the risks that it has identified and assessed .

The EO Group has adopted a working definition of the ORSA to be "the entirety of the processes and procedures employed to identify, assess, control, manage, and report the short- and long-term risks QBE faces or may face and determine the own funds necessary to ensure that the undertaking's overall capital needs (solvency and economic) are met at all times."

The ORSA incorporates outputs of key management processes, including business planning, capital management and solvency assessment, stress and scenario tests and modelling and governance. In addition, it summarises the EO Group's risk profile and contains risk assessments and the control effectiveness ratings for each risk within the risk governance framework, including non-quantifiable risks and those not mitigated with capital. The ORSA is considered in conjunction with any breaches of appetite to ensure that the EO Group can respond quickly to changes in its risk profile and take appropriate mitigating action where required. The method of production and process of review and approval of the ORSA ensures that it is well integrated into the EO Group's decision-making process.

ORSA reports are prepared quarterly and annually for the EO Group to reflect the way the EO Group manages its risks and also the commonality of risk assessment, governance, systems and control processes across its subsidiary undertakings and its Internal Model. This ensures that risk management procedures are implemented consistently across all the undertakings within the scope of the EO Group. From 2019, separate ORSA reports for QBE Europe will be prepared in addition to those for the EO group.

The report is reviewed and discussed by the RCG and RCC, committees which, in aggregate, contain all the Directors of the EO Group and its Regulated subsidiaries, prior to recommendation to the Boards for review and approval. This process ensures that detailed discussion and review can be affected at the level of both individual subsidiaries and the EO Group as a whole.

The ORSA provides the link between the EO Group's risk strategy, risk profile, risk appetite and overall solvency needs. For the EO Group and its Regulated Subsidiaries the ORSA ensures that:

- the risk profile in the context of the business plans and strategy is understood
- the regulatory and economic capital requirements can be met based on the current business plan and over the longer term, considering severe events
- the management actions that may be necessary to reduce risk and subsequent capital requirements, (including contingency plans associated with a stressed environment) have been considered; and
- the Internal Model continues to be considered adequately suitable and robust to support the above assessment of risk and capital, and specifically to set regulatory capital

The ORSA process has been designed to ensure that the EO Group's Boards are provided with all relevant risk and capital information to enable them to act in the best interests of their stakeholders. The frequency of production of the full ORSA and ORSA updates are noted below.

Annual ORSA

A full ORSA report is produced for each calendar year. This report captures changes in the EO Group's risk profile that have occurred during the previous year and incorporates detailed analysis of the EO Group's risk and capital position both in the current and in the future. The report provides analytical breakdown by risk type and regulated entity.

The annual ORSA is reviewed and approved by the Boards of the EO Group and the Regulated Subsidiaries.

Regular ORSA updates

ORSA updates are reported to The EO Group's Risk and Capital Committee on a quarterly basis and include analysis of:

- Business strategy
- Risk profile
- Areas of management concern
- Financial position and solvency ratios, including under stressed conditions
- The current and projected SCR for each (re)insurance entity
- The on-going suitability of the Internal Model for capital setting purposes

Ad-hoc ORSA updates

If there is a significant change to the EO Group's risk profile an *ad hoc* ORSA may be produced outside the normal production and update cycle. Examples of such a change include:

- Material acquisitions or business re-organisation
- A significant change in the Group's business plan e.g. entering into new markets, products etc.
- A significant loss event
- Material change to Group's capital base
- Identification of a critical issue

ORSA governance

The content of the ORSA is reviewed by various forums and committees before the full report is submitted to the relevant company Boards for approval by.

EO Group Boards: The EO Group Boards have the ultimate responsibility for the ORSA and must review, approve and formally sign off the report on an annual basis.

RCC: The EO Boards delegate their risk management oversight and monitoring activities to the RCC. The RCC is the primary forum for challenging both the ORSA content and process and the committee will review and recommend the report to the Board for approval.

RCG: The RCG consists of the EO Group's Executive Management Board. The primary responsibility of the RCG is to review and challenge risk related papers prior to submission to the RCC.

Other Committees and Groups: Other Committees and Groups also have key roles, particularly the responsibility to challenge information that directly feeds the assessment of risk for the ORSA process. Their responsibilities in relation to risk management are included in the respective committee terms of reference.

Determination of solvency requirements

The EO Group uses an Economic Capital Model (ECM), as part of its Internal Model, to measure the material risks to which the EO Group and the companies within the EO Group are exposed. As such, the ECM better informs decision making and the formulation of business strategy.

Output from the ECM is used to assist the Board and senior management in evaluating risk and understanding the capital implications of business decisions. Use of the ECM has been approved by the Boards of the EO Group and its Regulated Subsidiaries and the PRA, following approval of the EO Group's Internal Model in December 2015.

The ECM measures the risks specified in the QBE Group Risk Management Strategy (RMS), the basis for which is the risk management assessment process. Hence, the risk management system interacts with, and is closely aligned to, capital management activities. The ECM does not assess those elements of strategic and emerging risks that are captured through the ORSA process.

Capital is maintained over time to ensure that the risk appetite of the EO Group's Boards and applicable regulatory capital requirements are met. Other relevant strategic and business objectives are also taken into account.

The ECM and risk management framework are integrated through the following processes:

- *Decision making*: the use of the ECM in decision making is evidenced within the processes and principles of the risk management framework. Business decisions supported by the ECM include:
    - Business planning
    - Strategic asset allocation
    - Monitoring against risk appetite statements
    - Embedding new EO legal entity structure
    - Approval of regulatory reporting, including the ORSA
- *Capital management*: elements of the SCR are derived directly from the output of both the ECM and risk management processes
- *Risk appetite*: the risk appetite for the entities is directly linked to capital metrics and monitored using outputs from the ECM through the risk management framework
- *Reporting*: the outputs of the ECM are used in the reporting of risk assessments and appetites in the risk management framework

- *Operational risk*: the parameterisation of operational risk for the ECM is conducted as part of the risk management process and is a direct feed into the ECM
- *Model risk*: the governance around the ECM is based on the risk management framework principles. Matters affecting any changes to the use or validation of the model are included in the quarterly ORSA reports sent to the relevant committees, including the RCG and Boards

For further details about the Internal Model and the Economic Capital Model, refer to Section E: Capital Management.

4. Internal control system

EO Group has implemented an internal control framework that seeks to ensure compliance with all relevant regulatory and legal requirements. These requirements include meeting the standards contained within Article 46 of the Solvency II Directive, the rules contained within the PRA Rulebook, FCA requirements under SYSC 3.1.1, which state that "a firm must take reasonable care to establish and maintain such systems and controls as are appropriate to its business" and various NBB Regulations and Circulars on Independent Control Functions.

As illustrated in the previous section, the EO Group has a defined structure to identify, assess, report and control risks that may affect the business.

The internal control mechanism at the core of this structure is the 'three lines of defence'. Refer to the Risk Management Section on page 45 for further information.

Risk Governance

The risk governance forums within EO represent further challenge and assurance on risk taking activity. They also generate strong practical working relationships between the 1a, 1b and 2nd line teams. Members of the 2nd line sit on all Committees and Management Groups established by the EO Group's Board, and attend additional working groups and steering committees to deliver challenge across the wide spectrum of business activity. Transparency of issues is achieved through Board Committee/Group reporting or escalation, all overseen by the Risk and Capital Committee. Refer to the Board Committee section on page 33-34 for further detail on the various committees and their functions within the EO Group.

The Compliance Function

The Compliance function consists of three dedicated teams (Regulatory and Assurance; Sanctions and Licensing; and Compliance Monitoring). The function reports through the Compliance Director and Senior Compliance Manager (Monitoring) (EO Group) and Head of Compliance (QBE Europe), to the Chief Risk Officer, who is a member of the Boards. The Head of Compliance acts as the *personne-relais* in respect of the partial outsourcing of the QBE Europe Compliance function to The EO Group. Collectively, these individuals are members of, and/or report to, the various regulated entity Boards and key control committees within the EO Group. They have direct and unfettered access to any member of the EO boards or senior management or the EO Group Committees.

The overarching purpose of the function is to advise the business on how to meet the standards set by its regulators and QBE Group and to proactively support the development of a culture of compliance and appropriate management of regulatory risk across the EO Group. Accountabilities include advising the Boards on compliance with PRA/FCA/NBB requirements, Lloyd's Minimum Standards, other international regulatory requirements and the QBE Group standards and requirements established by the Group Compliance Framework. This includes ensuring staff awareness of regulatory matters, Lloyd's requirements and providing best practice guidelines for key business topics including Conduct Risk, Sanctions and Licensing compliance, Money Laundering and Bribery. The function also produces and promotes awareness of the annual Compliance Plan, develops an annual Monitoring Plan, and in conjunction with other EO Group control functions (e.g. Underwriting Governance, Delegated Claims Management etc.) conducts a program of monitoring to challenge and test the effectiveness of internal controls.

The core objectives of the function are set out in the functional Terms of Reference and include:

- Promoting a robust and consistent compliance culture throughout the business including through on-going training and awareness
- Providing assurance to the Board that relevant regulatory and legal requirements are being met through monitoring activities, knowledge of the business and regular reporting to governance forums
- Monitoring regulatory developments and co-ordinating and supporting business responses to proposed regulatory changes
- Developing and embedding a framework of policies and procedures designed to support business practices, promoting ethical standards and ensuring regulatory and legal requirements are met

The function has implemented a defined Compliance Policy. The Policy outlines the EO Group's approach to compliance and defines the roles and responsibilities of the Boards, senior management, the Compliance function and business units in achieving a positive compliance culture and effective compliance management. Specifically, the policy details the core day-to-day role of the Compliance function which includes but is not limited to:

- Developing, in conjunction with business units, a framework of policies and procedures to support business practices, promote ethical standards and ensure legal and regulatory compliance
- Developing, or assisting in the development of, educational and training programs to promote a positive compliance culture and a greater awareness and understanding of the importance of compliance and the EO Group's legal and regulatory obligations
- Providing advisory assistance and support to business units regarding the interpretation and impact of, and compliance with, relevant legal and regulatory requirements and obligations
- Implementing an annual Compliance Monitoring Plan (which is approved by the RCC) to test and challenge the on-going suitability and effectiveness of controls across all relevant risks and business areas
- Maintaining and monitoring adherence to a diary system for internal and external reporting deadlines
- Monitoring regulatory developments and co-ordinating and supporting the business response to proposed regulatory changes
- Maintaining open and co-operative relationship with regulators and undertaking pro-active liaison
- In conjunction with other EO Group control functions, conducts a program of monitoring to challenge and test the effectiveness of internal controls
- Monitoring, assessing and reporting regularly on regulatory risks (via the established Risk and Control Assessment process)
- Ensuring that regular compliance management information is supplied to the Board and senior management to enable them to form a reasonable view of the standards of compliance across the business, know whether any material trends or issues have emerged and require redress, and be aware of any regulatory developments that may affect the business

Further specific objectives are also established by the Compliance function annually using a risk-based approach. These are detailed in the annual Compliance Plan and Compliance Monitoring Plan which are reviewed and approved by the RCC and Board. This identifies the key risks that the Company is likely to experience over the coming year and any changes to the function created by specific regulatory developments.

The Board has also asserted its commitment to ensuring that all compliance staff are "trained and competent to enable the function to carry out its objectives". Details of individual member's knowledge and experience are included in the annual compliance plan and competency is routinely assessed and monitored through the internal Performance Management Process (PMP).

In addition to active engagement with market bodies such as the ABI, IUA, LMA and Assuralia as a means of identifying potential areas of change, members of the function regularly participate in conferences, workshops and forums on specific legislative/regulatory developments. The function also routinely monitors legal and regulatory information sources, consultations and official publications to inform risk assessments/gap analyses against proposed changes, co-ordinating and supporting the business response.

The Compliance function has also been designated responsibility for contributing to the assessment and management of 'Improper business practice', 'internal fraud' and 'external fraud' risks on behalf of the Board and works with a number of other key assurance functions including Internal Audit, Legal, Underwriting Governance, ERM and Delegated Underwriting to ensure all significant areas of regulatory risk are addressed.

There is an established issue reporting process and guidelines on the identification and reporting of breaches of compliance policies. The reporting requirements include the timely escalation of issues to appropriate senior management or governance bodies at EO Group level. The Compliance Director further escalates all material issues to the Board and supervisory body through his regular discussion with the lead supervisors.

The EO Group's governance structure includes the Compliance Management Group (CMG), which supports the RCC in providing co-ordinated oversight and monitoring of the EO Group's adherence to the Compliance Framework. Key responsibilities include:

- Consideration of new policy requirements and management of existing policies within the Compliance Framework
- Review of relevant policy related management information and reports
- Recommendation of the annual Compliance and Monitoring Plans to the RCC
- Review of Compliance breach and incident reports
- Agreement and recommendation to the RCC of the Conduct Risk Framework
- Consideration of relevant Compliance owned risk dashboards including those addressing improper business practices, internal fraud and external fraud

The Conduct Risk Group (CRG) is another key management group of the RCC and is responsible for identifying, assessing, mitigating and overseeing Conduct Risk. Key responsibilities include:

- Monitoring high product risk (HPR) areas of the business and providing proportionate and fair challenge in respect of the effects of that business, including:
    - The long term consequences of decisions around HPR areas
    - The need to foster business relationships with suppliers, customers and others
    - The impact of the business on the community and the environment
    - The maintenance of the EO Group's reputation for high standards of business conduct

- Assessing the conduct risk inherent in the Group's products and distribution methods and whether mitigating controls and oversight are appropriate
- Reviewing new products and conducting annual HPR product reviews
- Designing and providing effective management information around conduct risk within the EO Group
- Reporting to the RCC on the design and effectiveness of the EO Group's conduct risk framework
- Reviewing regulatory developments in relation to conduct risk

5. Internal audit function

The QBE Group operates a global internal audit function. The function provides independent assurance that the design and operation of the controls across the QBE Group are effective. The internal audit function operates under a written charter from the Audit Committee, a charter which the Company and EO Regulated subsidiaries have adopted.

The primary role of QBE Group Internal Audit ('GIA') is to assist the Board of Directors and senior management in the discharge of their responsibility for the sound and prudent management of QBE. The scope of internal audit is regularly reviewed by the Audit Committee.

The GIA is a group-wide function that operates on a globally integrated basis. The QBE Group Head of Internal Audit is responsible for the GIA and reports functionally to the Group Audit Committee. In each Division there is a Divisional Head of Internal Audit who reports directly to the Group Head of Audit and their local Audit Committees. The QBE Group Head of Internal Audit, supported by the Divisional Heads of Internal Audit, proposes the establishment of a team which has the skills, knowledge and experience to fulfil internal audits responsibilities and ensure the application of due professional care which is expected of a reasonably prudent and competent internal auditor.

GIA's scope is to evaluate and contribute to the improvement of governance, risk management, and control processes. Details of work which may be performed in each of these areas are given below:

- Evaluating the adequacy and effectiveness of the risk management framework
- Evaluating management's assessment of risk exposures relating to The QBE Group's governance, operations, and information systems regarding the:
    - reliability and integrity of financial and operational information
    - effectiveness and efficiency of operations and programs
    - safeguarding of assets
    - compliance with laws, regulations, policies, procedures and contracts
- Evaluating the adequacy, effectiveness and efficiency of controls in responding to the above risk exposures
- Evaluating the potential for the occurrence of fraud and how the QBE Group manages fraud risk

The types of audit activities undertaken by internal audit for the Company are shown in the table below:

Type of Activity	Description
Controls Evaluation	Risk based activities which are planned to assess the key risks and the effectiveness of the key controls in operation.
Follow up audits	Follow up procedures based on a previously issued report or matters. The primary purpose is not to reassess the controls, but to consider whether matters previously reported have been addressed in accordance with the agreed management action plan.
Agreed Upon Procedures	Activities which are undertaken in accordance with an external requirement, often performed in accordance with regulatory requirements.
Health Check	High level review over the key controls and risk management strategies in place.
Project Audits	Assurance activities on change and other initiatives undertaken by the organisation to consider the approach taken to assess, manage and monitor the risk of organisational change.
Special Investigation	Projects and investigations undertaken at the request of management. May be as a result of control failure, error, fraud or other loss.
Advisory	Assignments where the advice or specialist skills of the internal audit function can add value to a management activity. Work is limited to providing input and consulting services as operational management remain responsible for controls design and implementation.

Independence

Independence is essential to the effectiveness of the internal audit function. Internal audit activity must be independent, and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest. The GIA has no direct authority or responsibility for the activities it reviews. GIA has no responsibility for developing or implementing procedures or systems, except for those related to internal audit. It does not prepare records or engage in original line processing functions or activities. The GIA reports functionally to the Audit Committee. The QBE Group Head of Internal Head reports to the Group Audit Committee at least annually on the organisational independence of the internal audit activity.

6. Actuarial function

Overview

As with many functions in the EO Group, the Actuarial Function does not relate to a specific entity but is a centralised function that provides actuarial services for all entities within the EO Group.

At the core of all actuarial work, mathematical techniques are used to interpret the data that is available. This is collated from a wide variety of sources both internally and externally, including underwriting, claims, reinsurance and financial data.

The role of the Actuarial Function is defined in formal terms of reference. This document clearly outlines what areas of the Actuarial Function are performed by the EO Group's actuarial department as others are performed elsewhere in the operation.

The Actuarial Function is free from the external influence of other functions within QBE and the formal terms of reference ensure that reserving analysis is performed independently of Underwriting decisions, which enables objective review and challenge.

Data Self-Assessments

In support of all primary activities, and to provide additional assurance in the completeness, appropriateness and accuracy of all input data received and all data outputs produced, the Actuarial Function will perform data self-assessments in accordance with the Data Policy. This will be carried out bi-annually. Results of the data self-assessment, including any issues identified, will be reported in accordance with the standard data management processes.

Validation

As a further layer of assurance in its processes, controls and outputs, the Actuarial Function will perform an annual validation of its activities, typically utilising validation tools such as:

- Reviews of evidence
- Reviews of assumptions
- Benchmarking
- Back-testing
- Sensitivity testing

Internal Business and Governance Forums

Members of the Actuarial Department are members of the relevant internal management and governance forums including:

- Data and MI Steering Group
- Business Planning Steering Group
- Rate Adequacy Working Group
- Technical Review Group (TRG)
- Emerging Risks Group
- Reserve Working Group (“RWG”)
- Finance Management Group (“FMG”)
- Major Loss Review Group
- Claims Technical Group
- Legacy Business Group
- Reinsurance Committee
- QBE Group Economic Capital Modelling Committee
- Inflation Management Group
- Various management meetings such as divisional and claims business meetings
- Attendance and presentations at a number of formal committees of the Boards including the Audit Committee and Risk and Capital Committee.

The EO Group and its regulated subsidiaries do not provide direct feedback on the activities of the Actuarial Function, rather feedback is provided through Committees of the Board (Audit Committee and RCC as above).

Internal Audit

All departments that form the Actuarial Function will be subject to regular internal audits to ensure that the appropriate governance and processes are followed in their operation.

Independent External Review of Reserves

External actuaries are contracted annually to provide an independent reserve review on a central estimate basis. The results will be compared to the EO Group reserve results and differences discussed. Major differences will be referred to the Reserving Working Group, Finance Management Group and relevant Board sub-committee. External actuaries also review the reserves during the external audit process.

7. Outsourcing

The EO Group has an established Board approved Outsourcing Policy. The Policy is regularly reviewed and updated where appropriate. The policy details the Group's principles of outsourcing, delineates responsibilities according to business function, provides guidelines regarding the maintenance of the outsourcing register, and sets out the process and requirements for reporting to QBE Group in alignment with the wider QBE Group policy.

The Policy establishes criteria for the recording and management of critical and important outsourcing arrangements, but also requires that the same core principles be applied to all outsourced relationships.

In particular, the Policy states that "the outsourcing of critical or important operational functions shall not be undertaken in such a way as to lead to any of the following:

- Materially impairing the quality of the system of governance
- Unduly increasing the Group's operational risk
- Impairing the ability of the supervising authorities to monitor the compliance of the EO Group with its obligations
- Undermining continuous and satisfactory service to policyholders

It also establishes obligations around the periodic review of all outsourced arrangements, which will differ according to the nature, scale and scope of those arrangements. The policy requires that appropriate systems and controls should be in place to manage the outsourcing risk and sets criteria for the inclusion and monitoring of material contracts on the outsourcing register.

A separate Policy is also in place in respect of Delegated Underwriting/Coverholder arrangements. This details the required due diligence and on-going monitoring of delegated underwriting arrangements, including assessment of the Coverholder's competence and suitability, regulatory standing and financial strength.

The Procurement function operate a quarterly process to monitor implementation of any key outsourcing agreements and an agreed process and SLAs are in place between Compliance and Procurement to manage quarterly updates to the outsourcing register.

Critical or important outsourcing

A number of critical or important functions and activities are performed on the EO Group's behalf by third party providers in accordance with the requirements and principles set out in the Outsourcing Policy:

- Various class of business specific claims handling and loss adjusting services (including investigation and rehabilitation case management). These providers are delegated authority to manage claims on the Group's behalf and operate predominantly in the following territories:
    - Australia
    - Canada
    - The European Union
    - United Kingdom
    - United States
- IT services, including Disaster recovery, IT hosting and data centre services, Infrastructure and operational services, specialist software provision. These providers are predominantly located in the United Kingdom, though some infrastructure support services are located in India

Various functions are also outsourced within the QBE Group to a shared services centre located in the Philippines. The principal activities are:

- Certain limited claims administration and processing functions
- Financial processing (including basic analysis, internal reporting and administrative reconciliation activities)
- Insurance Administration (including data entry, bordereaux support and some credit control processing)
- Human Resources (including Service Desk support, joiner/leaver processes and lifestyle changes)

In addition, various intra-group outsourcings are implemented in accordance with the Group Services Governance Framework. In all cases the Group's Outsourcing Policy is applied in full to ensure a robust contractual framework is put in place:

- Information Technology services (consisting of Infrastructure services and the IT & Change function) are provided by the QBE Global IT function, with employees and infrastructure physically located within QBE EO. This intra-group outsourcing is governed by the Group Master Services Agreement and is subject to formal on-going oversight by the QBE EO Chief Operations Officer and OMG, with established SLAs and regular performance reviews
- Treasury services are provided by the QBE Group Treasury function, with key employees physically located within QBE EO. These services are also within the scope of the Group Master Services Agreement, with SLAs in place and formal oversight provided by the QBE EO Chief Financial Officer and FMG
- Investment management services are outsourced to the QBE Group Investments Division based in Australia. These are governed by a formal investment management agreement and are subject to on-going oversight by the European Operations Investment Committee (EOIC)

The QBE Group has entered into a number of global agreements for the provision of externally outsourced services which extend to its constituent divisions including the EO Group. Such agreements are predominantly associated with the provision of IT infrastructure and support services and are implemented in accordance with the Group Services Governance Framework.

Prior to entering into any global agreement, the contracting QBE Group entity must obtain formal approval from the EO Group CEO and procedures are in place that require prior review of the proposed agreement by the EO Group Legal function. In all such cases, the requirements and associated governance arrangements of the QBE Group and EO Group Outsourcing Policies apply.

Delegated Underwriting Authority (DUA) Arrangements

The EO Group also operates a worldwide network of coverholders which are delegated authority to underwrite business on the Group's behalf. The primary sources of delegated authority business are:

- Australia
- Canada
- The European Union
- UK
- United States

All delegated underwriting arrangements are subject to extensive on-going oversight and a risk-based control framework which includes due diligence, risk assessment and the on-going audit and review of coverholder conduct and operations.

8. Any other information

No other information is considered material regarding the EO Group's system of governance.

Section C: Risk profile

The EO Group is exposed to various risks and uses a number of methods and techniques to identify, assess, evaluate and mitigate these risks. The main categories of risk are detailed below. To address these, the EO Group uses a number of risk mitigation techniques, as described in section B.

1. Insurance risk

Insurance risk is modelled as three separate elements; risk around the proposed underwriting year (underwriting risk), risk around the balance sheet earned reserves (claims provision) and risk around the balance sheet unearned reserves (premium provision). Each of the risk elements is detailed below.

Underwriting risk

Underwriting risk is the risk that the premiums received for the business written in the year following the model date will not be sufficient to cover future claims and related costs arising from that business. The risk is modelled separately for each class of business and involves an assessment of the following sources:

- The *underwriting cycle and the potential for business to be written at inadequate rates*. This has been based upon the submitted business plans and makes allowance for variability. The data has been reviewed by experts within the business
- The *potential for losses in excess of the business plan* caused by a difference between the frequency and value of assumed claims compared to the frequency and value of actual claims (including inflationary trends). The losses have been split between:
- Attritional losses

  Historical experience combined with expert judgement is used to parameterise the potential distribution of outcomes
- Large losses

  The frequency and severity of large loss distributions are modelled separately. The volatility is based on past experience with an overlay of expert judgement
- Natural catastrophe losses
- Catastrophe losses are modelled using a third-party catastrophe model combined with QBE's exposure profile. An uplift for catastrophe exposure not catered for by the third-party model is also applied
- Reinsurance risk mitigation

  Gross large and catastrophe claims are modelled explicitly and are passed through the reinsurance structure. The capital model uses the reinsurance structures that are currently in place to capture both the reinsurance recoveries due and reinstatement premiums payable from the modelled gross losses
- Commission and expenses. Commission and expense assumptions are aligned to the business plan and make an allowance for variability.

Catastrophe

EO Group has material exposure to natural catastrophe events. Extensive monitoring of aggregates and reinsurance are in place to control this risk.

A variety of methodologies are used to monitor aggregates and manage catastrophe risk on a gross and net basis.

Methodologies include:

- The use of catastrophe models from third party vendors such as RMS
- Realistic disaster scenarios (RDS) - which may be property related events (e.g. windstorms and earthquakes), but can also be liability based events such as a collapse in the housing market
- The QBE realistic event methodology (REM) - used to asses cat risk in regions of the world that EO Group do not have a licenced cat model to allow consideration of potential losses from these regions

The output of each is monitored and measured against internal limits. This risk is reviewed at a summary level via the Exposure Management risk dashboard. In addition, catastrophe risk is reviewed at QBE Group level via the Group Aggregate Management Committee (GAMC).

Claims provision risk

Claims provision risk is the risk that the outstanding claims provisions established are insufficient to cover the future claim payments and associated expenses for loss events which occurred before the balance sheet date. Claims provision risk is modelled separately for each class of business.

To calculate the risk around earned the provision, historical paid and/or incurred triangulations have been analysed using a variety of statistical methods, such as:

- Bootstrapping
- Mack
- Hertig

These statistical techniques are used to project historical variability into the future. A number of adjustments based on expert judgements are then applied to take account of the following risk factors:

- Internal systematic risk, such as data issues
- External systematic risk, such as claims inflation and legislative changes

The EO Group takes account of, and ensures consistency with, the QBE Group capital allocation model and also makes use of other data available across the QBE Group where that data can improve the accuracy of the variability measure.

The opening reserves used with the capital model are consistent with the technical provision as at the balance sheet date.

Premium provision risk

Premium provision risk is the risk that the premium provisions established are insufficient to cover the future claim payments and associated expenses for losses which occur on the unexpired exposures. Premium provision risk is modelled separately for each class of business. The volatility parameters are derived from the total claims distribution from the underwriting risk section of the model.

Risk Concentration

Insurance risk concentrations consider the risks associated with accumulations of underwriting exposures within particular business lines, products, and geographies. This includes the risks from natural or man-made events that have the potential to produce insurance losses from many of EO's policyholders at the same time (e.g. catastrophes).

The EO Group's exposure to concentrations of insurance risk is mitigated by maintaining a business portfolio that is diversified across countries and classes of business. Product diversification is pursued through a strategy of developing strong underwriting skills in a wide variety of core and specialty classes of business.

The EO Group currently uses a variety of methodologies to monitor aggregates and manage catastrophe risk. These include the use of catastrophe models from third party vendors such as RMS and AIR, the Realistic Disaster Scenarios ('RDS'), and the Group Aggregate Methodology ('GAM')

2. Market risk

QBE defines market risk as the risk of fluctuation in the value of investments due to movements in market factors. The Group's exposure to market risk arises from movements in investment markets and foreign exchange rates.

Market risk modelling assesses the variability in asset returns, changes in asset values and changes to exchange rates over either a one-year period or a 'to-ultimate' timeframe. The calculation over the one-year period also includes the impact of the change in the discount on the Solvency II balance sheet between the opening and closing liabilities.

The EO Group adopts relatively conservative investment strategies with the vast majority of assets held in cash equivalents, floating rate notes, government bonds and corporate bonds. The duration of bonds is usually less than three years and the average credit quality is high.

The risk of loss due to default of corporate bonds is considered a market risk. Volatility of the returns on the assets held in the pension fund is considered in the section on pension risk.

The key part of market risk modelling is an Economic Scenario Generator (ESG). The ESG simulates different investment returns for a variety of different asset types and takes account of varying durations and inflation rates (both CPI and wages). QBE uses a market-leading third party ESG. A significant amount of work is undertaken by the EO Group to assess and validate the ESG to ensure it is fit for purpose for the Group and the companies within the EO Group. This includes making certain overrides to some of the assumptions included within the ESG.

The split of assets held by asset type, on which the current capital assessment is based, for the Group, QUK, QBE Re and QBE Europe are disclosed in the balance sheet reporting templates (Appendix A).

Prudent person principle

The EO Group has a defined approach, risk framework and governance process around the Prudent Person Principle, a principle which states that investments should only be made on behalf of clients that are consistent with the investment decisions that a 'prudent person' would make. The Group's policies are consistent and compliant with this rule.

Restrictions on investments which are set out in specific investment guidelines are primarily based on the PRA's Rulebook and guidance in Supervisory Statements, which gives a sound framework for a prudent approach. Occasionally the EO Group has applied more conservative limits where this is deemed necessary to better align with risk appetite.

Process

The Boards of the EO Group delegate their authority to the EOIC, which is comprised of knowledgeable individuals, including at least one non-executive director, to make recommendations to the Boards as to the appropriate investment policy and guidelines for the EO Group and to take responsibility for the day-to-day implementation and monitoring of the agreed strategy. All material investment strategy decisions are reserved for the Boards based on recommendations from the Committee.

Day-to-day management of the investment portfolio is outsourced to specialist investment managers, QBE Group Investments, who are responsible for investing the Group's assets. Appointment is formalised in an Investment Management Agreement, which states the terms and conditions applying to the management of company assets including compliance with the Investment Guidelines and Restrictions.

The Investment Guidelines and Restrictions address market and credit risks; and are based on local regulatory requirements to ensure that principally all investment assets are admissible for solvency under the Solvency II Directive, the PRA Prudential Rulebook, Supervisory Statements and, where applicable, article 14 of the New York Insurance Department Regulations and the (Canadian) Insurance Companies Act.

The Investment Guidelines and Restrictions, which reflect the Group's strategy, permit the investment manager to procure assets on the basis that they comply with asset specific requirements, such as issuer, credit and asset type constraints. The guidelines and restrictions include detailed limits by asset type, which are aligned to PRA and local regulations, or where appropriate are more restrictive. Derivatives are used for efficient portfolio management and risk reduction purposes and are not permitted within the guidelines for speculative investment.

The Group's current investment strategy is to hold shorter duration assets compared to liability durations to mitigate interest risk. However, duration strategy is gradually changing to more closely align assets with (re)insurance liabilities. The average portfolio credit quality for the company's portfolio is A.

Under the terms of the Investment Management Agreement the Investment Manager is required to adhere to the Investment Guidelines and Restrictions and have the systems in place to monitor the portfolio's compliance with them, reporting any breaches as they occur. Independently, the EO Group obtains portfolio analyses at the level of individual securities every month end and performs its own tests for compliance. Based on the output findings and the compliance reports from the Investment Manager, a monthly compliance report is sent to the EOIC.

In the event of a breach of the terms, the investment manager is expected to immediately contact the EOIC to ascertain whether or not to effect immediate action to resolve the breach, or whether the EOIC will issue a waiver with additional clauses. Waivers are only issued where the additional risk is deemed acceptable and in doing so does not conflict with local regulatory requirements. Where waivers are issued, the breached holdings are monitored against any revised requirements and reported to the EOIC. Waivers are reviewed and re-issued each quarter subject to the approval of the EOIC via delegated authority from the Board.

The EO Group utilises the expertise of the investment manager in assessing the credit risk of counterparties in which to invest. Credit assessment reports will include detailed information obtained from credit rating agencies, primarily S&P. Exposures through derivatives are included when calculating the Group's overall exposure to a counterparty.

Absolute counterparty limits are set for Treasury balances. Treasury financial instruments with the exception of Letters of Credit (LOC) are recorded in the Treasury Management System (TMS), Kyriba. Counterparty exposure details are fed from Kyriba and combined with investments into a central reporting system, QBE Group Investments, Investment Data Warehouse (IDW). In addition, there are specific settlement limits in place for foreign exchange derivatives relating to volumes executed with the QBE Treasury banking group.

The QBE Treasury team monitors all counterparty exposures on a daily basis and also carries out a pre-deal check of limits.

Risk dashboards, as part of the ORSA process, link risks across the Group in line with the Group Risk Management Strategy (RMS), including in respect of liquidity, capital and investment risks. In addition, all reports from business areas outlining identification and management of individual risks are reported and assessed by QBE committees, in particular the Investment Committee, Finance Committee and the RCC.

Risks associated with Asset Liability Management are managed through the Economic Capital Model process, which calculates the capital requirement for the liabilities and assets of the EO Group based on the inter-dependencies of the insurance risk, market risk, credit risk, liquidity risk and operational risk to which the Group's assets and liabilities are exposed. Various scenarios are assessed as part of the determination of the appropriate level of capital.

An input into the Economic Capital Model is the actuarial assessment of the payment pattern of liabilities for each portfolio within each entity within the Group. These are monitored and formalised by the EO Group FMG. Whilst there is not an explicit link to the investment strategy, the current focus is on investment grade quality bonds which can be liquidated within three days from request to QBE's internal asset management division.

Derivatives are only used for risk reduction purposes or for efficient portfolio management to reduce interest rate risk, foreign exchange movements and equity price movement, the restrictions on use are outlined in the Group's Investment Guidelines and Restrictions. They are not used for speculative purposes and must be fully covered. Derivatives may be used to reduce or increase exposure as an alternative to transacting in the underlying securities, but such use must not result in gearing of the fund. Performance of the derivatives is included in reports submitted to the EOIC on a monthly basis. Ultimately, the success of the derivatives is preserving the value of the investment portfolio against adverse movements in markets. The exception is foreign exchange where the Group's investment strategy is to eliminate foreign exchange gains and losses.

Application of the prudent person principle to market risk

The Group's investment philosophy is to protect the value of capital with a focus on gaining exposure to assets that are capable of producing a consistent and recurring flow of income over time, that also meet internally-set targets.

The EO Group mitigates the level of market risk using the following:

- Active asset management
- Diversified portfolio
- Use of derivatives for efficient portfolio management

The Enterprise Risk Management (ERM) function reports on the adherence to the market risk appetite statements to the RCC on a quarterly basis as part of the ORSA process.

The CFO reports the following information to the EOIC on a quarterly basis:

- ESG modelled risk evaluation and probability of scenario outcome under certain stress tests via risk dashboards
- Detailed investment performance and market information including modified duration, spread duration, return versus business plan, asset distribution data and compliance versus the Group's Investment and Regulatory Guidelines

Investments

EO Group's asset holdings are relatively diverse by asset provider, asset type and currency. The maximum exposure to a single counterparty (excluding sovereign debt) is less than 5% of funds under management for the majority of assets held.

The EO Group's Investment Guidelines and Restrictions identify issuer constraints for fixed income securities and each of the growth asset classes introduced through the strategic asset allocation model. These limits focus on the counterparty itself as well as the ultimate counterparty, credit quality and overall asset class.

Limits are monitored on a day-to-day basis by the fund manager; a breaches memo is produced and sent to the Group from the Group Investments Risk and Compliance department each month. An escalation process is in place to ensure that any investment breaches are subsequently communicated to the Group's Investment team who are then responsible for investigating the breach on behalf of the Group's Investment Committee. On a monthly basis, the EO Group Investment function verify compliance within investment portfolios. A summary compliance report is circulated each month to the EO Investment Committee and related interested parties.

The Group's guidelines with respect to fixed income securities and growth assets are aligned to PRA regulations. Growth asset exposure is aligned to Board appetite and approved Board exposure limits. These limits are set using market and capital criteria e.g. maintaining a realistic margin of capital, liquidity considerations and related risk / reward ratios. It is usual to seek PRA 'No Objection' clearance when introducing major changes to the asset allocation model and this will include sharing proposed limits.

Approximately 91.4% (2017 88.9%) of the EO Group, 90.6% (2017 87.4%) of QUK and 87.8% (2017 92.4%) of QBE Re's total fixed interest and cash investments are with counterparties having a Standard and Poor's rating of A or better.

Whilst no specific industry sector restrictions are applied by the Group, concentration is monitored at the Group level via a Market Risk dashboard which is submitted to the EO Investment Committee on a quarterly basis.

The QBE Treasury function monitor treasury managed assets against a counterparty limit report on a daily basis.

Foreign Exchange

The largest unhedged foreign currency exposure at 31 December 2018 for the EO Group and QUK is to the US Dollar and the Euro for QBE Re. An operational hedging cycle is in place to ensure that Forward foreign exchange derivatives are in place to hedge the exposure to foreign currencies.

A report on the foreign exchange position of the EO Group is provided by the CFO on a quarterly basis through the CFO FX Memo to the FMG. This report outlines movements in foreign exchange and the corresponding impact on operational results and the foreign currency translation reserve (FCTR). The report also outlines major currency exposures.

3. Credit risk

Credit risk is the risk that losses will arise in respect of either reinsurance recoveries, due to default by a reinsurer, or premiums, due to default by a broker. The credit risk arising from reinsurer defaults is much more material than the credit risk arising from broker defaults. Losses arising from the default of corporate bonds are considered in the market risk section.

Reinsurance credit risk

Credit risk arising from potential default by reinsurers is modelled to consider the likelihood of default on both existing and future reinsurance recoveries.

- Credit risk on reinsurance recoveries arising from future business. The capital model considers each individual layer on each programme in force and it is possible to calculate the aggregate reinsurance recoverable attributed to any one reinsurer. Credit risk ratings are applied to each reinsurer and assess the probability of downgrade or default over time. The downgrade and default probabilities are correlated, so one downgrading/reinsurer defaulting makes it more likely that other reinsurers will downgrade/default. There is also a link between the catastrophe losses incurred by the entire EO Group and the downgrade/default probabilities, making it more likely for reinsurers to downgrade/default when there is a large natural catastrophe
- Credit risk on the existing reinsurance asset. The model includes the amount of reinsurance recoveries due from each reinsurer. Combining this with the payment patterns for each class enables, at any point within the model, the calculation of the aggregate reinsurance recoverable attributed to any one reinsurer assuming a constant proportion of recoverable with each reinsurer is maintained. The modelling of potential credit risk then follows the same approach as for future reinsurance recoveries above. Thus, if a reinsurer defaults the impact on both the current reinsurance asset and the future recoveries can be modelled

As at 31 December 2018, 56.8% (2017 43.3%) of the EO Group reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 96.8% (2017 95.7%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. The EO Group holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2018 the EO Group held £364,610k (2017 £338,433k) as collateral against credit risk.

As at 31 December 2018, 60.0% (2017 45.3%) of QUK reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 98.6% (2017 97.0%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. QUK holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2018 QUK held £336,175k (2017 £314,310k) as collateral against credit risk.

As at 31 December 2018, 36.9% (2017 28.7%) of QBE Re reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 89.8% (2017 88.2%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. QBE Re holds letters of credit as security to mitigate credit risk exposure to reinsurers. At 31 December 2018 QBE Re held €31,640 (2017 €27,018k) as collateral against credit risk.

QBE Europe had no reinsurers share of claims outstanding as at 31 December 2018.

Premium credit risk

The approach to modelling broker credit risk is very similar to the approach used to model reinsurer credit risk. The brokers are initially divided into groups, default probabilities are selected for each group, loss given default distributions are selected and the resulting credit losses are simulated.

Risk appetite and mitigation

EO Group has an appetite for credit risk to the extent that accepting this risk allows it to optimise the risk-adjusted return. EO Group has limited appetite for large losses from counterparty failures.

EO Group mitigates credit risk using the following:

- Exposure limits for approved counterparties in relation to deposits and investments
- Maximising placement of reinsurance with highly rated and regarded counterparties and limiting concentration of exposures

- Regularly monitoring exposure to investment counterparties against limits set out in the Group Investment and Regulatory Guidelines
- Regular counterparty monitoring through dedicated systems and procedures to manage and control exposure to reinsurance counterparties
- The monitoring on an on-going basis of first loss exposure and Realistic Disaster Scenario (RDS) by reinsurer and (Reinsurance debtors and recoveries) RIDAR
- The monitoring on an on-going basis of external ratings and QBE Group ratings and updating as appropriate. A formal quarterly review of ratings is also conducted by the QBE Group Security Committee
- The management of counterparty concentration risk by referring to guidelines set down by the QBE Group Security Committee (GSC). Any use of a reinsurer outside of the guidelines must be approved by the GSC prior to use, any unapproved use of a reinsurer is reported to both local and Group Boards
- The use of a reinsurance reporting system to monitor and report on the concentration of risk. The system holds details of all reinsurances purchased by the QBE Group from 2003 onwards and enables EO Group to identify the maximum cumulative exposure to each single reinsurer
- The holding of collateral in respect of specific exposures. Total collateral held by EO Group and its regulated subsidiaries is:
    - QBE EO: £219m
    - QUK: £182m
    - QBE Re: €41m
    - QBE Europe: €0
- The regular review of receivables, the collectability of those debts, and the adequacy of associated impairments. Outstanding premium debtor balances are monitored by credit control teams on a monthly basis, as a minimum. Concentration risk is also monitored for large brokers
- The monitoring of broker balances on the basis of uncollected debt and debt outstanding in excess of six months. Debt over three months is pursued at an individual item level. Specific bad debt provisions are considered and applied to aged debts in accordance with QBE Group policy. Brokers are also subject to due diligence

4. Liquidity risk

The EO Group defines liquidity risk as the risk of insufficient liquid assets to meet liabilities, as they fall due, to policyholders and creditors.

The EO Group ensures that sufficient investments are held in liquid, short-term money market securities to ensure that there are liquid funds available to meet obligations to policyholders and other creditors, as they fall due.

In addition, there is a continual flow of inward premiums. Further, capital is held to cover unforeseen adverse situations. Hence, liquidity risk is considered to be small.

At 31 December 2018, the average duration of cash and fixed interest securities was 2.3 years (2017 1.2 years) for the EO Group, 2.4 years (2017 1.5 years) for QUK and 2.8 years (2017 1.6 years) for QBE Re. QBE Europe had no investment portfolio as at 31 December 2018 and hence no durations.

The EO Group mitigates liquidity risk using the following:

- Holding appropriate levels of liquid, short term securities

- Reporting the results of liquidity stress tests on a regular basis to the FMG through the Liquidity Risk Dashboard
- The production of cash-flow statements by the Treasury function
- Regular monitoring of the ratio of liquid assets to liabilities is undertaken via the Group's Risk Appetite Statement, the output of which is reported to the Investment Committee and RCC on a quarterly basis

The Company calculates the expected profit in future premiums (EPiFP) by projecting the expected future net (excluding contractually obliged reinsurance) profits directly. This is carried out separately or each actuarial reserving class and only profit-making classes are taken into account.

The expected profit in future premiums for EO Group and the regulated entities is:

EO Group:	£301,817k
QUK:	£222,006k
QBE Re:	€83,497k
QBE Europe:	€5,311k

Results of liquidity stress tests are reported on a regular basis to the FMG through the Liquidity Risk Dashboard.

Regular monitoring of the ratio of liquid assets to liabilities is undertaken via the Group's Risk Appetite Statement, the output of which is reported to the Investment Committee and RCC on a quarterly basis.

5. Operational risk

The Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk. The Group's exposure to operational risk arises from internal and external fraud, employment practices, improper business practice, technology and infrastructure failures, and business and transaction processing.

Operational risk is a significant risk in the capital model, albeit one that is notably less than underwriting and reserving risks.

Operational risk is of similar magnitude to credit risk and is modelled using the following seven sub categories:

- Internal fraud
- External fraud
- Employment practices
- Improper business practice
- Disaster and other events
- Technology and infrastructure failure
- Business and transaction processing

Each sub-risk has the attritional and large losses modelled separately using a compound distribution with a frequency and severity element for each. The frequency distribution is modelled using a Poisson distribution and the severity distribution is modelled using a lognormal distribution.

The input parameters for the model are set through the Total Risk Assessment (TRA). The output from this process is, for each sub-risk category above, a frequency and lognormal distribution of attritional and large operational risk loss amounts.

The input parameters for the model are estimated in the TRA process for all entities within the Group and the severity allocated at an entity level using a weighted average of net reserves and premiums.

The distributions for each sub-risk are then aggregated assuming 30% correlation between the sub-groups independence to determine the overall operational risk distribution.

Operational risk losses are assumed to be in local currency and take place in the first model year.

Application of the prudent person principle to operational risk

The Group recognises that certain operational risks are unavoidable and arise from various areas across the business. The Group seeks to limit exposure to operational risks through ensuring that an effective infrastructure, robust systems and controls and appropriately experienced and qualified individuals are in place throughout the organisation.

The Group mitigates operational risk using the following:

- Active monitoring of key processes
- Scenario reviews to identify and quantify potential exposures for mitigation
- Effective segregation of duties, access controls, authorisation and reconciliation procedures

The Group uses several key processes to monitor operational risk, as follows:

Total Risk Assessment Process

The Total Risk Assessment brings together key risk assessment information for each of the Group's operational and compliance risks, both at an extreme level (remote but plausible scenarios) and over the business planning period.

Risk and Control Assessments

The ERM team facilitates assessments of operational controls with the first lines part of regular RCA's. The results of these assessments are reflected in RCAs and audit reviews. Control assessments are designed to evaluate the effectiveness of controls in terms of their design and operating performance. Weaknesses, issues and opportunities to improve controls are captured by the issues and actions process and tracked through the Risk Management platform, infoRM.

Scenario Analysis

Scenarios explore events or a series of events that could cause extreme but plausible (though improbable) losses. Scenario analysis can be:

- Historical: involves applying adverse historical events to existing portfolios or exposures to understand the losses or other impacts that may result;
- Current or emerging: where there is already some evidence to support the potential for the risk developing over the foreseeable future and the impacts might potentially be extreme; and
- Hypothetical: plausible but severe scenarios that could impact QBE, informed by expert input, are applied to existing portfolios or exposures.

Key Risk Indicators

The Group monitors its risk through KRIs, defined as "metrics that inform users about changes in the frequency or consequence of a risk." These changes may require action to manage the risk level back within operational risk tolerance.

Internal Loss Events

The RCA process identifies expected operational risks. The ILE process applies to operational risks that have materialised as events.

QBE classifies ILEs into three categories:

- actual loss events
- events that lead to fortuitous gains
- near-misses

A key component of the ILE process is event recording. The Group records ILEs with a financial impact of £5,000 or greater within a risk management system.

On a quarterly basis, the ERM team collates internal loss data with analysis and reports this to the RCC.

6. Other material risks

The other material risks to which the Company is exposed are detailed below.

Group Risk

Group risk is the risk of financial or reputational damage to entities within the Group from being part of the QBE Group and Lloyd's of London. This includes potential default on inter-company loans. Note, however, that group risk excludes Equator Re reinsurance credit risk that gets incorporated in the credit risk assessment.

Group risk has little impact on the overall capital. The assessment of group risk is based on the following scenarios which are identified as most significant group risks within the Group and, in aggregate, representative of the overall group risk.

- A group company conducts business unlicensed/in breach of conduct rules in the name of another group company
- Action taken in another division of QBE Group causes S&P to issue a one notch downgrade, from A+ to A
- Action taken in another division of QBE Group causes S&P to issue a two notch downgrade, from A+ to A-

These scenarios emerge from the Group Risk Dashboard which identifies the material group risks. The FMG are responsible for the Group Risk Dashboard and have specific responsibilities for assessing and validating group risk assessments. Each scenario is modelled as a binary event and assumed to be independent.

Pension Risk

Pensions risk captures the risk of adverse balance sheet movements associated with the defined benefit pension schemes. The Group bears the economic and demographic risks associated with these schemes.

The Group's subsidiaries operate four defined benefit pension schemes. The Iron Trades and Janson Green schemes relate to certain UK based employees; the QBE Re (Europe) Ltd Pension & Life Assurance Plan relates to certain employees based in Ireland; and the Secura NV scheme relates to certain employees of the Belgium branch of QBE Re (Europe) Limited.

The UK and Irish schemes are run independently of the sponsoring company by scheme trustees and are subject to the relevant local legislation.

The QBE Re scheme is funded by the employer via group insurance contracts with KBC, a Belgian insurance company.

Pension contributions relating to each scheme are assessed in accordance with the advice of independent qualified actuaries in order to spread the cost over the service lives of employees.

Each scheme is fully valued every three years, and this valuation is updated each balance sheet date for current market rates, valuation and accounting standards. During 2017 full actuarial valuations were completed for the JG and ITIC schemes, based on data to 31 December 2016.

In addition, there is a post-employment medical care scheme related to the former employees of Secura/QBE Re Belgium branch, within QBE Re. This scheme is accounted in similar basis to the defined benefit pension scheme.

EO Group also operate defined contribution pension schemes. The risks associated with these schemes are borne by the employee. Hence, the associated risk is not considered in the capital model.

7. Any other information

Risk sensitivity

As part of the validation of the Internal Model extensive stress and sensitivity testing is performed around all of the risk types. The 1 year SCR is examined resulting from a range of sensitivities applied to the input assumptions.

Scenario analysis is used to help validate the overall level of capital and the following three approaches have been considered:

- Reverse stress testing. A series of 'extreme' reverse stress tests are already conducted within QBE and this considers their impact in relation to the capital distribution calculated as part of the Internal Model
- Scenario analysis. This is an extension of the reverse stress testing but considers a specific scenario, covering multiple risk types, to test the modelled level of capital
- Return periods of diversified capital by risk type. The diversified capital by risk type has been compared against the undiversified risk distributions

Stress tests are a useful tool to identify the material assumptions that are driving the capital assessment as well as confirming that the model is operating as expected. The stress tests have been ranked in order of the absolute impact on the 1 year SCR for the EO group, QUK and QBE Re.

When comparing the relative impact of the stress tests caution is advised as the severity of the tests varies and there will also be an element of simulation error within the results (note that the tests were run on 50,000 simulations).

The following table shows the impact on the 1-year SCR of the top ten stress tests:

Test No.	Test Type	Test Description	EO	QUK	QBE Re
1	Correlation	Increase all correlations by +10%	17.60%	19.30%	10.30%
2	Correlation	Strengthen tail dependence (i.e. decrease Degrees of Freedom to 5)	16.00%	18.40%	11.80%
3	Correlation	Increase reserve correlations by +10%	14.70%	16.90%	6.60%
4	UW Risk	Decrease premium rates by -10%	9.60%	10.80%	6.20%
5	Reserve Risk	Remove tail dependence	(8.90%)	(6.80%)	(6.10%)
6	Correlation	Weaken tail dependence (i.e. increase Degrees of Freedom to 12)	(8.50%)	(6.30%)	(3.00%)
7	Reserve Risk	Increase reserve variabilities (i.e. increase CoV multiplicatively by 10% (nominal))	8.40%	9.40%	6.20%
8	Correlation	Reduce reserve correlations by -10%	(8.40%)	(8.40%)	(6.30%)
9	Risk Emergence	Increase 1 year emergence of earned res risk by +10%	7.60%	9.10%	7.20%
10	Market Risk	1% decrease in asset returns	3.60%	4.50%	3.80%

The stress testing forms part of the model validation, ensuring that stressing input parameters results in explainable capital movements in terms of direction and quantum.

The expert judgement documents which form part of the risk management framework identify important expert judgements (such as emergence factors and dependencies) and identify alternative judgements that could have been adopted to understand their capital impact. Their purpose is to aid senior managers understanding of some of the key sensitivities, and also some of the limitations that might arise from judgements that are being made where there is limited data to statistically justify assumptions or methodologies.

Section D: Valuation for Solvency Purposes

1. Assets

The method of valuing assets under Solvency II regulations differ to the methods used under other accounting basis. The tables below show the value of assets held in each of the regulated subsidiaries and details the different valuation methods by individual asset type for the EO Group and the regulated subsidiaries QUK, QBE Re and QBE Europe.

Under section 401 of the Companies Act 2006, the EO Group is exempt from having to produce consolidated accounts. The statutory account values represent the consolidated EO Group IFRS values. The EO Group valuation differences therefore arise from moving from IFRS to a Solvency II EO Group consolidated basis. Under Solvency II reporting the results of the Lloyd's participations are not consolidated on a line by line basis but recognised separately under 'Holdings in related undertakings'. This will result in material differences between the IFRS consolidation valuation and the Solvency II valuation, even where the valuation approach for the two bases are similar.

QUK reports on a UK GAAP basis and the financial statement information presented below is consistent with the numbers presented in the financial statements of these entities. Following completion of the court approved Part VII transfer and cross border merger on 1 January 2019, QBE Re does not exist as a separate entity and therefore is not required to produce UK GAAP financial statements. QBE Europe reports on a BE GAAP basis and the financial statement information presented below is consistent with the numbers presented in the financial statements of this entity.

Except where noted in the table, investment assets are valued at fair value and therefore include limited estimation uncertainty in the valuation. Where other valuation methods are used the key assumptions and judgements are included in section D.4.

EO Group

The EO Group held total assets of £7,686,005k at 31 December 2018 (31 December 2017: £7,887,724k) valued on a Solvency II basis. The table below shows the split of assets by asset class.

	Value (£'000)	
	2018	2017
Corporate Bonds	3,580,313	4,172,028
Government Bonds	1,050,168	662,455
Collective investment undertakings	777,969	444,077
Holdings in related undertakings	21,253	23,730
Other loans and mortgages	97,212	122,607
Collateralised securities	232,574	261,544
Deposits other than cash equivalents	20,288	17,866
Other investments	12,546	18,696
Total investments	**5,792,323**	**5,723,003**
Reinsurance recoverables	908,420	964,348
Insurance and intermediary receivables	341,812	303,740
Receivables (trade not reinsurance)	80,364	397,043
Reinsurance receivables	100,321	42,608
Cash and cash equivalents	218,500	219,983
Other assets	244,265	236,999
Total assets	**7,686,005**	**7,887,724**

A full Solvency II balance sheet is included in Appendix A.

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
Goodwill / Intangible assets	204,748	0	Under IFRS purchased goodwill is recognised as an asset and valued as the difference between the fair value of the asset(s) acquired and the consideration paid for those assets.	Solvency II regulations require that no value is ascribed to purchased goodwill. Intangible assets other than goodwill must be valued at zero under Solvency II unless they can be sold separately in an active market. Neither of these conditions are deemed to be met.
Deferred acquisition costs	386,018	0	Deferred acquisition costs are valued at nil under Solvency II as all cash-flows arising from expenses that will be incurred in servicing recognised (re)insurance obligations over the lifetime are taken into account in the Solvency II technical provisions.	Solvency II regulations require that no value is ascribed to DAC.
Holdings in related undertakings	0	21,253	Under IFRS, the assets and liabilities of related undertakings are fully consolidated where the parent has dominant influence. Intra-group transactions are also eliminated from the Group balance sheet.	Regulated subsidiaries, Insurance Holding companies and ancillary service undertakings are fully consolidated under Solvency II, the starting point for which is the IFRS consolidation. Participations in other related undertakings are valued based on the adjusted equity method. Holdings in other related undertakings are therefore required to be valued based on the share of net assets (valued at the amount for which they could be exchanged, transferred or settled between knowledgeable willing parties in an arm's length transaction held by the participating undertaking).
Government Bonds, Corporate Bonds and Collateralised Securities	6,683,442	4,863,055	The valuation basis is the same as IFRS except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Sovereign bonds - Mark to market in an active market • Sovereign government bond prices are quoted on a regulated bond market/exchange. Regional or Municipal bonds – Mark to market in an active market for similar assets • Debt issued by municipal / regional governments (semi governments) and authorities, along with supranational institutions are valued using prices quoted in an active regulated bond market, or in the case of less active markets securities will be priced using broker quotes, local exchanges / central banks or other valuation models. Short term treasury bonds (discounted securities)

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
				• Issued by sovereign governments are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input Common corporate bonds (including agency bonds and covered bonds) • Are valued using prices quoted in an active regulated bond market, or in the case of less active markets, securities will be priced using broker quotes • Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input
Collective investment undertakings	650,532	777,969	The valuation basis is the same as IFRS. There has been a reclassification between investment types based on Solvency II rules.	Cash Management Trusts ('CMT') – Mark to market in an active market Unlisted property trusts and others - Mark to market in an active market for similar assets • Cash managed trusts, emerging market debt and high yield debt CIS (listed and unlisted) are valued as per the current unit price, which is derived from underlying fund securities being priced as per government and corporate bonds above. In the case of unlisted property trusts, fair value is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.
Equities	177,479	34	The valuation basis is the same as IFRS. There has been a reclassification between investment types based on Solvency II rules.	Mark to market in an active market • Listed equities (including equity trusts and ETF's) are valued according to quoted prices in active markets.
Derivatives	6,954	12,511	The valuation basis is the same as IFRS. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is	Investment derivatives (equity and fixed income) are initially recognised at fair value on the date on which a derivative contract is entered into

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
			recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	and are subsequently stated at fair value using Exchange quoted prices obtained from an external pricing vendor
Loans and mortgages	110,281	97,212	The valuation basis is the same as for IFRS except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Mark to model. Infrastructure loans are valued using quoted prices if available; observable prices if known or carried book value (par plus accrued interest).
Cash and cash equivalents and Deposits other than cash equivalents	448,015	238,788	The valuation basis is the same as IFRS except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	<u>Cash equivalents</u> Measured at fair value, taking into account the risk that amounts due will not be paid (default or credit risk of the counterparty) based on the rating of the bank counterparty. Cash current accounts (including collateral and futures margin accounts) are stated as the reconciled general ledger balance. Term deposits and overnight accounts are valued at par plus accrued interest. <u>Deposits other than cash equivalents</u> Measured at fair value.
Reinsurance recoverable (Reinsurers' share of technical provisions)	2,179,832	908,421	The Best Estimate in the Solvency II balance sheet is calculated in accordance with Article 77(2) of the Solvency II Directive. Under Solvency II, Reinsurance recoverables are calculated as the present value of future reinsurance cashflows plus allowances for default that relate to the best estimate liability.	Further detail on the valuation of technical provisions is included in section D.2 of this document.
Reinsurance receivables	247,368	100,321	The valuation basis is the same as IFRS except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised as amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
Insurance and intermediaries receivables	1,277,412	341,812	The valuation basis is the same as IFRS except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised as amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Receivables (trade, not insurance)	247,388	80,364	The valuation basis is the same as IFRS. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Measured at fair value. For assets with a short-term maturity, the IFRS valuation basis is considered a close approximation to fair value. For other assets, the maturity and recoverability of those receivables will be taken into account when assessing fair value.
Deferred tax assets	43,088	67,220	Measurement principles for deferred taxes are consistent with IFRS and calculated based on the temporary difference between Solvency II values and the tax values. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations. The largest impact arises from the revaluation of technical provisions.
Pension benefit surplus	28,627	28,627	The valuation basis is the same as IFRS.	The Pension fund surplus valuation under SII is consistent with IAS19R.
Property, plant & equipment held for own use	26,909	26,602	Property, plant and equipment for own use is measured at fair value under Solvency II, consistent with the Revaluation Model under IAS16. Items measured at historical cost less depreciation and impairment under IAS16 are fair valued under Solvency II.	The fair value has been used where appropriate.
Deposits to cedants	121,815	121,816	The valuation basis is the same as IFRS.	Valued at fair value, consistent with UK GAAP, due to the short term and highly liquid nature of the assets.
Total	**12,839,908**	**7,686,005**		

QUK

QUK held total assets of £5,041,598k at 31 December 2018 (31 December 2017: £5,194,346k) valued on a Solvency II basis. The table below shows the split of assets by asset class.

	Value (£'000)	
	2018	2017
Corporate Bonds	1,941,479	2,511,534
Government Bonds	766,954	408,695
Collective investment undertakings	481,792	274,829
Holdings in related undertakings	284	284
Other loans and mortgages	235,406	301,448
Collateralised securities	140,512	183,214
Deposits other than cash equivalents	20,287	17,866
Other investments	4,620	10,892
Total investments	**3,591,334**	**3,708,762**
Reinsurance recoverables	829,515	869,568
Insurance and intermediary receivables	312,896	287,637
Receivables (trade not reinsurance)	47,125	80,291
Reinsurance receivables	74,180	43,081
Cash and cash equivalents	149,316	165,568
Other assets	37,232	39,439
Total assets	**5,041,598**	**5,194,346**

A full Solvency II balance sheet is included in Appendix A.

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Goodwill / Intangible assets	-	-	Under UK GAAP purchased goodwill is recognised as an asset and valued as the difference between the fair value of the asset(s) acquired and the consideration paid for those assets.	Solvency II regulations require that no value is ascribed to purchased goodwill. Intangible assets other than goodwill must be valued at zero under Solvency II unless they can be sold separately in an active market. Neither of these conditions are deemed to be met.
Deferred acquisition costs	188,133	-	Deferred acquisition costs are valued at nil under Solvency II as all cash-flows arising from expenses that will be incurred in servicing recognised (re)insurance obligations over the lifetime are taken into account in the Solvency II technical provisions.	Solvency II regulations require that no value is ascribed to DAC.
Holdings in related undertakings	284	284	The valuation basis is the same as UK GAAP.	Holdings in other related undertakings are required to be valued based on the share of net assets (valued at the amount for which they could be exchanged, transferred or settled between knowledgeable willing parties in an arm's length transaction held by the participating undertaking).
Government Bonds, Corporate Bonds and Collateralised Securities	2,832,817	2,848,945	The valuation basis is the same as UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Sovereign bonds - Mark to market in an active market • Sovereign government bond prices are quoted on a regulated bond market/exchange. Regional or Municipal bonds – Mark to market in an active market for similar assets • Debt issued by municipal / regional governments (semi governments) and authorities, along with supranational institutions are valued using prices quoted in an active regulated bond market, or in the case of less active markets securities will be priced using broker quotes, local exchanges / central banks or other valuation models. Short term treasury bonds (discounted securities) • Issued by sovereign governments are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input. Common corporate bonds (including agency bonds and covered bonds)

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
				• Are valued using prices quoted in an active regulated bond market, or in the case of less active markets, securities will be priced using broker quotes. • Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input.
Equities	120,966	-	The valuation basis is the same as IFRS. There has been a reclassification between investment types based on Solvency II rules.	Mark to market in an active market • Listed equities (including equity trusts and ETF's) are valued according to quoted prices in active markets.
Collective investment undertakings	360,680	481,792	The valuation basis is the same as UK GAAP. There has been a reclassification between investment types based on Solvency II rules.	CMT – Mark to market in an active market Unlisted property trusts and others - Mark to market in an active market for similar assets • Cash managed trusts, emerging market debt and high yield debt CIS (listed and unlisted) are valued as per the current unit price, which is derived from underlying fund securities being priced as per government and corporate bonds above. In the case of unlisted property trusts, fair value is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.
Derivatives	-	4,620	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Investment derivatives (equity and fixed income) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value using Exchange quoted prices obtained from an external pricing vendor
Loans and mortgages	234,353	235,406	The valuation basis is the same as for UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet.	Mark to model. Infrastructure loans are valued using quoted prices if available; observable prices if known or carried book value (par plus accrued interest).

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
			There has been a reclassification between investment types based on Solvency II rules.	
Cash and cash equivalents and Deposits other than cash equivalents	169,459	169,603	The valuation basis is the same as for UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Cash equivalents Measured at fair value, taking into account the risk that amounts due will not be paid (default or credit risk of the counterparty) based on the rating of the bank counterparty. Cash current accounts (including collateral and futures margin accounts) are stated as the reconciled general ledger balance. Term deposits and overnight accounts are valued at par plus accrued interest. Deposits other than cash equivalents Measured at fair value.
Reinsurance recoverable (Reinsurers' share of technical provisions)	968,010	829,515	The Best Estimate in the Solvency II balance sheet is calculated in accordance with Article 77(2) of the Solvency II Directive. Under Solvency II, Reinsurance recoverables are calculated as the present value of future reinsurance cashflows plus allowances for default that relate to the best estimate liability.	Further detail on the valuation of technical provisions is included in section D.2 of this document.
Reinsurance receivables	150,570	74,180	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised as amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries receivables	438,538	312,896	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised as amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Receivables (trade, not insurance)	64,594	47,125	The valuation basis is the same as UK GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Measured at fair value. For assets with a short-term maturity, the UK GAAP valuation basis is considered a close approximation to fair value. For other assets, the maturity and recoverability of those receivables will be taken into account when assessing fair value.
Deferred tax assets	999	29,610	Measurement principles for deferred taxes are consistent with IFRS and calculated based on the temporary difference between Solvency II values and the tax values. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations. The SII deferred tax rate changed from 17.4% at 2017 to 17.0% in 2018.
Property, plant & equipment held for own use	1,432	1,432	Property, plant and equipment for own use is measured at fair value under Solvency II, consistent with the Revaluation Model under IAS16. Items measured at historical cost less depreciation and impairment under IAS16 are fair valued under Solvency II.	The fair value has been used where appropriate.
Deposits to cedants	5,486	6,190	The valuation basis is the same as UK GAAP.	Valued at fair value, consistent with UK GAAP, due to the short term and highly liquid nature of the assets.
Total	**5,536,321**	**5,041,598**		

QBE Re

QBE Re held total assets of €1,984,831k at 31 December 2018 (31 December 2017: €1,949,568k) valued on a Solvency II basis. The table below shows the split of assets by asset class.

	Value (€'000)	
	2018	2017
Corporate Bonds	979,058	1,040,842
Government Bonds	293,960	267,050
Collective investment undertakings	237,364	187,377
Other loans and mortgages	30,761	30,402
Collateralised securities	102,443	88,127
Deposits other than cash equivalents	1	-
Other investments	4,594	7,906
Total investments	**1,648,181**	**1,621,704**
Reinsurance recoverables	93,961	106,636
Insurance and intermediary receivables	31,032	16,803
Receivables (trade not reinsurance)	2,333	33,261
Reinsurance receivables	29,102	-
Cash and cash equivalents	29,859	29,411
Other assets	150,363	141,753
Total assets	**1,984,831**	**1,949,568**

A full Solvency II balance sheet is included in Appendix A.

Balance sheet item	FRS 101 Valuation (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Goodwill / Intangible assets	1	-	Under UK GAAP purchased goodwill is recognised as an asset and valued as the difference between the fair value of the asset(s) acquired and the consideration paid for those assets.	Solvency II regulations require that no value is ascribed to purchased goodwill. Intangible assets other than goodwill must be valued at zero under Solvency II unless they can be sold separately in an active market. Neither of these conditions are deemed to be met.
Deferred acquisition costs	14,754	-	Deferred acquisition costs are valued at nil under Solvency II as all cash-flows arising from expenses that will be incurred in servicing recognised (re)insurance obligations over the lifetime are taken into account in the Solvency II technical provisions.	Solvency II regulations require that no value is ascribed to DAC.
Government Bonds, Corporate Bonds and Collateralised Securities	1,370,491	1,375,461	The valuation basis is the same as UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Sovereign bonds - Mark to market in an active market • Sovereign government bond prices are quoted on a regulated bond market/exchange. Regional or Municipal bonds – Mark to market in an active market for similar assets • Debt issued by municipal / regional governments (semi governments) and authorities, along with supranational institutions are valued using prices quoted in an active regulated bond market, or in the case of less active markets securities will be priced using broker quotes, local exchanges / central banks or other valuation models. Short term treasury bonds (discounted securities) • Issued by sovereign governments are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input. Common corporate bonds (including agency bonds and covered bonds) • Are valued using prices quoted in an active regulated bond market, or in the case of less active markets, securities will be priced using broker quotes. • Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing

Balance sheet item	FRS 101 Valuation (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
				source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input.
Collective investment undertakings	190,656	237,364	The valuation basis is the same as UK GAAP. There has been a reclassification between investment types based on Solvency II rules.	CMT– Mark to market in an active market Unlisted property trusts and others - Mark to market in an active market for similar assets • Cash managed trusts, emerging market debt and high yield debt CIS (listed and unlisted) are valued as per the current unit price, which is derived from underlying fund securities being priced as per government and corporate bonds above. In the case of unlisted property trusts, fair value is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.
Equities	-	38	The valuation basis is the same as UK GAAP. There has been a reclassification between investment types based on Solvency II rules.	Mark to market in an active market • Listed equities (including equity trusts and ETF's) are valued according to quoted prices in active markets.
Derivatives	-	4,556	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Investment derivatives (equity and fixed income) are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value using Exchange quoted prices obtained from an external pricing vendor
Loans and mortgages	68,547	30,761	The valuation basis is the same as for UK GAAP except that accrued interest is included in the asset valuation in the Solvency II balance sheet. There has been a reclassification between investment types based on Solvency II rules.	Mark to model. Infrastructure loans are valued using quoted prices if available; observable prices if known or carried book value (par plus accrued interest).
Cash and cash equivalents and	38,852	29,859	The valuation basis is the same as UK GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Cash equivalents

Balance sheet item	FRS 101 Valuation (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Deposits other than cash equivalents			There has been a reclassification between investment types based on Solvency II rules.	Measured at fair value, taking into account the risk that amounts due will not be paid (default or credit risk of the counterparty) based on the rating of the bank counterparty. Cash current accounts (including collateral and futures margin accounts) are stated as the reconciled general ledger balance. Term deposits and overnight accounts are valued at par plus accrued interest. Deposits other than cash equivalents Measured at fair value.
Reinsurance recoverable (Reinsurers' share of technical provisions)	151,118	93,962	The Best Estimate in the Solvency II balance sheet is calculated in accordance with Article 77(2) of the Solvency II Directive. Under Solvency II, Reinsurance recoverables are calculated as the present value of future reinsurance cashflows plus allowances for default that relate to the best estimate liability.	Further detail on the valuation of technical provisions is included in section D.2 of this document.
Reinsurance receivables	31,687	29,102	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised as amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries receivables	252,609	31,032	The valuation basis is the same as UK GAAP except that under Solvency II, cash flows relating to future premiums are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled under Solvency II.	Premiums receivable are recognised as amounts receivable less a provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The carrying value of these receivables is deemed to be a close approximation to fair value and therefore no adjustment is made.
Receivables (trade, not insurance)	(112,683)	2,333	The valuation basis is the same as UK GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Measured at fair value. For assets with a short-term maturity, the UK GAAP valuation basis is considered a close approximation to fair value. For other

Balance sheet item	FRS 101 Valuation (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
				assets, the maturity and recoverability of those receivables will be taken into account when assessing fair value.
Deposits to cedants	128,663	128,663	The valuation basis is the same as UK GAAP.	Valued at fair value, consistent with UK GAAP, due to the short term and highly liquid nature of the assets.
Deferred tax assets	1,315	21,401	Measurement principles for deferred taxes are consistent with IFRS and calculated based on the temporary difference between Solvency II values and the tax values. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations. The SII deferred tax rate changed from 33.9% at 2017 to 25.5% in 2018.
Property, plant & equipment held for own use	263	263	Property, plant and equipment for own use is measured at fair value under Solvency II, consistent with the Revaluation Model under IAS16. Items measured at historical cost less depreciation and impairment under IAS16 are fair valued under Solvency II.	The fair value has been used where appropriate.
Any other assets	-	36	The valuation basis is the same as UK GAAP.	Valued at fair value, consistent with UK GAAP.
Total	**2,136,273**	**1,984,831**		

QBE Europe

QBE Europe held total assets of €113,573k at 31 December 2018 (31 December 2017: €0) valued on a Solvency II basis. The table below shows the split of assets by asset class.

	Value (€'000)	
	2018	2017
Collective investment undertakings	90,000	-
Total investments	**90,000**	**-**
Cash and cash equivalents	28,855	-
Reinsurance recoverables	(6,159)	-
Receivables (trade not reinsurance)	1	-
Other Assets	876	-
Total assets	**113,573**	**-**

A full Solvency II balance sheet is included in Appendix A.

Balance sheet item	Valuation in Financial Statements (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with BE GAAP	Solvency II Valuation Basis and Assumptions
Cash and cash equivalents and Deposits other than cash equivalents	118,854	28,855	The valuation basis is the same as BE GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines. There has been a reclassification between investment types based on Solvency II rules.	<u>Cash equivalents</u> Measured at fair value, taking into account the risk that amounts due will not be paid (default or credit risk of the counterparty) based on the rating of the bank counterparty. Cash current accounts (including collateral and futures margin accounts) are stated as the reconciled general ledger balance. Term deposits and overnight accounts are valued at par plus accrued interest.

Balance sheet item	Valuation in Financial Statements (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with BE GAAP	Solvency II Valuation Basis and Assumptions
				<u>Deposits other than cash equivalents</u> Measured at fair value.
Reinsurance recoverable (Reinsurers' share of technical provisions)	-	(6,159)	The Best Estimate in the Solvency II balance sheet is calculated in accordance with Article 77(2) of the Solvency II Directive.	Further detail on the valuation of technical provisions is included in section D.2 of this document.
Receivables (trade, not insurance)	1	1	The valuation basis is the same as BE GAAP. Under Solvency II accrued interest has been re-allocated across Solvency II investment lines.	Measured at fair value. For assets with a short-term maturity, the BE GAAP valuation basis is considered a close approximation to fair value. For other assets, the maturity and recoverability of those receivables will be taken into account when assessing fair value.
Collective investment undertakings	-	90,000	The valuation basis is the same as BE GAAP. There has been a reclassification between investment types based on Solvency II rules.	CMT – Mark to market in an active market Unlisted property trusts and others - Mark to market in an active market for similar assets • Cash managed trusts, emerging market debt and high yield debt CIS (listed and unlisted) are valued as per the current unit price, which is derived from underlying fund securities being priced as per government and corporate bonds above. In the case of unlisted property trusts, fair value is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.
Deferred tax assets	-	876	Measurement principles for deferred taxes are consistent with BE GAAP and calculated based on the temporary difference between Solvency II values and the tax values. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations. The SII deferred tax rate used is 17% at 2018.
Total	**118,855**	**113,573**		

2. Technical provisions

The Group's Solvency II technical provisions amounted to £3,741,518k at 31 December 2018 (31 December 2017: £3,612,824k), after adjusting for the reinsurance recoverable amount. The IFRS technical provisions at 31 December 2018 were £6,819,343k.

The QUK Solvency II technical provisions amounted to £2,684,376k at 31 December 2018 (31 December 2017: £2,625,053k), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the UK GAAP financial statements at 31 December 2018 were £2,802,998k.

The QBE Re Solvency II technical provisions amounted to €1,171,192k at 31 December 2018 (31 December 2017: €1,111,325k), after adjusting for the reinsurance recoverable amount. The UK GAAP technical provisions at 31 December 2018 were €1,251,853k.

The QBE Europe Solvency II technical provisions amounted to (€5,155k) at 31 December 2018 (31 December 2017: nil), after adjusting for the reinsurance recoverable amount. The technical provisions balance in the BE GAAP financial statements at 31 December 2018 were nil.

Technical provisions are defined as the probability weighted average of future cashflows, discounted to take into account the time value of money considering all possible future scenarios. The key components of the technical provisions comprise:

- Claims provisions: Best Estimate of future gross and reinsurance claims, premium and expenses relating to the earned exposure on insurance policies
- Premium provisions: Best Estimate of future gross and reinsurance claims, premium and expenses relating to the unearned exposure, i.e. based on unearned premium and policies that are bound but not incepted (BBNI) at the valuation date
- Risk margin: additional provision to bring the Best Estimates to the level required to transfer the obligations to a third party undertaking[3]

A quantitative breakdown of the technical provisions, split by Best Estimate liability and Risk Margin, for all Solvency II lines of business, is available in Appendix A, (QRTs S.12.01 and S.17.01) for the regulated subsidiaries QUK, QBE Re and QBE Europe.

The Best Estimate liabilities are calculated in accordance with Article 77(2) of the Solvency II Directive. The claims and premiums provisions are derived from the IFRS Best Estimate reserves and the unearned premium reserve respectively, and are adjusted to incorporate the following:

- Future premiums: Represents cashflows relating to future premiums, i.e. receivable but not overdue. These cashflows are reclassified from the IFRS balance sheet to technical provisions
- Bound but not Incepted ('BBNI') policies: Represents premiums, expenses and claims relating to policies that the Group has entered into that have not incepted at the valuation date
- Future claims costs: Unearned claims are obtained by applying unearned loss ratios to unearned premiums
- Expenses: Assumed expenses incurred in servicing (re)insurance obligations are derived using expense assumptions provided by the Finance Department. These expense

[3] Any references to the risk margin are unaudited

loadings are applied separately to the earned and unearned future cash flows to obtain separate expense provisions for earned and unearned business

- Events not in data ('ENIDs'): The Directive requires the Best Estimate to include allowance for "all possible outcomes", e.g. latent claims or extreme high severity, low probability claims. An ENID provision is calculated to allow for all possible scenarios where historical data may be lacking.
- Future cashflows are discounted using the 31 December risk free yield curves provided by EIOPA. The yield curves used exclude the Volatility Adjustment. Future cash flows have been obtained by applying projected payment patterns derived for the Core Reserving process.
- The Risk Margin is calculated using a cost of capital approach by applying the Best Estimate cash-flow runoffs and the prevailing yield curve (as provided by EIOPA) to the Internal Model SCR capital measure.

Material changes

During the year, a number of changes were made to the SII technical provisions:

- Allowance for BBNI contained within the new entity, QBE Europe.
- A shift in the expected profit in future premium ('EPiFP') approach to use gross estimates as per revised guidance.
- A change in the approach to the Reinsurance Contract Boundary ('RICB') where by previously proportional and facultative reinsurance were assumed to be nil a separate assumption has now been adopted as these shouldn't attract an additional RICB charge.

Currency

The Directive requires that the best estimate is calculated separately for obligations in different currencies to enable the calculation of discounted liabilities.

Currency allocations are performed by class of business via the Core Reserving process; each reserving class is typically analysed in one currency.

For Solvency II the claims and premiums by currency provided in the data are derived by Finance using the outputs from the Core Reserving process, and no additional judgement is required.

Options and Guarantees

The Group does not have any exposure to options and guarantees. Hence no allowance is made in the technical provisions with regard to these.

Uncertainty in Technical Provisions[4]

There are a number of uncertainties in the technical provisions, particularly in respect of the best estimate of unpaid claims and future premiums.

Some of the main uncertainties are listed below:

- Claim cost inflation, in particular for classes of business with long terms to settlement
- General levels of future new claim notifications

[4] Any references to uncertainty in technical provisions are unaudited

- Large natural or man made catastrophic events, to the extent that claims have not been fully settled
- Periodic Payment Orders
- Future, and as yet unknown and unquantifiable, large market loss events that could impact the EO Group
- Future premiums, especially for the most recent underwriting year, are based on the Companies' business plans and discussions with underwriters
- Plan loss ratio estimates
- Estimates for Events not in Data
- Timing of claim, premium, reinsurance and expense Cashflows
- The appropriateness of the development tail factors applied to the EO Group's classes

Matching adjustment[5]

The EO Group does not apply a matching adjustment.

Volatility adjustment[6]

The EO Group does not apply a volatility adjustment.

Transitional risk free interest rate term structure[7]

The EO Group does not apply a transitional adjustment.

Recoverables from reinsurance contracts and special purpose vehicles

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

An initial estimate is made of the reinsurance recoveries as a proportion of gross. This is derived originally from the reinsurance pricing basis and the business plan, along with a review that considers catastrophe/large/attritional losses and non-treaty cover. Any known large outstanding claims are considered on a case by case basis. Reinsurance IBNR is unwound in line with the gross to maintain a suitable net provision.

The technical provisions have been reviewed by members of the Actuarial Function to ensure that they adhere to the relevant Solvency II articles and texts.

The valuation of outwards reinsurance recoveries in the claims and premium provisions include an explicit allowance for counterparty default risk.

To adhere to the principle of reinsurance correspondence, the reinsurance recoveries are calculated such that they are consistent with the gross premium forecasts and implicitly allow for expected recoveries in respect of losses occurring during ('LOD') and risks attaching during ('RAD') policies. In line with regulatory guidance, the Group's approach is as follows:

- Incepted and bound reinsurance valued to the extent that it covers existing (i.e. incepted and bound) inwards business

[5] Any references to matching adjustments are unaudited
[6] Any references to volatility adjustments are unaudited
[7] Any references to transitional adjustments are unaudited

- Adjusted to allow for reinsurance minimum premium terms
- Allowance for future reinsurance purchase management actions to protect the run-off to expiry of existing inwards business, consistent with the current reinsurance structure

3. Other liabilities

The values attributed to other liabilities on the Solvency II balance sheet differ from the valuations reported in the statutory accounts due to the different valuation methodologies required by the Solvency II legislation. The tables below show the value of those other liabilities for EO Group and regulated subsidiaries and the Solvency II methodologies used.

Under Solvency II reporting, the results of the Lloyd's participations are not fully consolidated but recognised separately under 'Holdings in related undertakings. This will result in material differences between the IFRS consolidation valuation column and the Solvency II valuation column, even where the valuation between the two bases are the same or similar.

There have been no material changes to the recognition and valuation bases on other liabilities.

EO Group

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
Provisions other than technical Provisions	20,815	20,755	The valuation basis is the same as IFRS.	IAS 37 is consistent with Solvency II measurement principles for provisions as stated in the Final Report on public consultation No. 14/065 on Guidelines on Recognition and Valuation of Assets and Liabilities other than Technical Provisions.
Deposits from Reinsurers	33,400	33,400	The valuation basis is the same as IFRS.	For the short term deposits from reinsurers, the carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries payables	213,234	18,734	The valuation basis is the same as IFRS except that under Solvency II, insurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Insurance and intermediary payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
Reinsurance payables	320,936	105,369	The valuation basis is the same as IFRS except that under Solvency II, reinsurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Reinsurance payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Payables (trade, not insurance)	1,541,931	370,046	The valuation basis is the same as IFRS.	Other payables should be valued at fair value by discounting expected cash flows using a risk free rate. Book value as per IFRS is used as a proxy to the fair value for Solvency II balance sheet purposes as the impact of discounting is not material because the balances are mostly due/payable within one year.
Derivatives	12,851	25,363	The valuation basis is the same as IFRS. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Derivatives are measured at fair value under IFRS, which is consistent with Solvency valuation policy.
Pension benefit obligations	12,940	12,940	The valuation basis is the same as IFRS.	The Pension fund obligation valuation under SII is consistent with IAS19R.
Deferred tax liabilities	626	761	Measurement principles for deferred taxes are consistent with IFRS and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.
Subordinated liabilities	-	1,118,342	Under Solvency II subordinated liabilities are measured on a fair value basis whilst under IFRS they are measured at an amortised cost basis or at nominal value.	Subordinated liabilities are recognised at their current replacement cost (fair value) in line with Article 10 of the Solvency II Delegated Regulation's 'valuation hierarchy'. Article 10 paragraph 7 (c) allows the use of the 'cost approach or current replacement cost approach' where an alternative valuation method is used. The current replacement cost is derived with reference to the cost which another group entity would expect to pay for

Balance sheet item	Valuation in IFRS Consolidation (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with IFRS	Solvency II Valuation Basis and Assumptions
				the debt and is consistent with the approach applied in the QBE EO plc IFRS Consolidation.
Total	**2,156,733**	**1,705,710**		

QUK

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Provisions other than technical Provisions	2,372	2,372	The valuation basis is the same as UK GAAP.	IAS 37 is consistent with Solvency II measurement principles for provisions as stated in the Final Report on public consultation No. 14/065 on Guidelines on Recognition and Valuation of Assets and Liabilities other than Technical Provisions.
Insurance and intermediaries payables	244,533	214,567	The valuation basis is the same as UK GAAP except that under Solvency II, insurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Insurance and intermediary payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Deposits from Reinsurers	0	704	The valuation basis is the same as UK GAAP.	For the short term deposits from reinsurers, the carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Reinsurance payables	160,691	98,500	The valuation basis is the same as UK GAAP except that under Solvency II, reinsurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions.	Reinsurance payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.

Balance sheet item	Valuation in Financial Statements (£'000)	Valuation for Solvency Purposes (£'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
			These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	
Payables (trade, not insurance)	69,740	66,816	The valuation basis is the same as UK GAAP.	Other payables should be valued at fair value by discounting expected cash flows using a risk free rate. Book value as per UK GAAP is used as a proxy to the fair value for Solvency II balance sheet purposes as the impact of discounting is not material because the balances are mostly due/payable within one year.
Deferred tax liabilities	1,399	-	Measurement principles for deferred taxes are consistent with UK GAAP and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.
Derivatives	5,861	10,481	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Derivatives are measured at fair value under UK GAAP, which is consistent with Solvency valuation policy.
Total	**484,596**	**393,440**		

QBE Re

Balance sheet item	UK GAAP Valuation (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
Provisions other than technical Provisions	1,143	1,143	The valuation basis is the same as UK GAAP.	IAS 37 is consistent with Solvency II measurement principles for provisions as stated in the Final Report on public consultation No. 14/065 on Guidelines on Recognition and Valuation of Assets and Liabilities other than Technical Provisions.
Deposits from Reinsurers	35,248	35,248	The valuation basis is the same as UK GAAP.	For the short term deposits from reinsurers, the carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Insurance and intermediaries payables	51,499	0	The valuation basis is the same as UK GAAP except that under Solvency II, insurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to which the company is not yet entitled to under Solvency II.	Insurance and intermediary payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.
Reinsurance payables	38,957	7,658	The valuation basis is the same as UK GAAP except that under Solvency II, reinsurance payables are adjusted for cash flows relating to future premiums which are taken into account in technical provisions. These are considered to be technical cash flows to	Reinsurance payables are valued consistently with IAS 39 fair value measurement principles except for subsequent adjustments to take into account the undertaking's own credit risk. The carrying value of these liabilities is deemed to be a close approximation to fair value and therefore no adjustment is made.

Balance sheet item	UK GAAP Valuation (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
			which the company is not yet entitled to under Solvency II.	
Payables (trade, not insurance)	15,379	15,379	The valuation basis is the same as UK GAAP.	Other payables should be valued at fair value by discounting expected cash flows using a risk free rate. Book value as per UK GAAP is used as a proxy to the fair value for Solvency II balance sheet purposes as the impact of discounting is not material because the balances are mostly due/payable within one year.
Derivatives	5,382	9,938	The valuation basis is the same as UK GAAP. However, in the Statutory Accounts some grouping of positions is carried out. In contrast, in Solvency II every derivative position is recognised separately. Hence, the value of the derivative assets and liabilities may differ between the two bases. The net position is the same.	Derivatives are measured at fair value under UK GAAP, which is consistent with Solvency valuation policy.
Pension benefit obligations	6,021	6,021	The valuation basis is the same as UK GAAP.	The Pension fund obligation valuation under SII is consistent with IAS19R.
Deferred tax liabilities	-	742	Measurement principles for deferred taxes are consistent with UK GAAP and calculated based on the temporary difference between Solvency II values and the tax values.	The valuation difference relates to the change in the value of deferred tax, caused by the impact of adjustments made to balance sheet items in compliance with Solvency II regulations.
Any other liabilities, not elsewhere shown	3,011	3,008	This balance consists of current tax. Measurement principles for current taxes	

Balance sheet item	UK GAAP Valuation (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with UK GAAP	Solvency II Valuation Basis and Assumptions
			under Solvency II are consistent with UK GAAP.	
Subordinated liabilities	-	119,992	Under Solvency II subordinated liabilities are measured on a fair value basis whilst under UK GAAP they are measured at an amortised cost basis or at nominal value.	Subordinated liabilities are recognised at their current replacement cost (fair value) in line with Article 10 of the Solvency II Delegated Regulation's 'valuation hierarchy'. Article 10 paragraph 7 (c) allows the use of the 'cost approach or current replacement cost approach' where an alternative valuation method is used. The current replacement cost is derived with reference to the cost which another group entity would expect to pay for the debt and is consistent with the approach applied in the QBE EO plc IFRS Consolidation.
Total	**156,640**	**199,129**		

QBE Europe

Balance sheet item	Valuation in Financial Statements (€'000)	Valuation for Solvency Purposes (€'000)	Comparison of Solvency II Valuation Basis with BE GAAP	Solvency II Valuation Basis and Assumptions
Payables (trade, not insurance)	1,606	1,606	The valuation basis is the same as BE GAAP.	Other payables should be valued at fair value by discounting expected cash flows using a risk-free rate. Book value as per BE GAAP is used as a proxy to the fair value for Solvency II balance sheet purposes as the impact of discounting is not material because the balances are mostly due/payable within one year.
Subordinated liabilities	80,000	80,000	Under Solvency II subordinated liabilities are measured on a fair value basis whilst under BE GAAP they are measured at an amortised cost basis or at nominal value.	Subordinated liabilities are recognised at their current replacement cost in line with Article 10 of the Solvency II Delegated Regulation's 'valuation hierarchy'. Article 10 paragraph 7 (c) allows the use of the 'cost approach or current replacement cost approach' where an alternative valuation method is used. The current replacement cost is derived with reference to the cost which another group entity would expect to pay for the debt and is consistent with the approach applied in the QBE EO plc IFRS Consolidation.
Total	**81,606**	**81,606**		

Finance and operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

The EO Group has a number of operating lease commitments, principally in relation to office space. There are no valuation differences for lease commitments between UK GAAP, IFRS and Solvency II. The tables below include the annual commitment as reported under UK GAAP, rather than the present value of the total commitment. The annual commitments for EO Group, QUK and QBE Re are as follows:

EO Group

Leases payable	2018 Value (£'000)	2017 Value (£'000) Restated
Land and Buildings		
Not later than one year	2,369	2,207
Later than one year but not later than five years	6,339	10,475
Later than five years	7,688	8,328

Leases payable	2018 Value (£'000)	2017 Value (£'000)
Other		
Not later than one year	17	31
Later than one year but not later than five years	102	106

QUK

Leases payable	2018 Value (£'000)	2017 Value (£'000) Restated
Land and Buildings		
Not later than one year	2,042	1,999
Later than one year but not later than five years	4,665	6,290

QBE Re

Leases payable	2018 Value (€'000)	2017 Value (€'000)
Land and Buildings		
Not later than one year	0	0
Later than one year but not later than five years	350	372

QBE Europe does not have any finance and operating leases payable at 31 December 2018.

Expected timing of outflows of economic benefits

Payables have a mean term of less than 1 year. As these are expected to be settled in the short term no deviation risk has been applied.

Employee Benefits

The EO Group operates both defined contribution and defined benefit pension plans.

Defined benefit plans are run independently of the sponsoring company by scheme trustees and are subject to relevant local legislation. All defined benefit plans (with the exception of QBE Re) closed to future accrual in 2006.

Pension contributions relating to each scheme are assessed in accordance with the advice of independent qualified actuaries.

QUK operates a defined contribution scheme only.

QBE Re operates both a defined (lump sum) benefit and a defined contribution pension plan.

From 1 January 2019 QBE Europe has a pension scheme in place as a result of the Brexit restructure.

Changes to the valuation of liabilities in the period

There have been no changes to the recognition and valuation bases used or to estimations during the reporting period.

Insurance contracts

The main source of estimation uncertainty concerns the valuation of Technical Provisions, which are discussed in section D2. Estimates have to be made for expected future claims. It can take a significant amount of time before the claims cost can be established with certainty. Estimates might be derived from underwriter experience, historical data and broker estimation. These estimates are judgemental.

Taxation

The EO Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the tax authority. Management estimation is required to determine the amount of deferred taxes that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

4. Alternative methods for valuation

Valuation techniques are applied in which any one or more significant input is not based on observable market data. The valuation methods used are based upon a QBE Group framework of principles, policies and guidelines for the valuation of investment assets.

Infrastructure Debt

The fair value of infrastructure debt is based on the following hierarchy, which is considered to be the best proxy of fair value for these instruments:

1. Quoted prices – For all infrastructure debt investments quoted on a market, or by brokers, such quotes will form the basis of valuation, unless those quotations are not readily available, or do not reflect fair market value i.e. if market price is due to distressed or forced sale. Where available, market prices are sourced from external providers.

2. Observable inputs – Where quoted prices are not readily available, or do not reflect fair market value, a mark to model valuation method may be applied. Where applicable, asset valuation models will be based on observable inputs as comparable proxies for fair value change in market interest rates, change in market spreads/margins, and change in repayment expectations/risk of credit loss.

3. Par plus accrued – In the absence of quoted prices and observable inputs, infrastructure debt investments will be valued by the external investment manager at par plus accrued interest for performing assets. Non-performing investments (i.e. distressed or impaired) will be written down by the investment manager to fair value.

Short term treasury bonds

Short term treasury bonds are valued using an external pricing source, where a price is not available an alternative valuation may be calculated using a Bloomberg yield curve utilising observable input.

Money market instruments

Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source, where a price is not available a value may be calculated using a Bloomberg yield curve utilising observable input.

Unlisted property trusts

The fair value of unlisted property trusts is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme. Year-end valuations are supplemented by independent third party valuations being carried out on the underlying property portfolio. Due to the timing of data released from the scheme, period end valuations are one quarter in arrears.

The valuation uncertainty associated with the above assets is considered to be immaterial. Experience of those assets valued using alternative valuation methods is that the valuations have been materially correct.

The EO Group investment in unlisted property trusts increased from £177,843k as at 31 December 2017 to £199,574k at 31 December 2018.

5. Any other information

No other information is considered material regarding the EO Group's valuations for solvency purposes.

Section E: Capital Management[8]

1. Own funds

Available own funds, eligible own funds and the ratio of eligible own funds over the SCR and MCR for the EO Group, QUK, QBE Re and QBE Europe are disclosed in QRT S.23.01 in Appendix A. There is a separate QRT for each entity.

The primary objective of the business from a capital management perspective is to maintain sufficient own funds to cover the SCR and MCR with an appropriate surplus. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation.

The EO Group has adopted a Capital Appetite Framework, setting out the target levels of capital and potential remediation actions in the event that capital falls below the stated appetite. The Capital Appetite Framework has been approved by the Group Board. Senior management carry out regular reviews, at least quarterly, to monitor the ratio of eligible own funds to the SCR.

At 31 December 2018 the EO Group and the regulated subsidiaries EOF, SCR and SCR coverage ratios were:

Entity (000)	Eligible Own Funds to meet the SCR (m)/(€m)		SCR (£m)/(€m)		SCR Coverage Ratio	
	2018	2017	2018	2017	2018	2017
EO Group	£1,585	£1,691	£1,214	£1,267	130.6%	133.5%
Tier 1	£909	£1,026				
Tier 1 Restricted	£227	£232				
Tier 2	£431	£419				
Tier 3	£18	£14				
QBE Re	€ 625	€ 564	€ 444	€ 480	140.7%	117.5%
Tier 1	€ 484	€ 548				
Tier 2	€ 120	-				
Tier 3	€ 21	€ 16				
QUK	£1,122	£1,141	£885	£920	126.8%	124.1%
Tier 1	£1,092	£1,111				
Tier 3	£30	£30				
QBE Europe*	€ 50	-	€ 35	-	140.6%	-
Tier 1	€ 32	-				
Tier 2	€ 18	-				

*QBE Europe's basic own funds were €113m at 31 December 2018. The difference between EOF and basic own funds is as result of the tiering rules.

EO plc has a foreseeable dividend of £96.4m in 2019. The effect of this dividend is to reduce the eligible own funds for EO Group.

All the regulated subsidiaries of the EO Group had the following credit rating at 31 December 2018, as determined by S&P Global Ratings:

[8] Any references in 'Section E: Capital Management' to the SCR are unaudited except for QBE Europe

- financial strength rating of A+, with a stable outlook and a long-term public issue credit rating of A+

There were no material changes over the reporting period.

At 31 December 2018 the EO Group and the regulated subsidiaries EOF, MCR and MCR coverage ratios were:

Entity (000)	Eligible Own Funds to meet the MCR		MCR		MCR Coverage Ratio	
	2018	2017	2018	2017	2018	2017
EO Group	£1,254	£1,369	£586	£554	214.0%	246.9%
Tier 1	£909	£1,026				
Tier 1 Restricted	£227	£232				
Tier 2	£118	£111				
QBE Re	€524	€548	€200	€212	262.0%	258.5%
Tier 1	€484	€548				
Tier 2	€40					
QUK	£1,092	£1,111	£398	£366	274.4%	303.6%
Tier 1	£1,092	£1,111				
QBE Europe	€34	-	£9	-	383.3%	-
Tier 1	€32	-				
Tier 2	€2	-				

Classification of entities within the EO Group

The EO Group is constituted of a number of entities that carry out different functions and have different characteristics. In compliance with Solvency II regulations these entities have been classified into the following types:

- (Re)insurance undertakings
- Insurance holding companies
- Ancillary services undertakings
- Other related undertakings

The EO Group's own funds have been assessed against the criteria of Article 71 of the Delegated Acts and the majority of the capital has been classified as sufficient quality to meet the eligibility requirements of 'Tier 1' capital plus 'Tier 1 restricted' debt, 'Tier 2' subordinated debt and Deferred Tax Assets (DTA) which have been classified as 'Tier 3' EOF.

The EOF calculated after adjusting for valuation basis differences between IFRS and UK GAAP statutory financials and Solvency II and applying restrictions in relation to Ring Fenced Funds (RFF).

The EO Group has an approved Internal Model which it uses as the basis for the SCR. The Internal Model reflects the risk assessment processes that have been reflected across the business for several years and considers all classes of business underwritten by the EO Group. The Internal Model incorporates consideration of underwriting risk, reserving risk, credit risk, market risk, liquidity risk, operational risk, group risk and pension risk.

The data flows within the Internal Model are documented, self-assessed and output reported to the Data Quality Group, a sub group of the Operations Management Group. Areas identified as requiring remediation are recorded on a Data Quality Issues Log and progress reported regularly to the Data Quality Group.

Method of calculating own funds

The EO Group uses the accounting consolidation based method to determine it's basic own funds and follows four steps:

- Own funds are calculated on the basis of consolidated data
- Own funds are classified into tiers
- Available own funds are calculated net of adjustments at group level
- Eligible own funds are determined, subject to tiering limits, in order to determine the amount of own funds eligible to cover the Group's SCR and MCR

Consolidated EO Group own funds

The EO Group's own funds comprise the sum of its basic own funds and ancillary own funds.
Basic own funds comprise:

- The excess of assets over liabilities, determined from the Solvency II consolidated balance sheet calculated on the basis of the consolidated data in accordance with the accounting consolidation based method and Solvency II guidelines, less adjustments
- Subordinated liabilities to the extent that these satisfy the Solvency II rules for recognition as part of basic own funds

Different undertakings within the EO Group are treated in different ways, as described below:

- Fully-consolidated entities constitute the (re)insurance undertakings, insurance holding companies and ancillary services undertakings
- Other related undertakings are included under the adjusted equity method

The solvency II excess assets over liabilities for the EO group is calculated using the default method, accounting consolidation based (Method 1) in accordance with Article 230 of Directive 2009/138/EC. Intra-group transactions with entities that are fully consolidated within the EO group are eliminated on consolidation.

Classification into tiers

Tier 1

Own fund items are assessed and classified into tiers in accordance with criteria defined by Solvency II regulations. The majority of QUK, QBE Re and EO Group own funds are classified as Tier 1 and consists of share capital, share premium and the reconciliation reserve. Tier 1 capital includes high quality instruments with features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances. The majority of QBE Europe's own funds comprises of Tier 1 capital.

Tier 1 (restricted)

For the EO Group this comprises of £227m of perpetual, subordinated, unsecured debt, which is categorised as equity on an accounting basis and Restricted Tier 1 capital under Solvency II rules.

The debt does not have a fixed final redemption date and the holders have no right to call for their redemption.

Tier 2

The Solvency II consolidated balance sheet includes capital securities issued by EO Group to subsidiary undertakings within the QBE Group. These securities take the form of capital securities and subordinated debt.

The subordinated debt is eligible for inclusion as Tier 2 capital. This debt comprises two separate sets of notes, one denominated in sterling (£327m) and the other denominated in US dollars ($1,008m). Both sets of notes mature in May 2041 and may not be called for redemption by the investors. The two sets of notes are constituted by separate deeds of covenant made by the EO Group by way of deed poll. The two deeds are, save for minor differences relating exclusively to their differing currencies, identical. The notes are held by a related party within the QBE Group, which in turn has issued back to back notes externally. The EO Group limits the Tier 2 capital contribution of the internal notes based upon Solvency II reciprocal financing rules.

During 2018 QBE Re issued €120m of qualifying Tier 2 subordinated debt to QBE Holdings (EO) Limited (‘QHEO’) partially offset by a cash dividend of €90m paid to QHEO.

QHEO, the immediate parent of QBE Europe, issued €80m of subordinated liabilities classified as Tier 2 capital.

Reconciliation reserve

The reconciliation reserve is comprised of the excess of assets over liabilities on a Solvency II valuation basis, less other basic own fund items and an adjustment for restricted own fund items in respect of immaterial ring-fenced funds. Other basic own fund items include ordinary share capital, related share premium account and an amount equal to the value of net deferred tax assets. The reconciliation reserve’s volatility is materially dependent on the performance of the entity as well as any significant changes to the balance sheet.
The reconciliation reserve for each company is as follows at 31 December 2018:

Entity	2018 (000)	2017 (000)
EO Group	(£86,868)	£29,837
QBE Re	(€ 27,030)	€ 36,455
QUK	£168,813	£187,102
QBE Europe	(€6,967)	-

Availability of own funds at Group level

In previous years an amount equal to the excess of the solo SCR of QUK and QBE Re over each entity’s allocation of the EO Group SCR was treated as non-available own funds at EO Group level. This represented the entity’s share of the diversification benefit included in the EO Group SCR.

In March 2019, the PRA published a final Supervisory Statement (SS9/15) regarding the approach to the determination of the availability of group own funds which formalises a PRA Consultation Paper published in in July 2018. In response to the supervisory statement the anti-diversification benefit deduction from EOF was revisited and a ‘Diversification Benefit’ of £121m has been recognised at 31 December 2018 in the EOF.

The deferred tax is still included as part of the anti-diversification benefit due to it not being transferrable between group entities.

Eligibility of group own funds

The eligibility of own funds to cover the EO Group SCR and MCR is subject to tiering limits, specifically:

- The eligible amounts of Tier 1 items must be at least 50% of the SCR and 80% of the MCR
- The sum of the eligible amounts of Tier 2 and Tier 3 items must not exceed 50% of the SCR or 20% of the MCR

The eligible amounts of Tier 3 items must be less than 15% of the SCR.

Deductions from own funds

The following restrictions in relation to Ring Fenced Funds apply:

- Letters of credit - Reflecting the margin required by the issuer over the level of LOCs issued. The level of restriction to own funds has been calculated on the basis that actual liabilities are equal to the LOCs issued and therefore that the only restriction relates to the margin required by the issuer
- Capital required to be held locally by the Dubai regulator (DFSA) in respect of the local operations of QUK
- As a condition of writing US Excess and Surplus lines business, the EO Group is required to deposit cash, readily marketable securities or letters of credit into Trust with a "United States Qualified Financial Institution"

Undertakings in the scope of the Internal Model used to calculate the EO Group SCR

The following entities write insurance and reinsurance business within the EO Group and are covered by the EO Group Internal Model:

Entity	Internal Model SCR
QUK	£885m
QBE Re	€ 444m
EO's share of any successor entities	£1,214m

The Lloyd's Syndicates capacity (Syndicates 386 and 2999) is owned through QBE Corporate Limited, the managing agent being QBE Underwriting Limited. The EO Group SCR treats QBE Corporate as an investment. In previous years, the EO Group included subsidiaries classified as non-regulated financing entities. These entities contributed a sectoral capital requirement to the EO Group SCR.

The total EO Group SCR is lower than the sum of the aggregated solo SCR's as a result of diversification effects when calculating the SCR at the EO Group level.

As at 31 December 2018, QBE Europe used the Standard Formula to calculate its SCR. During 2018, an application was made to calculate QBE Europe's SCR using an internal model, which was approved on 1 February 2019.

Due to the significant differences between the EO Group's Internal Model and Standard Formula, it is likely that the SCR value will change materially, all other things being equal, when the internal model is used.

The volume of business in QBE Europe, which is set to increase substantially at the beginning of 2019 due to the Part VII transfers and cross border merger noted previously, will also result in a significant change to the SCR. This represents the principal reason for the increase in the SCR.

The difference between the entity level Internal Model and the Group level Internal Model

QUK, QBE Re and QBE Europe follow the same risk drivers as the EO Group. This is as expected since the EO Group is a consolidation of the risks from the underlying subsidiaries.

However, there are some key differences between the internal model used at individual undertaking level and the internal model used to calculate the EO Group SCR. They are:

- The EO Group and its subsidiaries operate four defined benefit pension schemes. This is allowed for in the EO Group SCR
- The EO Group SFCR also allows for QBE Corporate to be treated as an investment and its value is assumed to be completely written off for the purpose of assessing capital

Material differences between Equity in the Financial Statements and the Excess of Assets over Liabilities

The valuation of a company's own funds under Solvency II legislation is different to that calculated in the Statutory Accounts. More detail around the different valuation methods used under Solvency II are in Section D: Valuation for Solvency Purposes. A reconciliation showing how the valuation methodologies differ between the two different approaches is shown below for EO Group and the Regulated Subsidiaries.

	EO Group	QUK	QBE Re	QBE Europe
	Basis: IFRS (000)	Basis: UK GAAP (000)	Basis: UK GAAP (000)	Basis: BE GAAP (000)
Total equity – Statutory basis	**£1,673,893**	**£1,280,717**	**€576,661**	**€37,249**
Reversal of Net IFRS/UK GAAP technical provisions balances	£872,060	£697,827	€109,609	-
Inclusion of Net technical provisions on a Solvency II basis	(£1,044,444)	(£874,288)	(€185,065)	(€5,155)
Elimination of Goodwill and Intangibles	(£180,909)	-	-	-
Change in the value of participations	(£24,216)	-	-	-
Valuation adjustment: Investments	-	-	-	-
Valuation adjustment: Other	£33,972	£30,011	€19,343	€876
Excess of assets over liabilities – Solvency II basis	**£1,330,356**	**£1,134,267**	**€520,548**	**€32,970**
Adjustment: Subordinated liabilities	£425,980	-	€119,991	€17,705
Adjustment: Foreseeable dividends	(£96,400)	-	-	-
Adjustment: Restricted own fund items in respect of ring fenced funds	(£26,252)	(£12,310)	(€15,515)	-
Adjustment: Non available own funds at group level	(£48,963)	-	-	(€876)
Own Funds – Solvency II basis	**£1,584,721**	**£1,121,957**	**€625,024**	**€49,799**

2. Solvency Capital Requirement and Minimum Capital Requirement

At 31 December 2018 the SCR and MCR for EO Group and the regulated subsidiaries were:

Entity	SCR 2018 (m)	SCR 2017 (m)	MCR 2018 (m)	MCR 2017 (m)
EO Group	£1,214	£1,267	£586	£555
QBE Re	€444	€480	€200	€212
QUK	£885	£920	£398	£3367
QBE Europe	€35		€9	

The SCR's for EO Group, QBE Re and QUK are determined using an internal model. The SCR for QBE Europe uses the standard formula for reporting at 31 December 2018. The SCR's for the EO Group, QBE Re, QUK and QBE Europe are also shown in QRTs S.25.03.21 (unaudited) and S.25.03.22 (unaudited) in Appendix A. These QRTs also provide information around the breakdown of the SCR values into constituent components. These templates also contain information around the MCR.

The following table shows the diversification between the component entities. For each entity, the diversification benefit between risk types is detailed in QRT S.25.03.21 (unaudited):

Entity	SCR (m)	SCR (Converted to £m's)
QBE Re	€ 444	£ 399
QUK	£885	£885
QBE Europe	€ 42	£ 38
Total		£1,322
EO Group		£1,214
SCR Diversification[9]		£108

The MCR for the (re)insurance undertakings, QUK, QBE Re and QBE Europe, is calculated using inputs for the net (of reinsurance/SPV) Solvency II best estimate and the net (of reinsurance/SPV) written premium in the last 12 months. Factors are applied to these inputs based on the technical specifications from the long-term guarantees package.

The MCR is not defined at the Group level under Solvency II and is referred to the minimum consolidated EO Group SCR instead. The minimum consolidated Group SCR is calculated as the sum of the MCRs for regulated undertakings, QUK, QBE Re and QBE Europe.

3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

EO Group, QUK and QBE Re have fully approved Internal Models and therefore do not use the duration-based equity risk sub-module.

[9] EO Group SCR includes pension risk, net asset value of QBE Corporate and debt servicing costs.

4. Differences between the standard formula and the Internal Model used[10]

The standard formula and Internal Model are based on two different modelling approaches, resulting in differences in outputs. Some of the main differences, and similarities, are noted below. The Internal Model is based on a 99.5% confidence level over a one year time period. The methods used in the Internal Model for the calculation of the probability distribution forecast and the SCR are included in Section C.

Market risk

There are a number of differences within the components of market risk. In particular, the EO Group has exposure to currency risk (i.e. net asset exposure in any non-GBP currency). Within the Internal Model, currency risk is modelled as the difference between the net assets at the end of the period converted at the end of period stochastic FX rates less the net assets at the end of the period converted at the average of the stochastic FX rates at the end of the period. The currency splits on the assets and liabilities are modelled separately and they are not forced to match within the model.

Concentration risk is implicitly allowed for in the Internal Model; the distributions in the ESG are based on the assets held, and the concentration of assets.

Counterparty default credit

The Internal Model and standard formula capitalise against reinsurance and premium defaults in two very different ways.

- The two models are broadly aligned in terms of the capital requirement against reinsurance default. The methodology models the possible credit rating of each counterparty at the end of the first year and then sets up a bad debt reserve dependent on the credit rating. The standard formula is also based around the expected change in bad-debt provisions from credit rating migrations, with minimal actual default during the first year

- The standard formula includes a very small capital requirement against reinsurance default, whereas the Internal Model includes more capital on a stand-alone basis. The Internal Model assumes 5-year default rates during the first year, which is a very conservative assessment for credit risk. The standard formula is more based around the expected change in bad-debt provisions from credit rating migrations, with minimal actual default during the first year. Note, however, that the reinsurance credit risk diversifies well in the Internal Model, which gives rise to a larger diversification benefit from this one item

Non-life underwriting risk

The methodology differences between the two models include:

- The Internal Model considers insurance risk as an absolute loss amount, so any profit in the plan acts as an offset against capital. The standard formula just does a relative assessment, in essence assuming that the business has a 100% net combined ratio
- The Internal Model does not separate out lapse risk, but it is included in the risk around the level of business written in the new underwriting year. When business does lapse,

[10] Any references to differences between the Standard Formula and the Internal Model are unaudited

it both removes the profit associated with this anticipated business (which the standard formula and Internal Model both capture), and also the risk associated with the business (which the standard formula does not capture)

- The overall level of catastrophe risk is broadly consistent between the two models, although the modelling treatment is different. The Internal Model allows for the full features of the reinsurance protections, whereas the standard formula approximates them, most notably through the lack of multiple reinstatements on protections, and the use of maximum line size losses within the man-made catastrophe component

Health underwriting risk

The Internal Model does not capture this separately from the non-life underwriting risk.

Operational risk

The capital model allows operational risk to diversify against other risk types, whereas it is additive in the standard formula. If the diversified operational risk is calculated in the Internal Model then the differences are smaller. This different treatment of operational risk also gives rise to an increased level of diversification benefit in the Internal Model compared to the standard formula.

Diversification benefit

Because of the differences between risk types, the standard formula has less diversification between risk types than the Internal Model.

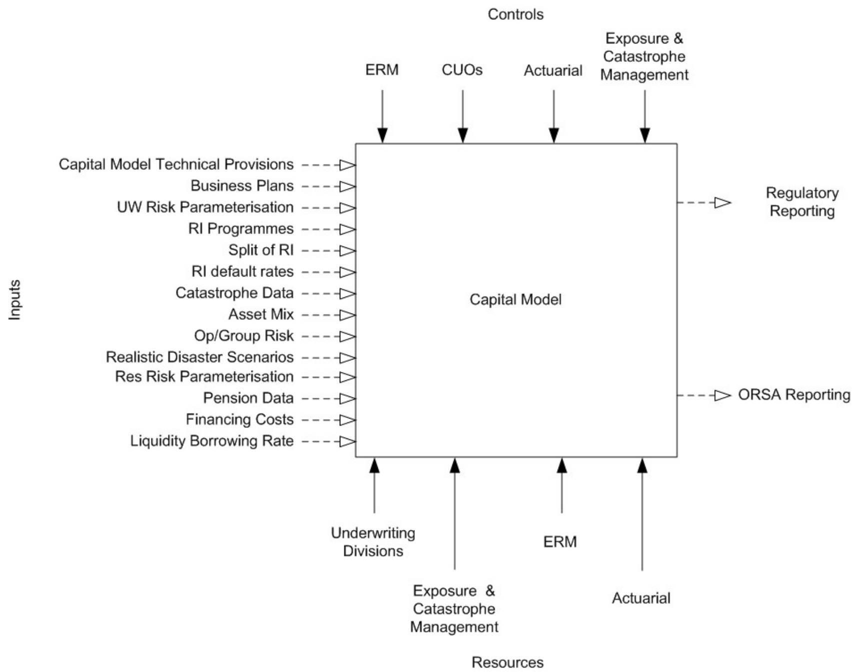
The standard formula does not capture group risk, whereas it does appear in the Internal Model. This risk is assumed to diversify well against the other risks, so it also increases the size of the diversification benefit in the Internal Model compared to the standard formula.

Data used in the Internal Model

The data flows within the capital model are documented within an Internal Model Dataflow Map. As part of data quality management in QBE, a Data Governance Team carry out a self-assessment exercise regularly with those business areas that provide data flows into the capital model. The results of this work, in particular any areas for remediation, are recorded on a Data Quality Issues Log which is reviewed and managed by the Data Quality Group, a sub-Group of the OMG.

The technical specification details of the data extracts that form the inputs to the capital model are held in a Data Directory, which is also verified by business owners as part of the self-assessment review. This ensures that the data specifications are regularly kept up-to-date.

An overview of each of the data flows is illustrated below.



There are a number of data items that feed into the capital model. Each of these sources of data is subject to all of the requirements of the internal model:

- **Technical provisions**. These are provided by the Actuarial Function and comprise of undiscounted paid and incurred claim and ultimate premium and claims, by class, currency and year of account
- **Claims development patterns**. These are taken from the actuarial technical provisions. They comprise of paid and incurred claim patterns by class of business and currency to support discounting of the liabilities in the capital model
- **Reserve risk parameterisation**. This takes the output from the reserve variability analysis carried out by the Actuarial Function, with the parameters held at class of business level
- **Business plans**. These are taken from the business planning database, and comprises the full business plan by class of business
- **Large and attritional loss parameterisation**. This is the output from the large and attritional loss parameterisation process, which is currently carried out by the Actuarial Function
- **Reinsurance programmes**. This is the data detailing the outwards reinsurance programmes that QBE EO has in place, and is taken from the reinsurance schematics produced by the Underwriting and Reinsurance Review Department
- **Split of reinsurers on technical provisions**. This is taken from a query in the Group's reinsurance reporting system that produces the split of the reinsurance asset on the balance sheet at any quarter end by legal entity. The system itself is supported by QBE Group, although the Underwriting and Reinsurance Review Department maintain Group ownership for the data
- **Reinsurer and broker default rates**. These are taken from Standard and Poor's reports on the downgrade and default probabilities for differently rated companies and overlaid with any judgement by the Group Security Committee
- **Natural catastrophe model output**. This is the output from RMS, which comprises of event loss tables for different classes of business, and is received from the Exposure and Catastrophe Management team. Realistic Event Methodology (REM) data is also used to assess the risk from regions and perils not modelled by RMS

- **Realistic disaster scenarios**. This data is the output from the RDS exercise conducted twice a year. This is used to help validate the catastrophe losses generated within the capital model, parameterise the man-made catastrophe risks and parameterise the non-modelled classes within the natural catastrophe risk
- **Asset mix**. This data lists the different investments held by each legal entity within the Group. These assets are input into the model as the opening asset position
- **Total Risk Assessment (TRA).** This data is taken from within the ERM team and provides the operational risk parameters
- **Group Risk Dashboard.** Used to parameterise the group risk distributions. Data is taken from within the ERM team
- **Asset model output**. This data is the output from the asset model, which is the distribution of asset returns split by asset type, currency and term (as well as inflation and currency exchange rates in the future)
- **Liquidity borrowing rate**. This is the rate at which money can be borrowed to cover short term cashflow restraints
- **Pension data**. This comprises of the pension assets and liabilities, longevity stress tests and benefit payment proportions
- **Financing costs and other capital requirements**. These are the expected debt servicing costs for the Group and any capital to support the non-regulated financing companies

Where data is taken from other processes, the capital model assumes that it is complete and accurate (these processes will additionally check that their input data is complete and accurate).

5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

When the EOF from all entities is included, the EO Group satisfies and complies with the MCR and SCR requirements.[11] The regulated subsidiaries QUK, QBE Re and QBE Europe also satisfy and comply with the MCR and SCR requirements over the reporting period.

6. Any other information

No other information is considered material regarding the EO Group's capital management.

[11] Any references to non compliance with the SCR are unaudited

Appendix A. QRTs

QBE EO

Template code	Template name
S.32.01.22	Undertakings in the scope of the group
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business – Non-Life
S.05.01.02	Premiums, claims and expenses by line of business - Life
S.05.02.01	Premiums, claims and expenses by country – Non-Life
S.05.02.01	Premiums, claims and expenses by country - Life
S.23.01.22	Own Funds
S.25.03.22	Solvency Capital Requirement - for undertakings on Full Internal Models

QUK

Template code	Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business – Non-Life
S.05.01.02	Premiums, claims and expenses by line of business - Life
S.05.02.01	Premiums, claims and expenses by country – Non-Life
S.05.02.01	Premiums, claims and expenses by country - Life
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.03.21	Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01	Minimum Capital Requirement

QBE Re

Template code	Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business – Non-Life
S.05.01.02	Premiums, claims and expenses by line of business - Life
S.05.02.01	Premiums, claims and expenses by country – Non-Life
S.05.02.01	Premiums, claims and expenses by country - Life
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims
S.23.01.01	Own Funds
S.25.03.21	Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01	Minimum Capital Requirement

QBE Europe

Template code	Template name
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business – Non-Life*
S.05.01.02	Premiums, claims and expenses by line of business – Life*
S.05.02.01	Premiums, claims and expenses by country – Non-Life*
S.05.02.01	Premiums, claims and expenses by country – Life*
S.12.01.02	Life and Health SLT Technical Provisions*
S.17.01.02	Non-Life Technical Provisions
S.19.01.21	Non-Life insurance claims*
S.23.01.01	Own Funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement

*No template submitted to the PRA.

EO Group (All values in £'000)

S.32.01.22

Undertakings in the scope of the group

									Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	**Identification code of the undertaking**	**Type of code of the ID of the undertaking**	**Legal Name of the undertaking**	**Type of undertaking**	**Legal form**	**Category (mutual/non mutual)**	**Supervisory Authority**	**% capital share**	**% used for the establishment of consolidated accounts**	**% voting rights**	**Other criteria**	**Level of influence**	**Proportional share used for group solvency calculation**	**YES/NO**	**Date of decision if art. 214 is applied**	**Method used and under method 1, treatment of the undertaking**
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	DE	213800DE00003	2 - Specific code	GREENHILL BAIA UNDERWRITING GMBH	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
2	GB	213800F6M2ZYHXYJOV75	1 - LEI	QBE MANAGEMENT SERVICES (UK) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
3	GB	213800ADAKQM582OZM57	1 - LEI	QBE RE (EUROPE) LIMITED	3 - Reinsurance undertaking	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
4	CA	213800CA00024	2 - Specific code	QBE SERVICES INC.	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
5	GB	213800GB00015	2 - Specific code	STANDFAST CORPORATE UNDERWRITERS LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
6	GB	213800G4VF3APWBP7231	1 - LEI	QBE UNDERWRITING LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
7	CZ	213800CZ00006	2 - Specific code	QBE, S. R. O.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
8	SK	213800SK00007	2 - Specific code	QBE SK, S. R. O.	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
9	CZ	213800CZ00017	2 - Specific code	LIFECO S. R. O.	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
10	GB	213800GB00004	2 - Specific code	GREENHILL STURGE UNDERWRITING LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
11	GB	213800GB00005	2 - Specific code	GREENHILL UNDERWRITING ESPANA LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
12	GB	2138001VJLIGBUFEQE54	1 - LEI	QBE HOLDINGS (EO) LIMITED	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
13	GB	213800GB00008	2 - Specific code	RIDGWELL FOX AND PARTNERS (UNDERWRITING MANAGEMENT) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
14	AU	213800AU00013	2 - Specific code	QBE INVESTMENTS (AUSTRALIA) PTY LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
15	IE	213800CDFJ12UGMK9342	1 - LEI	QBE MANAGEMENT (IRELAND) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
16	GB	213800GB00009	2 - Specific code	QBE INSURANCE SERVICES (REGIONAL) LIMITED	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
17	GB	213800GB00011	2 - Specific code	QBE PARTNER SERVICES (EUROPE) LLP	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
18	GB	2138001YKXKPQ6DYEI15	1 - LEI	QBE FINANCE HOLDINGS (EO) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
19	GB	213800M5ZP1KSX9UYB71	1 - LEI	QBE CORPORATE LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
20	AU	213800AU00022	2 - Specific code	QBE EUROPEAN UNDERWRITING SERVICES (AUSTRALIA) PTY LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
21	IE	213800IE00027	2 - Specific code	QBE UNDERWRITING SERVICES (IRELAND) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
22	GB	213800GB00028	2 - Specific code	QBE UNDERWRITING SERVICES (UK) LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
23	GB	213800GB00029	2 - Specific code	QBE EUROPEAN SERVICES LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
24	GB	2138003HAOJ2X4PBKS90	1 - LEI	QBE UK FINANCE IV LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
25	GB	213800791EF5XP7WW494	1 - LEI	QBE EUROPEAN OPERATIONS PLC	5 - Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	2 - Non-mutual							0.00%	1 - Included in the scope		1 - Method 1: Full consolidation
26	GB	213800GB00016	2 - Specific code	GREENHILL INTERNATIONAL INSURANCE HOLDINGS LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
27	GB	2138008RZQUZIMFBAS79	1 - LEI	QBE UK LIMITED	2 - Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
28	SG	213800SG00035	2 - Specific code	QBE INTERNATIONAL MARKETS PTE. LTD	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
29	GB	213800GB00036	2 - Specific code	QBE SERVICES LIMITED	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		Method 1: Adjusted equity method
30	BE	213800PWJMAF6INXSV90	1 - LEI	QBE EUROPE SA/NV	4 - Composite undertaking	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	National Bank of Belgium	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
31	CH	213800CH00002	2 - Specific code	ANEX JENNI & PARTNER SA	10 - Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation

EO Group (All values in £'000)

S.02.01.02

Balance sheet

		Actual
		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	67,220
R0050	Pension benefit surplus	28,627
R0060	Property, plant & equipment held for own use	26,602
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	5,695,110
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	21,253
R0100	*Equities*	34
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	34
R0130	*Bonds*	4,863,055
R0140	*Government Bonds*	1,050,168
R0150	*Corporate Bonds*	3,580,313
R0160	*Structured notes*	-
R0170	*Collateralised securities*	232,574
R0180	*Collective Investments Undertakings*	777,969
R0190	*Derivatives*	12,511
R0200	*Deposits other than cash equivalents*	20,288
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	97,212
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	97,212
R0270	Reinsurance recoverables from:	908,421
R0280	*Non-life and health similar to non-life*	884,844
R0290	*Non-life excluding health*	845,528
R0300	*Health similar to non-life*	39,316
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	23,577
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	23,577
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	121,816
R0360	Insurance and intermediaries receivables	341,812
R0370	Reinsurance receivables	100,321
R0380	Receivables (trade, not insurance)	80,364
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	218,500
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	7,686,005

EO Group (All values in £'000)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	4,511,480
R0520	*Technical provisions - non-life (excluding health)*	4,413,017
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	3,875,783
R0550	*Risk margin*	537,234
R0560	*Technical provisions - health (similar to non-life)*	98,463
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	85,828
R0590	*Risk margin*	12,635
R0600	Technical provisions - life (excluding index-linked and unit-linked)	138,459
R0610	*Technical provisions - health (similar to life)*	548
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	440
R0640	*Risk margin*	108
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	137,911
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	109,736
R0680	*Risk margin*	28,175
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	20,755
R0760	Pension benefit obligations	12,940
R0770	Deposits from reinsurers	33,400
R0780	Deferred tax liabilities	761
R0790	Derivatives	25,363
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	18,734
R0830	Reinsurance payables	105,369
R0840	Payables (trade, not insurance)	370,046
R0850	Subordinated liabilities	1,118,342
R0860	*Subordinated liabilities not in BOF*	692,362
R0870	*Subordinated liabilities in BOF*	425,980
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	6,355,649
R1000	**Excess of assets over liabilities**	1,330,356

EO Group (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	-	4,083	-	252,656	51,639	76,249	331,047	525,285	60,386	3,290	12	-116					1,304,531
R0120	Gross - Proportional reinsurance accepted	1,514	43,758	-	4,995	4,543	1,814	68,697	17,902	20,137	-	-	-13					163,347
R0130	Gross - Non-proportional reinsurance accepted													19,422	92,783	49,936	120,890	283,031
R0140	Reinsurers' share	558	532	-	23,418	617	7,165	89,122	47,087	21,487	-137	-7	462	249	5,798	30,602	30,785	257,738
R0200	Net	956	47,309	-	234,233	55,565	70,898	310,622	496,100	59,036	3,427	19	-591	19,173	86,985	19,334	90,105	1,493,171
	Premiums earned																	
R0210	Gross - Direct Business	-	3,526	-	249,724	51,069	71,499	332,149	509,945	58,802	2,006	5	294					1,279,019
R0220	Gross - Proportional reinsurance accepted	1,619	34,274	-	5,324	4,538	1,952	66,058	16,666	20,262	-	-	-13					150,680
R0230	Gross - Non-proportional reinsurance accepted													19,344	95,469	46,648	118,897	280,358
R0240	Reinsurers' share	558	579	-	25,013	623	8,164	90,910	47,458	16,405	-103	-7	457	246	6,249	32,229	31,352	260,133
R0300	Net	1,061	37,221	-	230,035	54,984	65,287	307,297	479,153	62,659	2,109	12	-176	19,098	89,220	14,419	87,545	1,449,924
	Claims incurred																	
R0310	Gross - Direct Business	-112	3,027	-	155,808	46,582	34,855	186,818	265,735	22,100	2,609	104	698					718,224
R0320	Gross - Proportional reinsurance accepted	383	33,681	-	2,726	2,320	1,367	37,966	2,651	8,919	-	-	-107					89,906
R0330	Gross - Non-proportional reinsurance accepted													19,740	60,324	25,024	46,434	151,522
R0340	Reinsurers' share	-	1,034	-	21,074	-596	-7,107	-5,365	949	4,203	243	-1	-3,793	1,194	-6,172	20,218	30,669	56,550
R0400	Net	271	35,674	-	137,460	49,498	43,329	230,149	267,437	26,816	2,366	105	4,384	18,546	66,496	4,806	15,765	903,102
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0430	Gross - Non-proportional reinsurance accepted													-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0550	**Expenses incurred**	374	8,263	-	73,503	17,051	19,509	128,013	179,349	26,120	518	6	164	4,413	23,915	6,152	25,114	512,464
R1200	**Other expenses**																	-
R1300	**Total expenses**																	512,464

EO Group (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business
Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross							-204	48,894	48,690
R1420	Reinsurers' share							-	1,414	1,414
R1500	Net							-204	47,480	47,276
	Premiums earned									
R1510	Gross							-204	48,894	48,690
R1520	Reinsurers' share							-	1,414	1,414
R1600	Net							2,026	61,696	63,722
	Claims incurred									
R1610	Gross						-2,513	-83	32,309	29,713
R1620	Reinsurers' share						-3,684	-	418	-3,266
R1700	Net						1,171	-83	31,891	32,979
	Changes in other technical provisions									
R1710	Gross									-
R1720	Reinsurers' share									-
R1800	Net									-
R1900	**Expenses incurred**							13	10,957	10,970
R2500	**Other expenses**									-
R2600	**Total expenses**									10,970

EO Group (All values in £'000)

S.05.02.01
Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010			France (FR)	Belgium (BE)	Netherlands (NL)	Switzerland (CH)	Japan (JP)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	878,741	157,885	42,814	36,589	57,693	32,279	1,206,001
R0120	Gross - Proportional reinsurance accepted	2,454	21,537	8,781	- 154	2,242	974	35,834
R0130	Gross - Non-proportional reinsurance accepted	14,493	53,509	8,078	20,985	- 2,769	16,661	110,957
R0140	Reinsurers' share	115,541	28,686	9,835	3,880	6,719	10,211	174,872
R0200	Net	780,147	204,245	49,838	53,540	50,447	39,703	1,177,920
	Premiums earned							
R0210	Gross - Direct Business	865,914	131,540	38,843	38,575	58,732	32,800	1,166,404
R0220	Gross - Proportional reinsurance accepted	2,357	21,421	7,726	- 145	2,211	797	34,367
R0230	Gross - Non-proportional reinsurance accepted	12,923	53,594	7,727	19,081	- 2,817	16,044	106,552
R0240	Reinsurers' share	116,084	28,384	9,064	4,058	6,400	10,519	174,509
R0300	Net	765,110	178,171	45,232	53,453	51,726	39,122	1,132,814
	Claims incurred							
R0310	Gross - Direct Business	466,322	99,296	5,418	28,946	48,831	- 16,422	632,391
R0320	Gross - Proportional reinsurance accepted	1,118	14,391	8,592	- 1,810	- 2,785	310	19,816
R0330	Gross - Non-proportional reinsurance accepted	- 3,756	33,411	5,435	6,251	3,288	11,115	55,744
R0340	Reinsurers' share	15,670	15,802	- 1,890	- 1,982	- 12,466	10,852	25,986
R0400	Net	448,014	131,296	21,335	35,369	61,800	- 15,849	681,965
	Changes in other technical provisions							
R0410	Gross - Direct Business	-	-	-	-	-	-	-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-
R0550	**Expenses incurred**	264,917	64,288	15,793	13,659	17,819	15,002	391,478
R1200	**Other expenses**							-
R1300	**Total expenses**							391,478

EO Group (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
			Top 5 countries (by amount of gross premiums written) - life obligations					
R1400		Home Country	Belgium (BE)	Chile (CL)	Colombia (CO)	USA (US)	Spain (ES)	Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	434	16,542	5,901	3,608	3,498	3,068	33,051
R1420	Reinsurers' share	- 36	547	230	140	50	111	1,042
R1500	Net	470	15,995	5,671	3,468	3,448	2,957	32,009
	Premiums earned							
R1510	Gross	434	16,542	5,901	3,608	3,498	3,068	33,051
R1520	Reinsurers' share	- 36	547	230	140	50	111	1,042
R1600	Net	470	15,995	5,671	3,468	3,448	2,957	32,009
	Claims incurred							
R1610	Gross	- 1,432	12,168	6,480	1,667	- 391	2,458	20,950
R1620	Reinsurers' share	- 2,437	148	64	17	19	29	- 2,160
R1700	Net	1,005	12,020	6,416	1,650	- 410	2,429	23,110
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	80	3,732	1,344	821	766	696	7,439
R2500	**Other expenses**							-
R2600	**Total expenses**							7,439

EO Group (All values in £'000)

S.23.01.22

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	996,078	996,078	-	-	-
R0020	*Non-available called but not paid in ordinary share capital at group level*	-	-	-	-	-
R0030	Share premium account related to ordinary share capital	-	-	-	-	-
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-	-	-	-
R0050	Subordinated mutual member accounts	-	-	-	-	-
R0060	*Non-available subordinated mutual member accounts at group level*	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0080	*Non-available surplus funds at group level*	-	-	-	-	-
R0090	Preference shares	232,036	-	232,036	-	-
R0100	*Non-available preference shares at group level*	-	-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0120	*Non-available share premium account related to preference shares at group level*	-	-	-	-	-
R0130	Reconciliation reserve	- 86,868	- 86,868	-	-	-
R0140	Subordinated liabilities	425,980	-	-	425,980	-
R0150	*Non-available subordinated liabilities at group level*	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	66,458	-	-	-	66,458
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	48,963	-	-	-	48,963
R0180	Other items approved by supervisory authority as basic own funds not specified above					
R0190	*Non available own funds related to other own funds items approved by supervisory authority*					
R0200	Minority interests (if not reported as part of a specific own fund item)					
R0210	*Non-available minority interests at group level*					
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	-				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	-				
R0250	Deductions for participations where there is non-availability of information (Article 229)	-				
R0260	Deduction for participations included by using D&A when a combination of methods is used	-				
R0270	**Total of non-available own fund items**	48,963	-	-	-	48,963
R0280	**Total deductions**	48,963	-	-	-	48,963
R0290	**Total basic own funds after deductions**	1,584,721	909,210	232,036	425,980	17,495
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0380	Non available ancillary own funds at group level	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	-				
R0420	Institutions for occupational retirement provision	-				
R0430	Non regulated entities carrying out financial activities	-				
R0440	**Total own funds of other financial sectors**	-	-	-	-	-

EO Group (All values in £'000)

S.23.01.22
Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	-				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	-				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	1,584,721	909,210	232,036	425,980	17,495
R0530	Total available own funds to meet the minimum consolidated group SCR	1,567,226	909,210	232,036	425,980	-
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	1,584,722	909,210	227,302	430,715	17,495
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	1,253,666	909,210	227,302	117,154	-
R0610	**Minimum consolidated Group SCR**	585,768				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	214%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	1,584,722	909,210	227,302	430,715	17,495
R0680	**Group SCR**	1,214,287				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	131%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,330,356
R0710	Own shares (held directly and indirectly)	-
R0720	Forseeable dividends, distributions and charges	96,400
R0730	Other basic own fund items	1,294,572
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	26,252
R0750	Other non available own funds	-
R0760	**Reconciliation reserve**	- 86,868
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	7,154
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	294,663
R0790	**Total Expected profits included in future premiums (EPIFP)**	301,817

EO Group (All values in £'000)

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	1,963,032
R0060	Diversification	- 748,745
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency capital requirement excluding capital add-on**	1,214,287
R0210	Capital add-ons already set	
R0220	**Solvency capital requirement**	1,214,287
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group solvency capital requirement	585,768
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	-
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	
R0540	Capital requirement for non-controlled participation requirements	
R0550	Capital requirement for residual undertakings	

EO Group (All values in £'000)

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	10300I	Interest rate risk	63,282
2	10400I	Equity risk	79,338
3	10600I	Property risk	17,543
4	10700I	Spread risk	272,900
5	10900I	Currency risk	97,591
6	11040I	Other market risk (Liquidity risk)	8,530
7	19900I	Diversification within market risk	- 207,476
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	169,808
9	20200I	Type 2 counterparty default risk (Premium credit risk)	13,696
10	29900I	Diversification within counterparty risk	- 13,654
11	50130I	Premium risk	423,956
12	50240I	Reserve risk	810,611
13	50300I	Non-life catastrophe risk	260,904
14	59900I	Diversification within non-life underwriting risk	- 406,245
15	70190I	Operational risk (excluding group risk)	126,348
16	70110I	Group risk	56,243
17	79900I	Diversification within operational risk	- 43,059
18	8049AI	Net asset value of QBE Corporate	6,000
19	8049BI	Debt servicing costs net of loan repayments	26,700
20	8049CI	Capital supporting financing companies	-
21	8049DI	Capital adjustments	-
22	80110P	Total pension risk including market and pension benefit risks	200,016

QUK (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	29,610
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	1,432
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	3,355,928
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	284
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	2,848,945
R0140	*Government Bonds*	766,954
R0150	*Corporate Bonds*	1,941,479
R0160	*Structured notes*	-
R0170	*Collateralised securities*	140,512
R0180	*Collective Investments Undertakings*	481,792
R0190	*Derivatives*	4,620
R0200	*Deposits other than cash equivalents*	20,287
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	235,406
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	235,406
R0270	Reinsurance recoverables from:	829,515
R0280	*Non-life and health similar to non-life*	805,899
R0290	*Non-life excluding health*	768,763
R0300	*Health similar to non-life*	37,136
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	23,616
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	23,616
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	6,190
R0360	Insurance and intermediaries receivables	312,896
R0370	Reinsurance receivables	74,180
R0380	Receivables (trade, not insurance)	47,125
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	149,316
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	5,041,598

QUK (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	3,455,594
R0520	*Technical provisions - non-life (excluding health)*	3,445,657
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	3,080,537
R0550	*Risk margin*	365,120
R0560	*Technical provisions - health (similar to non-life)*	9,937
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	8,666
R0590	*Risk margin*	1,271
R0600	Technical provisions - life (excluding index-linked and unit-linked)	58,297
R0610	*Technical provisions - health (similar to life)*	
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	58,297
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	48,671
R0680	*Risk margin*	9,626
R0690	Technical provisions - index-linked and unit-linked	
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	2,372
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	704
R0780	Deferred tax liabilities	-
R0790	Derivatives	10,481
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	214,567
R0830	Reinsurance payables	98,500
R0840	Payables (trade, not insurance)	66,816
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	3,907,331
R1000	**Excess of assets over liabilities**	1,134,267

QUK (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	-	4,082	-	252,656	51,639	76,249	331,047	525,285	60,386	3,290	12	-116	-	-	-	-	1,304,530
R0120	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	2,295	3,018	-	-	-	-	-	-	-	-	5,313
R0130	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-	-6	28,283	48,508	17,513	94,298
R0140	Reinsurers' share	558	103	-	23,418	617	7,116	75,998	47,604	20,547	-137	-7	462	92	506	30,517	312	207,706
R0200	Net	-558	3,979	-	229,238	51,022	69,133	257,344	480,699	39,839	3,427	19	-578	-98	27,777	17,991	17,201	1,196,435
	Premiums earned																	
R0210	Gross - Direct Business	-	3,526	-	249,724	51,069	71,499	332,149	509,945	58,802	2,006	5	294	-	-	-	-	1,279,019
R0220	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	1,250	2,010	-	-	-	-	-	-	-	-	3,260
R0230	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-	-6	27,465	45,245	13,478	86,182
R0240	Reinsurers' share	558	151	-	25,013	623	8,116	77,515	47,974	15,427	-103	-7	457	92	904	32,143	169	209,032
R0300	Net	-558	3,375	-	224,711	50,446	63,383	255,884	463,981	43,375	2,109	12	-163	-98	26,561	13,102	13,309	1,159,429
	Claims incurred																	
R0310	Gross - Direct Business	-112	3,027	-	155,808	46,582	34,855	186,818	265,735	22,100	2,608	104	698	-	-	-	-	718,223
R0320	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	131	954	-	-	-	-	-	-	-	-	1,085
R0330	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-	-304	15,697	24,553	4,439	44,385
R0340	Reinsurers' share	-	-150	-	21,034	-596	-7,396	-7,407	855	4,276	243	-1	-3,803	1,278	-11,670	20,850	-757	16,756
R0400	Net	-112	3,177	-	134,774	47,178	42,251	194,356	265,834	17,824	2,365	105	4,501	-1,582	27,367	3,703	5,196	746,937
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0430	Gross - Non-proportional reinsurance accepted													-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0550	**Expenses incurred**	-25	2,284	-	71,742	15,433	18,751	101,100	172,073	19,694	515	6	34	14	9,142	5,642	3,223	419,628
R1200	**Other expenses**																	-
R1300	**Total expenses**																	419,628

QUK (All values in £'000)

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross									-
R1420	Reinsurers' share									-
R1500	Net									-
	Premiums earned									
R1510	Gross									-
R1520	Reinsurers' share									-
R1600	Net									-
	Claims incurred									
R1610	Gross						- 828			- 828
R1620	Reinsurers' share						- 2,443			- 2,443
R1700	Net						1,615			1,615
	Changes in other technical provisions									
R1710	Gross									-
R1720	Reinsurers' share									-
R1800	Net									-
R1900	**Expenses incurred**									-
R2500	**Other expenses**									-
R2600	**Total expenses**									-

QUK (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010			France (FR)	Germany (DE)	Ireland (IE)	Italy (IT)	Spain (ES)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	878,741	157,885	32,279	36,589	57,693	42,814	1,206,001
R0120	Gross - Proportional reinsurance accepted	1	669	450	-	68	160	1,348
R0130	Gross - Non-proportional reinsurance accepted	8,789	1,014	6,916	14,305	-4,919	3,716	29,821
R0140	Reinsurers' share	115,046	18,217	7,642	3,288	6,169	8,829	159,191
R0200	Net	772,485	141,351	32,003	47,606	46,673	37,861	1,077,979
	Premiums earned							
R0210	Gross - Direct Business	865,914	131,540	32,800	38,575	58,732	38,843	1,166,404
R0220	Gross - Proportional reinsurance accepted	1	571	274	-	42	96	984
R0230	Gross - Non-proportional reinsurance accepted	7,239	920	6,183	12,374	-4,980	3,343	25,079
R0240	Reinsurers' share	115,568	17,786	7,886	3,449	5,837	8,042	158,568
R0300	Net	757,586	115,245	31,371	47,500	47,957	34,240	1,033,899
	Claims incurred							
R0310	Gross - Direct Business	466,322	99,296	-16,422	28,946	48,831	5,418	632,391
R0320	Gross - Proportional reinsurance accepted	-29	219	103	-	7	46	346
R0330	Gross - Non-proportional reinsurance accepted	-9,784	-264	5,828	965	615	3,488	848
R0340	Reinsurers' share	9,281	1,470	616	265	498	712	12,842
R0400	Net	447,228	97,781	-11,107	29,646	48,955	8,240	620,743
	Changes in other technical provisions							
R0410	Gross - Direct Business	-	-	-	-	-	-	-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-
R0550	**Expenses incurred**	263,077	47,482	12,723	11,939	16,422	12,383	364,026
R1200	**Other expenses**							-
R1300	**Total expenses**							364,026

QUK (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
R1400								
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross							-
R1420	Reinsurers' share							-
R1500	Net							-
	Premiums earned							
R1510	Gross							-
R1520	Reinsurers' share							-
R1600	Net							-
	Claims incurred							
R1610	Gross	- 828						- 828
R1620	Reinsurers' share	- 2,443						- 2,443
R1700	Net	1,615						1,615
	Changes in other technical provisions							
R1710	Gross							-
R1720	Reinsurers' share							-
R1800	Net							-
R1900	**Expenses incurred**							-
R2500	**Other expenses**							-
R2600	**Total expenses**							-

QUK (All values in £'000)

S.12.01.02
Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	-	-			-			-	-	-	-			-	-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-			-			-	-	-	-			-	-	-
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	-		-	-		-	-	48,671	-	48,671		-	-	-	-	-
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-	23,616	-	23,616		-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-	25,055	-	25,055		-	-	-	-	-
R0100	**Risk margin**	-	-			-			9,626	-	9,626	-			-	-	-
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	-	-			-			-	-	-	-			-	-	-
R0200	**Technical provisions - total**	-	-			-			58,297	-	58,297	-			-	-	-

QUK (All values in £'000)

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	-
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-	381	-	73,932	18,227	18,167	96,027	185,607	26,112	-428	-32	-6	-	16,889	-1,418	-3,829	429,629
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-162	-	-796	-637	2,902	-16,651	-8,289	-5,492	51	8	-5	-	-144	-10,247	350	-39,112
R0150	**Net Best Estimate of Premium Provisions**	-	543	-	74,728	18,864	15,265	112,678	193,896	31,604	-479	-40	-1	-	17,033	8,829	-4,179	468,741
	Claims provisions																	
R0160	Gross	2,156	4,544	-	459,884	33,068	138,602	289,244	1,519,014	54,725	3,879	-112	2,365	1,585	93,797	29,747	27,076	2,659,574
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-3	4,371	-	110,014	-7,378	54,608	160,382	461,791	19,727	-999	833	4,383	32,929	-23,591	42,736	-14,793	845,010
R0250	**Net Best Estimate of Claims Provisions**	2,159	173	-	349,870	40,446	83,994	128,862	1,057,223	34,998	4,878	-945	-2,018	-31,344	117,388	-12,989	41,869	1,814,564
R0260	**Total best estimate - gross**	2,156	4,925	-	533,816	51,295	156,769	385,271	1,704,621	80,837	3,451	-144	2,359	1,585	110,686	28,329	23,247	3,089,203
R0270	**Total best estimate - net**	2,159	716	-	424,598	59,310	99,259	241,540	1,251,119	66,602	4,399	-985	-2,019	-31,344	134,421	-4,160	37,690	2,283,305
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
R0280	**Risk margin**	825	446	-	28,955	1,624	21,063	25,738	134,179	8,984	242	14	11	-	124,656	-	19,653	366,390
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	-
R0300	Best estimate																	-
R0310	Risk margin																	-
R0320	**Technical provisions - total**	2,981	5,371	-	562,771	52,919	177,832	411,009	1,838,800	89,821	3,693	-130	2,370	1,585	235,342	28,329	42,900	3,455,593
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-3	4,209	-	109,218	-8,015	57,510	143,731	453,502	14,235	-948	841	4,378	32,929	-23,735	32,489	-14,443	805,898
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	2,984	1,162	-	453,553	60,934	120,322	267,278	1,385,298	75,586	4,641	-971	-2,008	-31,344	259,077	-4,160	57,343	2,649,695

QUK (All values in £'000)

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020	Accident year / underwriting year	Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

	Year	C0010 0	C0020 1	C0030 2	C0040 3	C0050 4	C0060 5	C0070 6	C0080 7	C0090 8	C0100 9	C0110 10 & +	C0170 In Current year	C0180 Sum of years (cumulative)
		Development year												
R0100	Prior											78,026	78,026	78,026
R0160	2009	66,175	216,253	158,930	97,718	76,897	68,076	36,250	14,293	12,416	14,209		14,209	761,217
R0170	2010	73,215	209,523	144,938	87,337	66,410	54,898	20,567	9,842	11,489			11,489	678,219
R0180	2011	61,934	238,698	201,463	170,141	68,539	48,931	18,389	10,650				10,650	818,745
R0190	2012	50,320	163,823	112,345	104,240	77,099	51,767	40,183					40,183	599,777
R0200	2013	124,139	248,669	260,165	136,187	70,830	61,340						61,340	901,330
R0210	2014	61,585	203,102	129,425	62,956	62,959							62,959	520,027
R0220	2015	64,961	261,647	127,069	96,514								96,514	550,191
R0230	2016	55,067	212,919	152,073									152,073	420,059
R0240	2017	49,556	199,490										199,490	249,046
R0250	2018	60,921											60,921	60,921
R0260												Total	787,854	5,637,558

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200 0	C0210 1	C0220 2	C0230 3	C0240 4	C0250 5	C0260 6	C0270 7	C0280 8	C0290 9	C0300 10 & +	C0360 Year end (discounted data)
		Development year											
R0100	Prior											222,817	222,817
R0160	2009								83,906	77,751	45,281		42,929
R0170	2010							106,279	88,917	60,515			57,334
R0180	2011						170,304	133,168	99,668				94,972
R0190	2012					229,329	165,751	140,154					131,983
R0200	2013				428,799	310,869	228,335						218,366
R0210	2014			436,469	347,432	249,204							239,377
R0220	2015		651,381	485,196	357,906								345,017
R0230	2016	464,308	598,939	457,589									440,935
R0240	2017	360,500	509,257										491,398
R0250	2018	394,971											374,448
R0260												Total	2,659,576

QUK (All values in £'000)

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	625,905	625,905	-	-	-
R0030	Share premium account related to ordinary share capital	297,629	297,629	-	-	-
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-	-	-	-
R0050	Subordinated mutual member accounts	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0090	Preference shares	-	-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0130	Reconciliation reserve	168,813	168,813	-	-	-
R0140	Subordinated liabilities	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	29,610	-	-	-	29,610
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	-				
R0230	**Deductions for participations in financial and credit institutions**	-	-	-	-	
R0290	**Total basic own funds after deductions**	1,121,957	1,092,347	-	-	29,610
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	1,121,957	1,092,347	-	-	29,610
R0510	Total available own funds to meet the MCR	1,092,347	1,092,347	-	-	-
R0540	Total eligible own funds to meet the SCR	1,121,957	1,092,347	-	-	29,610
R0550	Total eligible own funds to meet the MCR	1,092,347	1,092,347	-	-	-
R0580	**SCR**	884,857				
R0600	**MCR**	398,186				
R0620	**Ratio of Eligible own funds to SCR**	127%				
R0640	**Ratio of Eligible own funds to MCR**	274%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	1,134,267
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	953,144
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	12,310
R0760	**Reconciliation reserve**	168,813
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	-
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	222,007
R0790	**Total Expected profits included in future premiums (EPIFP)**	222,007

QUK (All values in £'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
	C0010	C0020	C0030
1	10300I	Interest rate risk	28,213
2	10400I	Equity risk	54,954
3	10600I	Property risk	11,097
4	10700I	Spread risk	182,360
5	10900I	Currency risk	60,409
6	11040I	Other market risk (Liquidity risk)	9,941
7	19900I	Diversification within market risk	- 106,875
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	161,757
9	20200I	Type 2 counterparty default risk (Premium credit risk)	9,510
10	29900I	Diversification within counterparty risk	- 9,552
11	50130I	Premium risk	340,858
12	50240I	Reserve risk	658,139
13	50300I	Non-life catastrophe risk	166,327
14	59900I	Diversification within non-life underwriting risk	- 297,451
15	70190I	Operational risk (excluding group risk)	42,416
16	70110I	Group risk	111,474
17	79900I	Diversification within operational risk	- 33,606
18	8049BI	Debt servicing costs net of loan repayments	-
19	8049DI	Capital adjustments	- 5,000
20	80110P	Total pension risk including market and pension benefit risks	-

QUK (All values in £'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	1,384,971
R0060	Diversification	- 500,114
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	884,857
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	884,857
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	-
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	-
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	-
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	-
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	-
R0440	Diversification effects due to RFF nSCR aggregation for article 304	-

QUK (All values in £'000)

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCRNL Result	400,880

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	2,158	-
R0030	Income protection insurance and proportional reinsurance	716	6,603
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	424,598	249,494
R0060	Other motor insurance and proportional reinsurance	59,310	54,153
R0070	Marine, aviation and transport insurance and proportional reinsurance	99,259	68,769
R0080	Fire and other damage to property insurance and proportional reinsurance	241,540	316,682
R0090	General liability insurance and proportional reinsurance	1,251,118	527,304
R0100	Credit and suretyship insurance and proportional reinsurance	66,602	68,518
R0110	Legal expenses insurance and proportional reinsurance	4,399	5,758
R0120	Assistance and proportional reinsurance	-	869
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	-	1,861
R0150	Non-proportional casualty reinsurance	134,422	46,160
R0160	Non-proportional marine, aviation and transport reinsurance	-	28,866
R0170	Non-proportional property reinsurance	37,690	19,507

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	526

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	-	-
R0220	Obligations with profit participation - future discretionary benefits	-	-
R0230	Index-linked and unit-linked insurance obligations	-	-
R0240	Other life (re)insurance and health (re)insurance obligations	25,055	-
R0250	Total capital at risk for all life (re)insurance obligations	-	-

	Overall MCR calculation	C0070
R0300	Linear MCR	401,406
R0310	SCR	884,857
R0320	MCR cap	398,186
R0330	MCR floor	221,214
R0340	Combined MCR	398,186
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	398,186

QBE Re (All values in €'000)

S.02.01.02

Balance sheet

		Actual
		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	21,401
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	263
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,617,420
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	38
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	38
R0130	*Bonds*	1,375,461
R0140	*Government Bonds*	293,960
R0150	*Corporate Bonds*	979,058
R0160	*Structured notes*	-
R0170	*Collateralised securities*	102,443
R0180	*Collective Investments Undertakings*	237,364
R0190	*Derivatives*	4,556
R0200	*Deposits other than cash equivalents*	1
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	30,761
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	30,761
R0270	Reinsurance recoverables from:	93,961
R0280	*Non-life and health similar to non-life*	94,005
R0290	*Non-life excluding health*	91,192
R0300	*Health similar to non-life*	2,813
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	- 44
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	- 44
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	128,663
R0360	Insurance and intermediaries receivables	31,032
R0370	Reinsurance receivables	29,102
R0380	Receivables (trade, not insurance)	2,333
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	29,859
R0420	Any other assets, not elsewhere shown	36
R0500	**Total assets**	1,984,831

QBE Re (All values in €'000)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	1,175,953
R0520	*Technical provisions - non-life (excluding health)*	1,077,442
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	890,223
R0550	*Risk margin*	187,219
R0560	*Technical provisions - health (similar to non-life)*	98,511
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	85,870
R0590	*Risk margin*	12,641
R0600	Technical provisions - life (excluding index-linked and unit-linked)	89,200
R0610	*Technical provisions - health (similar to life)*	609
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	489
R0640	*Risk margin*	120
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	88,591
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	67,950
R0680	*Risk margin*	20,641
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	1,143
R0760	Pension benefit obligations	6,021
R0770	Deposits from reinsurers	35,248
R0780	Deferred tax liabilities	742
R0790	Derivatives	9,938
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	-
R0830	Reinsurance payables	7,658
R0840	Payables (trade, not insurance)	15,379
R0850	Subordinated liabilities	119,992
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	119,992
R0880	Any other liabilities, not elsewhere shown	3,008
R0900	**Total liabilities**	1,464,282
R1000	**Excess of assets over liabilities**	520,549

QBE Re (All values in €’000)

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0120	Gross - Proportional reinsurance accepted	1,711	49,448	-	5,644	5,134	2,049	75,037	16,820	22,755	-	-	-14	-	-	-	-	178,584
R0130	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-	21,954	72,887	1,614	116,819	213,274
R0140	Reinsurers' share	-	484	-	-	-	55	14,830	-584	1,062	-	-	-	177	5,979	96	34,436	56,535
R0200	Net	1,711	48,964	-	5,644	5,134	1,994	60,207	17,404	21,693	-	-	-14	21,777	66,908	1,518	82,383	335,323
	Premiums earned																	
R0210	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0220	Gross - Proportional reinsurance accepted	1,830	38,730	-	6,016	5,128	2,206	73,235	16,562	22,897	-	-	-14	-	-	-	-	166,590
R0230	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-	21,866	76,848	1,585	119,128	219,427
R0240	Reinsurers' share	-	484	-	-	-	54	15,136	-583	1,105	-	-	-	174	6,040	97	35,238	57,745
R0300	Net	1,830	38,246	-	6,016	5,128	2,152	58,099	17,145	21,792	-	-	-14	21,692	70,808	1,488	83,890	328,272
	Claims incurred																	
R0310	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	Gross - Proportional reinsurance accepted	432	38,060	-	3,080	2,622	1,544	42,755	1,917	10,079	-	-	-121	-	-	-	-	100,368
R0330	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-	22,650	50,431	533	47,456	121,070
R0340	Reinsurers' share	-	1,337	-	45	-	328	2,307	106	-83	-	-	12	-95	6,213	-715	35,513	44,968
R0400	Net	432	36,723	-	3,035	2,622	1,216	40,448	1,811	10,162	-	-	-133	22,745	44,218	1,248	11,943	176,470
	Changes in other technical provisions																	
R0410	Gross - Direct Business	-	-	-	-	-	-	-	-	-	-	-	-					-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-	-	-	-	-	-					-
R0430	Gross - Non-proportional reinsurance accepted													-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0550	**Expenses incurred**	450	6,714	-	1,758	1,777	787	30,053	7,733	7,189	-	-	148	4,954	16,611	531	24,629	103,334
R1200	**Other expenses**																	-
R1300	**Total expenses**																	103,334

QBE Re (All values in €'000)

S.05.01.02

Premiums, claims and expenses by line of business
Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross							- 230	55,253	55,023
R1420	Reinsurers' share							-	1,598	1,598
R1500	Net							- 230	53,655	53,425
	Premiums earned									
R1510	Gross							- 230	55,253	55,023
R1520	Reinsurers' share							-	1,598	1,598
R1600	Net							- 230	53,655	53,425
	Claims incurred									
R1610	Gross						- 1,904	- 93	36,511	34,514
R1620	Reinsurers' share						- 1,402	-	472	- 930
R1700	Net						- 502	- 93	36,039	35,444
	Changes in other technical provisions									
R1710	Gross									-
R1720	Reinsurers' share									-
R1800	Net									-
R1900	**Expenses incurred**							15	12,382	12,397
R2500	**Other expenses**									-
R2600	**Total expenses**									12,397

QBE Re (All values in €'000)

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
R0010			France (FR)	Belgium (BE)	Netherlands (NL)	Switzerland (CH)	Japan (JP)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	-	-	-	-	-	-	-
R0120	Gross - Proportional reinsurance accepted	2,730	23,221	27,812	18,534	12,337	12,129	96,763
R0130	Gross - Non-proportional reinsurance accepted	6,347	58,414	18,306	14,453	16,429	8,853	122,802
R0140	Reinsurers' share	551	11,650	3,456	1,722	3,260	4,686	25,325
R0200	Net	8,526	69,985	42,662	31,265	25,506	16,296	194,240
	Premiums earned							
R0210	Gross - Direct Business	-	-	-	-	-	-	-
R0220	Gross - Proportional reinsurance accepted	2,622	23,200	23,214	15,583	12,306	11,578	88,503
R0230	Gross - Non-proportional reinsurance accepted	6,325	58,614	18,361	14,556	16,522	9,602	123,980
R0240	Reinsurers' share	574	11,793	3,454	1,732	3,288	4,867	25,708
R0300	Net	8,373	70,021	38,121	28,407	25,540	16,313	186,775
	Claims incurred							
R0310	Gross - Direct Business	-	-	-	-	-	-	-
R0320	Gross - Proportional reinsurance accepted	1,276	15,770	19,880	7,705	3,238	4,574	52,443
R0330	Gross - Non-proportional reinsurance accepted	6,707	37,472	10,031	10,245	5,694	- 8,650	61,499
R0340	Reinsurers' share	439	9,266	2,749	1,370	2,593	3,727	20,144
R0400	Net	7,544	43,976	27,162	16,580	6,339	- 7,803	93,798
	Changes in other technical provisions							
R0410	Gross - Direct Business	-	-	-	-	-	-	-
R0420	Gross - Proportional reinsurance accepted	-	-	-	-	-	-	-
R0430	Gross - Non-proportional reinsurance accepted	-	-	-	-	-	-	-
R0440	Reinsurers' share	-	-	-	-	-	-	-
R0500	Net	-	-	-	-	-	-	-
R0550	**Expenses incurred**	2,048	18,701	11,041	7,950	7,931	6,233	53,904
R1200	**Other expenses**							-
R1300	**Total expenses**							53,904

QBE Re (All values in €'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
			Top 5 countries (by amount of gross premiums written) - life obligations					
R1400		Home Country	Belgium (BE)	Chile (CL)	Colombia (CO)	USA (US)	Spain (ES)	Total Top 5 and home country
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	482	18,407	6,566	4,014	3,893	3,414	36,776
R1420	Reinsurers' share	- 40	609	256	156	56	124	1,161
R1500	Net	522	17,798	6,310	3,858	3,837	3,290	35,615
	Premiums earned							
R1510	Gross	482	18,407	6,566	4,014	3,893	3,414	36,776
R1520	Reinsurers' share	- 40	609	256	156	56	124	1,161
R1600	Net	522	17,798	6,310	3,858	3,837	3,290	35,615
	Claims incurred							
R1610	Gross	- 671	13,540	7,211	1,855	- 435	2,735	24,235
R1620	Reinsurers' share	7	165	71	19	21	32	315
R1700	Net	- 678	13,375	7,140	1,836	- 456	2,703	23,920
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	89	4,153	1,495	914	852	774	8,277
R2500	**Other expenses**							-
R2600	**Total expenses**							8,277

QBE Re (All values in €'000)

S.12.01.02
Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and	Accepted reinsuranc e	Total (Life other than health insurance, including	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**	-	-			-			-	-	-	-			-	-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-			-			-	-	-	-			-	-	-
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**	-		-	-		-	-	-	67,950	67,950		-	-	-	489	489
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-		- 44	- 44		-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-		67,994	67,994		-	-	-	489	489
R0100	**Risk margin**	-	-			-				20,641	20,641	-			-	120	120
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	-	-			-			-	-	-	-			-	-	-
R0200	**Technical provisions - total**	-	-			-				88,591	88,591	-			-	609	609

QBE Re (All values in €'000)

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	-
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-98	-1,069	-	-419	-481	-163	-9,766	-1,681	-1,573	-	-	-	-6,360	-11,328	-77	-25,059	-58,074
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-628	-	-	-	2	-10,503	-9	-	-	-	2,585	-151	4,032	-5	-13,268	-17,945
R0150	**Net Best Estimate of Premium Provisions**	-98	-441	-	-419	-481	-165	737	-1,672	-1,573	-	-	-2,585	-6,209	-15,360	-72	-11,791	-40,129
	Claims provisions																	
R0160	Gross	32	42,244	-	15,748	956	2,019	63,535	56,839	19,435	-	-	1,005	51,120	670,993	18,379	91,859	1,034,164
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	1,695	-	271	-	652	13,848	1,068	300	-	-	5,038	1,896	64,932	1,545	20,703	111,948
R0250	**Net Best Estimate of Claims Provisions**	32	40,549	-	15,477	956	1,367	49,687	55,771	19,135	-	-	-4,033	49,224	606,061	16,834	71,156	922,216
R0260	**Total best estimate - gross**	-66	41,175	-	15,329	475	1,856	53,769	55,158	17,862	-	-	1,005	44,760	659,665	18,302	66,800	976,090
R0270	**Total best estimate - net**	-66	40,108	-	15,058	475	1,202	50,424	54,099	17,562	-	-	-6,618	43,015	590,701	16,762	59,365	882,087
R0280	**Risk margin**	251	6,817	-	1,596	481	193	7,397	6,776	3,293	-	-	-	5,572	150,357	8,463	8,662	199,858
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	-
R0300	Best estimate																	-
R0310	Risk margin																	-
R0320	**Technical provisions - total**	185	47,992	-	16,925	956	2,049	61,166	61,934	21,155	-	-	1,005	50,332	810,022	26,765	75,462	1,175,948
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-	1,067	-	271	-	654	3,345	1,059	300	-	-	7,623	1,745	68,964	1,540	7,435	94,003
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	185	46,925	-	16,654	956	1,395	57,821	60,875	20,855	-	-	-6,618	48,587	741,058	25,225	68,027	1,081,945

QBE Re (All values in €'000)

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year: Underwriting Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	In Current year	Sum of years (cumulative)
R0100	Prior												-	-
R0160	2009												-	-
R0170	2010												-	-
R0180	2011												-	-
R0190	2012	310,745	164,171	91,779	57,364	61,815	38,850	36,168					36,168	760,892
R0200	2013	19,283	41,055	21,885	11,472	5,257	4,795						4,795	103,747
R0210	2014	27,450	59,470	22,449	9,816	8,284							8,284	127,469
R0220	2015	10,558	40,215	23,623	11,378								11,378	85,774
R0230	2016	23,564	58,920	48,013									48,013	130,497
R0240	2017	29,570	76,903										76,903	106,473
R0250	2018	12,541											12,541	12,541
R0260												Total	198,082	1,327,393

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year	Development year 0	1	2	3	4	5	6	7	8	9	10 & +	Year end (discounted data)
R0100	Prior												-
R0160	2009												-
R0170	2010												-
R0180	2011												-
R0190	2012	-	-	-	-	634,939	609,236	523,528					493,524
R0200	2013	-	-	-	85,045	76,147	64,525						60,165
R0210	2014	-	-	88,912	66,049	59,542							55,003
R0220	2015	-	108,316	93,553	85,398								78,804
R0230	2016	145,184	103,226	97,850									91,036
R0240	2017	155,777	131,721										124,410
R0250	2018	139,566											131,223
R0260												Total	1,034,165

QBE Re (All values in €'000)

S.23.01.01
Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	24,205	24,205	-	-	-
R0030	Share premium account related to ordinary share capital	487,201	487,201	-	-	-
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-	-	-	-
R0050	Subordinated mutual member accounts	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0090	Preference shares	-	-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0130	Reconciliation reserve	- 27,030	- 27,030	-	-	-
R0140	Subordinated liabilities	119,992	-	-	119,992	-
R0160	An amount equal to the value of net deferred tax assets	20,659	-	-	-	20,659
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-			
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	625,027	484,376		119,992	20,659
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	625,027	484,376	-	119,992	20,659
R0510	Total available own funds to meet the MCR	604,368	484,376	-	119,992	-
R0540	Total eligible own funds to meet the SCR	625,027	484,376	-	119,992	20,659
R0550	Total eligible own funds to meet the MCR	524,352	484,376	-	39,976	-
R0580	**SCR**	444,180				
R0600	**MCR**	199,881				
R0620	**Ratio of Eligible own funds to SCR**	141%				
R0640	**Ratio of Eligible own funds to MCR**	262%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	520,549				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	-				
R0730	Other basic own fund items	532,065				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	15,515				
R0760	**Reconciliation reserve**	- 27,031				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	7,960				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	75,538				
R0790	**Total Expected profits included in future premiums (EPIFP)**	83,498				

QBE Re (All values in €'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement
Row	C0010	C0020	C0030
1	10300I	Interest rate risk	53,764
2	10400I	Equity risk	27,364
3	10600I	Property risk	9,721
4	10700I	Spread risk	88,926
5	10900I	Currency risk	70,590
6	11040I	Other market risk (Liquidity risk)	449
7	19900I	Diversification within market risk	- 124,308
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	43,024
9	20200I	Type 2 counterparty default risk (Premium credit risk)	5,943
10	29900I	Diversification within counterparty risk	- 4,718
11	50130I	Premium risk	139,037
12	50240I	Reserve risk	334,227
13	50300I	Non-life catastrophe risk	152,283
14	59900I	Diversification within non-life underwriting risk	- 185,206
15	70190I	Operational risk (excluding group risk)	68,685
16	70110I	Group risk	11,995
17	79900I	Diversification within operational risk	- 10,123
18	8049BI	Debt servicing costs net of loan repayments	-
19	8049DI	Capital adjustments	-
20	80110P	Total pension risk including market and pension benefit risks	7,840

QBE Re (All values in €'000)

S.25.03.21

Solvency Capital Requirement - for undertakings on Full Internal Models

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	689,493
R0060	Diversification	- 245,313
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	444,180
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	444,180
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

QBE Re (All values in €'000)

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCRNL Result	194,864

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	-	373
R0030	Income protection insurance and proportional reinsurance	40,108	45,531
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	15,059	8,205
R0060	Other motor insurance and proportional reinsurance	475	5,585
R0070	Marine, aviation and transport insurance and proportional reinsurance	1,202	2,683
R0080	Fire and other damage to property insurance and proportional reinsurance	50,425	75,116
R0090	General liability insurance and proportional reinsurance	54,098	10,709
R0100	Credit and suretyship insurance and proportional reinsurance	17,562	13,233
R0110	Legal expenses insurance and proportional reinsurance	-	-
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	43,014	17,458
R0150	Non-proportional casualty reinsurance	590,701	76,179
R0160	Non-proportional marine, aviation and transport reinsurance	16,762	222
R0170	Non-proportional property reinsurance	59,365	86,859

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	23,042

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	-	
R0240	Other life (re)insurance and health (re)insurance obligations	68,483	
R0250	Total capital at risk for all life (re)insurance obligations		30,862,240

	Overall MCR calculation	C0070
R0300	Linear MCR	217,906
R0310	SCR	444,180
R0320	MCR cap	199,881
R0330	MCR floor	111,045
R0340	Combined MCR	199,881
R0350	Absolute floor of the MCR	3,600
R0400	**Minimum Capital Requirement**	199,881

QBE Europe (All values in €'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	876
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	-
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	90,000
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	-
R0140	*Government Bonds*	-
R0150	*Corporate Bonds*	-
R0160	*Structured notes*	-
R0170	*Collateralised securities*	-
R0180	*Collective Investments Undertakings*	90,000
R0190	*Derivatives*	-
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	- 6,159
R0280	*Non-life and health similar to non-life*	- 6,159
R0290	*Non-life excluding health*	- 5,772
R0300	*Health similar to non-life*	- 387
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	-
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	-
R0370	Reinsurance receivables	-
R0380	Receivables (trade, not insurance)	1
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	28,855
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	113,573

QBE Europe (All values in €'000)

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	- 1,003
R0520	*Technical provisions - non-life (excluding health)*	- 1,000
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	- 5,304
R0550	*Risk margin*	4,304
R0560	*Technical provisions - health (similar to non-life)*	- 3
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	- 8
R0590	*Risk margin*	5
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	-
R0680	*Risk margin*	-
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	-
R0830	Reinsurance payables	-
R0840	Payables (trade, not insurance)	1,606
R0850	Subordinated liabilities	80,000
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	80,000
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	80,603
R1000	**Excess of assets over liabilities**	32,970

QBE Europe (All values in €'000)

S.17.01.02
Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross	-	- 8	-	- 381	-	- 1,249	- 72	- 1,774	- 29	-	-	-	-	- 28	- 1,322	- 448	- 5,311
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	- 387	-	- 260	-	- 118	- 103	- 3,011	- 772	-	-	-	-	-	- 1,478	- 29	- 6,158
R0150	**Net Best Estimate of Premium Provisions**	-	379	-	- 121	-	- 1,131	31	1,237	743	-	-	-	-	- 28	156	- 419	847
	Claims provisions																	
R0160	Gross	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0250	**Net Best Estimate of Claims Provisions**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0260	**Total best estimate - gross**	-	- 8	-	- 381	-	- 1,249	- 72	- 1,774	- 29	-	-	-	-	- 28	- 1,322	- 448	- 5,311
R0270	**Total best estimate - net**	-	379	-	- 121	-	- 1,131	31	1,237	743	-	-	-	-	- 28	156	- 419	847
R0280	**Risk margin**	-	5	-	379	-	1,777	38	637	-	-	-	-	-	117	621	734	4,308
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	**Technical provisions - total**	-	- 3	-	- 2	-	528	- 34	- 1,137	- 29	-	-	-	-	89	- 701	286	- 1,003
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-	- 387	-	- 260	-	- 118	- 103	- 3,011	- 772	-	-	-	-	-	- 1,478	- 29	- 6,158
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	-	384	-	258	-	646	69	1,874	743	-	-	-	-	89	777	315	5,155

QBE Europe (All values in €'000)

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	39,062	39,062	-	-	-
R0030	Share premium account related to ordinary share capital	-	-	-	-	-
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	-	-	-	-	-
R0050	Subordinated mutual member accounts	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0090	Preference shares	-	-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0130	Reconciliation reserve	- 6,968	- 6,968	-	-	-
R0140	Subordinated liabilities	80,000	-	-	80,000	-
R0160	An amount equal to the value of net deferred tax assets	876	-	-	-	876
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in financial and credit institutions**					
R0290	**Total basic own funds after deductions**	112,970	32,094	-	80,000	876
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	-				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	-				
R0320	Unpaid and uncalled preference shares callable on demand	-				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-				
R0390	Other ancillary own funds	-				
R0400	**Total ancillary own funds**	-			-	-
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	112,970	32,094	-	80,000	876
R0510	Total available own funds to meet the MCR	112,094	32,094	-	80,000	-
R0540	Total eligible own funds to meet the SCR	49,799	32,094	-	17,705	-
R0550	Total eligible own funds to meet the MCR	33,865	32,094	-	1,771	-
R0580	**SCR**	35,411				
R0600	**MCR**	8,853				
R0620	**Ratio of Eligible own funds to SCR**	141%				
R0640	**Ratio of Eligible own funds to MCR**	383%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	32,970
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	39,938
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-
R0760	**Reconciliation reserve**	- 6,968
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	-
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	5,311
R0790	**Total Expected profits included in future premiums (EPIFP)**	5,311

QBE Europe (All values in €'000)

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplification
		C0110	C0090	C0120
Market risk	R0010	2,695		
Counterparty default risk	R0020	859		
Life underwriting risk	R0030	-		
Health underwriting risk	R0040	170		
Non-life underwriting risk	R0050	34,191		
Diversification	R0060	- 2,504		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	35,411		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	-
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency capital requirement excluding capital add-on	R0200	35,411
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	35,411
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

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S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCRNL Result	1,963

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	-	-
R0030	Income protection insurance and proportional reinsurance	380	-
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	-	1,197
R0060	Other motor insurance and proportional reinsurance	-	-
R0070	Marine, aviation and transport insurance and proportional reinsurance	-	5,781
R0080	Fire and other damage to property insurance and proportional reinsurance	31	81
R0090	General liability insurance and proportional reinsurance	1,237	1,800
R0100	Credit and suretyship insurance and proportional reinsurance	743	-
R0110	Legal expenses insurance and proportional reinsurance	-	-
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	-	-
R0150	Non-proportional casualty reinsurance	-	114
R0160	Non-proportional marine, aviation and transport reinsurance	156	1,209
R0170	Non-proportional property reinsurance	-	1,563

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	-

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	-	
R0240	Other life (re)insurance and health (re)insurance obligations	-	
R0250	Total capital at risk for all life (re)insurance obligations		-

	Overall MCR calculation	C0070
R0300	Linear MCR	1,963
R0310	SCR	35,411
R0320	MCR cap	15,935
R0330	MCR floor	8,853
R0340	Combined MCR	8,853
R0350	Absolute floor of the MCR	3,700
R0400	**Minimum Capital Requirement**	8,853

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