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QBE

Solvency and Financial Condition Report

QBE European Operations plc

QBE UK Limited

QBE Europe SA/NV

For the year ended 31 December 2022

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Summary

This document (the Solvency and Financial Condition Report, or 'SFCR') is a single Group SFCR which sets out qualitative and quantitative information on the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management on a Solvency II group basis for QBE European Operations plc ('EO plc' or 'the Company') for the year ended 31 December 2022, and similar information on a solo basis for its UK and Belgian insurance company subsidiaries.

EO plc is a company incorporated in England and Wales whose principal activity is that of a holding and investment company. EO plc is the UK ultimate insurance holding company of the 'EO Group'. UK Solvency II group reporting to the Prudential Regulation Authority ('PRA') is required to be prepared at EO plc level.

EO plc's ultimate parent is the Sydney headquartered QBE Insurance Group Limited ('QBE Group'). QBE Group is listed on the Australian Securities Exchange ('ASX'), is subject to supervision by the Australian Prudential Regulation Authority and is a globally recognised general insurer and reinsurer.

QBE Group manages its operations through three divisions:

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

EO plc indirectly owns the following insurance company subsidiaries through its wholly owned subsidiary QBE Holdings (EO) Limited (QHEO):

QBE UK Limited ('QUK'): QUK is incorporated in England and Wales. QUK is a (re)insurer authorised by the Prudential Regulatory Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA. QUK writes UK and other non-European (re)insurance business. QUK has a branch in the United Arab Emirates.

QBE Europe SA/NV ('QBE Europe'): A Belgium incorporated (re)insurer authorised by the National Bank of Belgium ('NBB'). QBE Europe writes (re)insurance business across the European Economic Area ('EEA') on a Freedom of Services ('FOS') basis through its head office (based in Brussels, Belgium), Freedom of Establishment ('FOE') basis through its EEA branches and in the UK and Bermuda through its UK and Bermudian branches.

EO plc also owns other subsidiary undertakings, through QBE Holdings (EO) Limited, including QBE Corporate Limited ('QBE Corporate') and QBE Underwriting Limited ('QUL'). QBE Corporate participates in two Lloyd's syndicates (Syndicate 2999 and Syndicate 386). These syndicates are managed by EO Group's Lloyd's managing agent QUL.

For the purposes of this document the EO Group is defined as EO plc and its subsidiary undertakings including QUK, QBE Europe, QBE Corporate and QUL.

QUK is required to provide Solvency II reporting (which includes the SFCR) at both a solo level and at EO plc group level (the level of the ultimate UK insurance holding company). QUK holds a waiver from the PRA that allows it to publish a single Group SFCR that includes both the EO Group on a group basis and QUK on a solo basis. Solo reporting for QBE Europe is also included within this single Group SFCR. QBE Europe also publishes a separate solo SFCR.

The single Group SFCR has been prepared in accordance with applicable PRA Rules and Solvency II Regulations as regards EO Group and QUK and in accordance with the NBB Rules and Solvency Regulations as regards QBE Europe.

For the purposes of Solvency II group reporting, QUK and QBE Europe are required to be fully consolidated as insurance undertakings whereas EO plc's investment in QBE Corporate is required to be treated as a single line participation as a Lloyd's Corporate member does not meet the definition of an insurance undertaking under the Solvency II rules.

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 the investment portfolio and management of the underlying expense and commission base.

Challenging operating conditions have characterised 2022, with significant inflationary pressures, geopolitical tensions and heightened catastrophe activity being the main drivers. The economic environment remains highly

uncertain, with higher inflation being seen across most markets in which EO Group operates and recessions anticipated in many major economies.

The EO Group continues to monitor the situation arising from Russia's invasion of Ukraine and developments that may impact its assessment of potential exposures.

The COVID-19 pandemic remained an area of focus for EO Group management during 2022. For QUK and QBE Corporate, uncertainty following the UK Supreme Court judgment in 2021 regarding the FCA Test Case has been reduced following the High Court judgements in the Corbin & King v AXA and the Stonegate v Amlin litigation in 2022, but there remain some uncertainties, particularly in relation to the Stonegate appeal and the "at the premises" claims.

QUK, QBE Europe and the Lloyd's syndicates in which QBE Corporate participates have comprehensive reinsurance programmes that significantly reduce the net exposure to losses related to COVID-19.

During periods of uncertainty such as during the COVID-19 outbreak, as well as Russia's invasion of Ukraine, the Group increases the frequency of monitoring its capital and liquidity positions. The Group also has a programme of stress and scenario testing in order to review the potential impacts of a range of different strategic threats on its capital position and exposure to market, liquidity and operational risks.

The safety and wellbeing of our people, customers, partners and their communities has remained our priority in 2022. The business continuity framework has proven resilient to the operational challenges encountered during the challenging macro-economic environment. Alongside the lifting of COVID-19 restrictions and return to the office in the majority of our locations, flexible working arrangements continued to ensure staff wellbeing and enhance performance.

Underwriting performance

As explained above, only QUL and QBE Europe (and not QBE Corporate (which participates in Syndicates 2999 and Syndicate 386)) are required to be fully consolidated in the Solvency II balance sheet. Consistent with this approach, the Group underwriting performance for Solvency II reporting purposes (as reported in QRT S.05.01.02 in Appendix A) is required to aggregate only the QUK and QBE Europe underwriting performance and therefore does include the underwriting performance of QBE Corporate.

Commentary on the underwriting performance of QUK and QBE Europe is included below. Further information is included in Section A.2.

QUK

Details of QUK's underwriting performance and comparison to the prior year on a UK Generally Accepted Accounting Principles ('UK GAAP') basis are set out in Section A.2.2 and summarised in the table below.

Key metrics (£'m)	2022	2021
Gross Written Premium	1,467	1,184
Net Earned Premium	1,097	860
Claims Ratio	54.1%	46.4%
Commission and Expense Ratio	26.7%	29.4%
Net Combined Operating Ratio (NCOR)	80.8%	75.8%

The Company has continued to focus on achieving a strong performance within its business to support delivery of its plan during the year. Gross written and net earned premium have increased industry wide as market dynamics firmed during 2022, with change in appetite and withdrawal of capacity amongst many of our competitors leading to rate increases on renewed business; and customer engagement efforts contributing to new business. During the year the Company recorded £1,467m gross written premium, ahead of plan and the prior year (2021 £1,184m).

The claims ratio is negatively impacted by a loading for inflation on prior year provisions and loss experience for the current year, including the impact of severe weather conditions. The impact of Russia's invasion of Ukraine is immaterial.

The increase in the net operating expenses was lower than the growth of the net earned premium, resulting in a slightly lower commission and expenses ratio than in 2021.

Effective 29 November 2022, following sanction by the High Court, a portfolio of legacy liabilities primarily comprising UK Employers' Liability and UK Public Liability, was transferred by QUK to a third party under Part VII the Financial Services and Markets Act 2000. Under this transfer, gross claims reserves and reinsurance recoveries were transferred. The transfer was of £53m gross undiscounted best estimate liabilities relating to business written or assumed by QUK and which incepted on or prior to 31 December 2007. The impact of the transfer to a third party had no material impact on the net profit or solvency position of the Company or EO Group at 31 December 2022.

QBE Europe

Details of QBE Europe's underwriting performance and comparison to the prior year on a Belgian Generally Accepted Accounting Principles ('BE GAAP') basis are set out in Section A.2.3 and summarised in the table below.

Key metrics (€'m)	2022	2021
Gross Written Premium	2,005	1,645
Net Earned Premium	1,531	1,279
Net Claims Ratio	75.2%	67.7%
Net Commission and Expense ratio	28.6%	30.2%
Net Combined operating ratio (NCOR)	103.8%	97.8%

Gross written premium ('GWP') for the year totalled €2,005m (2021: €1,645m). This represents an increase compared to prior year driven by a strong rating environment.

The claims ratio is negatively impacted by a loading for inflation on prior year provisions and loss experience for the current year, including the impact of severe weather conditions in Europe and to a lesser extent the rest of the world. The impact of Russia's invasion of Ukraine is immaterial. In line with the Belgian requirements, the Company continues to monitor its equalisation provision and adjust as required.

The increase in the net operating expenses was lower than the growth of the net earned premium, resulting in a slightly lower commission and expenses ratio than in 2021.

On 13 December 2022, the NBB approved the transfer by QBE Europe of legacy liabilities which have been in run-off since at least 31 March 2016 to a third party with an effective date of 31 December 2022. The transfer was of €6m gross undiscounted best estimate basis liabilities. These policies were originally written by QUK and were transferred to QBE Europe by means of a UK court-approved loss portfolio transfer effective 1 November 2020. The transfer to a third party had no material impact on the net profit of the Company or EO Group at 31 December 2022.

Following a strategic review, management took the decision to cease underwriting all Republic of Ireland domiciled direct insurance business. The change was effective from 1 July 2022, from which point the Company no longer wrote stand-alone Republic of Ireland-domiciled risks. The Irish Branch of QBE Europe, whose business is predominantly inwards reinsurance business, was unaffected by this change. Going forward, the Company will continue to support incidental Irish business written as part of a broader policy of placement.

Investment performance

Consistent with the approach outlined above with respect to Group underwriting performance, Group investment return in A.3 for Solvency II purposes only relates to entities which are required to be fully consolidated under Solvency II. This therefore only includes QUK, QBE Europe and EO plc (QUK, QBE and EO plc being the only fully consolidated entities under Solvency II with significant investment portfolios).

The EO Group, QUK and QBE Europe investment portfolio allocations, and overall portfolio structure, is substantially unchanged during 2022. The majority of investments are in fixed income portfolios with modest allocation to growth assets. On a mark-to-market basis, returns on fixed income assets were adversely impacted by the rise in market yields during 2022. Geopolitical events and rising inflation, resulting in an increase in the cost of living contributed to a rise of yields of government bonds and a widening of credit spreads on other fixed income portfolios. These events impacted returns across all major fixed income holdings, with corporate bonds impacted more than government and semi-government holdings. Growth assets and investments in infrastructure assets provided good returns, despite experiencing volatility in the second half of the year.

Details of investment performance and comparison to the prior year are set out in Section A.3.

System of Governance Summary

The Board of Directors ('Board') of EO plc is collectively 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 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, which are aligned with those of the QBE Group, the ultimate holding company of the EO Group. The key operating entities of the EO Group, QUK, QBE Europe and QUL, also have their own boards, with the same collective responsibilities for these companies. These boards are aligned to the EO plc board.

The EO Executive Management Board ('EMB') supports the Chief Executive Officer of EO plc in providing executive management of the entire EO Group, as well as acting as a UK management committee for QUK and QBE Underwriting Limited ('QUL'). The Board of QBE Europe has separately established a management committee ('QEMC') which is responsible for the day-to-day management and operations of QBE Europe.

The Investment Committee was disbanded in July 2022 with matters previously within the remit of the Committee being distributed or absorbed by the Boards and their committees.

The Environmental, Social and Governance ('ESG') Management Group ('ESG MG') was established during the year as part of EO Group's formal governance structure. This forum, whose membership consists of the EO EMB and three members of the QEMC, provides dedicated time for strategic management and oversight of all aspects of ESG, including evolving industry trends and regulatory requirements, and EO requirements arising from QBE's Net Zero commitments.

Changes to the composition of EO plc, QUK and QBE Europe Boards, EMB and QEMC during the year are included in B.1.4.

The process of assessing the adequacy of the System of Governance is explained in Section B.3.13. From their annual review conducted in November 2022, the EO Risk team concluded that the EO Group's Three Lines Model remains appropriate and represents an effective risk governance framework with adequate checks and balances to support appropriate consideration of risk management throughout the EO Group.

Each year there is a formal Board Effectiveness Review ('BER'), which is facilitated by an independent external advisor. In June 2022, the QBE Group undertook a BER encompassing the Divisional Boards, including the Boards of EO plc, QUK and QBE Europe. Comments supporting continuous improvement of the effectiveness of the Board arising from the review were discussed by the Boards and a number of minor actions were agreed.

During the year the Board Charters of EO plc, QUK and QBE Europe were reviewed with enhancements made to reflect ongoing assessment of key responsibilities and the requirements of Group Governance Framework ('GGF'), together with additional responsibilities relating to investments following the disbandment of the EO Investment Committee in July 2022.

For more information on the Systems of Governance, see Section B.

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 on a continuous basis. The main risks comprise:

- Strategic Risk;
- Insurance Risk;
- Credit Risk;
- Market Risk;
- Liquidity Risk;
- Operational Risk;
- Compliance Risk; and
- Group Risk.

To address these risks, the EO Group uses a number of risk mitigation techniques, as described in Section C. A dedicated risk management function ensures that these risks are fully understood and their impact on EO Group is comprehensively evaluated.

The EO Group's external risk exposures have generally been increasing throughout 2022, while the internal risk profile, despite experiencing some increasing risk trends earlier in the year, largely stabilised towards the end of 2022. Both the internal and external risk exposures were impacted as a result of increased uncertainty regarding a heightened risk of a recession following rising inflation and resulting interest rate increases throughout 2022, as well as the Russian invasion of Ukraine. Inflation hit a 40 year high in the UK in October 2022 as the Consumer Prices Index (CPI) in the UK rose to 11.1% in October before falling to 10.5% in December 2022 (similar trends were experienced across the Eurozone, US and other major economies). In response to inflation central banks have significantly increased interest rates, which led to yield curves for Sterling, the Euro and the US dollar all increasing.

Following the implementation of the Climate Change Roadmap in 2021, EO Group has continued to build upon the requirements of PRA SS3/19. In 2022, developments to our approach to managing climate and broader ESG risks include:

- The Boards, EMB and QEMC received a second round of climate risk training;
- Updated scenario assessments of physical and transition climate risks to estimate exposure materiality and to inform underwriting strategy updates for EO Group insurance products;
- The completion of liability scenario analysis, in line with the litigation analysis included in the Bank of England's Climate Biennial Exploratory Scenario;
- Participation in QBE Group's Net Zero Insured Emissions Programme, which seeks to prepare QBE for meeting our commitment to be net zero for underwriting by 2050;
- The establishment of a Climate Risk Dashboard for additional risk reporting capability; and
- As noted above under Governance, the ESG MG was established as part of EO Group's formal governance structure.

For more information on the risk profile, see Section C.

Valuation Summary

Under Section 401 of the Companies Act 2006, EO plc is exempt from the requirement to publish group consolidated financial statements. The comparative consolidated financial statement values shown in Section D for the EO Group are the consolidated, unpublished and unaudited EO Group IFRS values.

The scope of entities included in the EO plc IFRS consolidated financial statements prepared for the purposes of Solvency II Group reporting and the Solvency II consolidation is the same.

QUK reports statutory financial statements on a UK Generally Accepted Accounting Principles ('UK GAAP') basis (FRS 101), while QBE Europe reports on a Belgium Generally Accepted Accounting Principles ('BE GAAP') basis. The method of valuing assets and liabilities under the Solvency II regulations differs in some cases from the methods used under IFRS, UK GAAP and BE GAAP. The valuation of assets, technical provisions and other liabilities under Solvency II compared to the financial statement basis is explained in section D. Investments are measured at fair value under Solvency II, IFRS and UK GAAP. Under BE GAAP, they are valued as follows: shares and similar securities are carried at acquisition value less related write-downs; fixed income securities are carried at amortised cost. Where alternative valuation methods are used, the key assumptions and adjustments are included in section D.4.

The solvency II balance sheet for the EO Group has been prepared using the default Method 1 (accounting consolidation method). The key difference between the consolidation approach under Solvency II and IFRS is that under Solvency II 'other' undertakings, including the Group's investment in QBE Corporate (which participates in Lloyd's Syndicate 2999 and Syndicate 386), are not consolidated on a line-by-line basis, but recognised separately under 'Holdings in related undertakings, including participations' gross of intra-group transactions on the EO Group Solvency II balance sheet. This results in differences between the IFRS and Solvency II balance sheet which are largely presentational rather than valuation differences.

The adjustments made to move from financial statement total equity to Solvency II excess of assets over liabilities and own funds are set out below:

Reconciliation from GAAP equity to Solvency II Own funds	EO Group: IFRS (£'m)	QUK: UK GAAP (£'m)	QBE Europe: BE GAAP (€'m)
Total equity – statutory basis	**2,048**	**727**	**1,158**
Removal of net technical provisions balances on a GAAP basis	-	636	869
Inclusion of net technical provisions on a Solvency II basis	-	(480)	(454)
Elimination of goodwill and Intangibles	(206)	-	-
Change in the value of participations	(16)	-	-
Valuation adjustment: Investments	-	-	(199)
Valuation adjustment: other*	89	(46)	1
Excess of assets over liabilities – Solvency II basis	**1,915**	**837**	**1,375**
Adjustment: Subordinated liabilities / ancillary own funds	583	160	200
Adjustment: Foreseeable dividends	-	-	-
Adjustment: Restricted own fund items in respect of ring-fenced funds	(49)	(26)	(26)
Adjustment: Non-available own funds at group level	(3)	-	-
Eligible Own Funds to cover the SCR – Solvency II basis	**2,446**	**971**	**1,549**

* Other adjustments include deferred tax adjustments.

The valuation methodology for assets and liabilities for EO Group, QUK and QBE Europe under Solvency II is consistent with the prior year. For more information on the valuation of assets and liabilities, see section D.

Capital Management Summary

The EO Group's primary capital management objective is to maintain sufficient own funds to cover the Solvency Capital Requirement ('SCR') with an appropriate surplus. The EO Group has adopted a Capital Appetite Framework ('CAF'), setting out the target levels of capital and potential remediation actions in the event that capital falls below the stated appetite. The CAF has been approved by the Boards of the EO Group, QUK and QBE Europe 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.

As at 31 December 2022, EO Group and, separately, QUK and QBE Europe reported the following EOF, SCR and Minimum Capital Requirement ('MCR') coverage ratios.

Entity	Eligible Own Funds to meet the SCR	SCR	SCR coverage ratio	MCR coverage ratio
EO Group (£'m)	£2,446	£1,432	170.8%	282.0%
QUK (£'m)	£971	£637	152.4%	282.6%
QBE Europe (€'m)	£1,549	£1,063	145.7%	301.7%

At 31 December 2022 all applicable entities were within the target levels of capital outlined in the CAF.

As 31 December 2022, the EO Group eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (76%) and Tier 2 (24%).

The QUK eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (84%) and Tier 2 (16%). Tier 2 EOF of QUK include £160m of Tier 2 ancillary own funds in the form of a syndicated Letter of Credit facility provided by external banks.

The QBE Europe eligible own funds available to cover the SCR are made up of Tier 1 unrestricted (87%) and Tier 2 (13%). QBE Europe also had €3m of Tier 3 capital related to deferred tax assets.

EO Group EOF are after deduction of a dividend of £120 million which was paid in February 2022 (and which was recognised as foreseeable as at 31 December 2021) and a dividend of £150 million which was paid in December 2022.

QUK EOF are after deduction of a dividend of £168m which was paid in February 2022 (and which was recognised as foreseeable as at 31 December 2021) and a dividend of £130 million which was paid in December 2022.

No foreseeable dividend was recognised by QBE Europe at 31 December 2021 and no dividends have been paid by QBE Europe during 2022 or subsequently.

There were no foreseeable dividends at 31 December 2022 for EO plc, QUK or QBE Europe.

The movement in eligible own funds to cover the SCR during the year is shown in the table below:

Movement in Eligible Own Funds	EO Group: (£'m)	QUK: (£'m)	QBE Europe: (€'m)
Eligible own funds to cover the SCR brought forward – 1 Jan 2022	**2,143**	**902**	**1,414**
Financial statement total comprehensive income for the year	339	94	(102)
Movement in Solvency II valuation differences	134	118	245
Movement in ring fenced funds restriction	(21)	(13)	(8)
Movement in non-available own funds at group level	1	-	-
Dividend paid December 2022	(150)	(130)	-
Eligible own funds to cover the SCR carried forward – 31 Dec 2022	**2,446**	**971**	**1,549**

EO Group, QUK and QBE Europe satisfied and complied with the MCR and SCR coverage requirements throughout the reporting period.

As a Lloyd's Corporate Member, QBE Corporate is required to provide Funds at Lloyd's (FAL) as security for the liabilities of Syndicate 386 and Syndicate 2999. The majority of this FAL is however provided or guaranteed by entities outside the EO Group and therefore EO Group has limited exposure with respect to these arrangements. The FAL requirement provided by QBE Corporate in the form of investments and other assets deposited with Lloyd's was £74m (2021: £77m).

For more information on capital management, see section E.

Directors' Report

Statement of Directors' responsibilities for EO plc and QUK

The Directors of QBE European Operations plc and QBE UK Limited acknowledge their responsibility for ensuring that the Solvency and Financial Condition Report ('SFCR') has been prepared in all material respects in accordance with PRA rules and Solvency II regulations.

The Directors are satisfied that to the best of their knowledge and belief:

1) Throughout the financial year to 31 December 2022, EO Group and QBE UK Limited have complied in all material respects with the requirements of the PRA Rules and Solvency II Regulations as applicable; and
2) It is reasonable to believe that in respect of the period from 31 December 2022 to the date of the publication of the SFCR, the EO Group and QBE UK Limited have continued so to comply and that they will continue so to comply for the remainder of the financial year to 31 December 2023.

By order of the Board:

Director
QBE European Operations plc
Registered Number 2641728
London
6 April 2023

Director
QBE UK Limited
Registered Number 01761561

Statement of Directors' responsibilities for QBE Europe

The Directors acknowledge their responsibility for ensuring that the Solvency and Financial Condition Report ('SFCR') has been prepared in all material respects in accordance with NBB rules and Solvency II regulations.

The Directors are satisfied that to the best of their knowledge and belief:

1) Throughout the financial year to 31 December 2022, QBE Europe SA/NV has complied in all material respects with the requirements of the NBB Rules and Solvency II Regulations as applicable; and
2) It is reasonable to believe that in respect of the period from 31 December 2022 to the date of the publication of the SFCR, QBE Europe SA/NV has continued so to comply and that they will continue so to comply for the remainder of the financial year to 31 December 2023.

By order of the Board:

Director
QBE Europe SA/NV
Registered Number 0690.537.456
Belgium
6 April 2023

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 2022:

- 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 2022, ('**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 and QBE Europe SA/NV ('the group members') ('**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, 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 2022 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

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing regulatory correspondence
- Consideration of the Directors' assessment to continue to adopt the going concern basis of accounting
- Reviewing the company's current and forecast liquidity and solvency ratios and the own risk and solvency assessment (ORSA) which includes a number of severe but plausible scenarios
- Assessing the expected cash flow movements over the next 12 months
- Confirmation of the existence of cash and cash equivalents and other financial investments to assess the availability of liquid assets
- Assessment of the fair value of financial investments to determine the appropriateness of their valuation; and
- Independent challenge and assessment using our actuarial specialists over the methodology and assumptions used in the valuation of technical provisions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

In auditing the Single Group-Wide Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and/or '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; and*
- *Approval to use full internal model to calculate solo Solvency Capital Requirement for QBE UK Limited and QBE Europe SA/NV.*

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to the breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the Single Group-Wide Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Single Group-Wide Solvency and Financial Condition Report such as the Solvency II Regulations. We evaluated management's incentives and opportunities for fraudulent manipulation of the Single Group-Wide Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to the risk of management override of controls, including the potential for management bias in significant accounting estimates, particularly in relation to technical provisions. Audit procedures performed included:

- Inspecting relevant meeting minutes, including those of the Board and Audit Committee of the Company, and correspondence with regulatory authorities, including the Prudential Regulatory Authority and the Financial Conduct Authority

- Discussions with the Board, management, compliance function and internal audit function of the companies, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations

- Testing and challenging, where appropriate, the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the estimation of technical provisions

- Identifying and testing journal entries, including auditing adjustments between the IFRS/GAAP and Solvency II values; and

- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Single Group-Wide Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Use of this 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. The group members 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

6 April 2023

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

A.1 Business

A.1.1 Business Overview

EO plc is an intermediate insurance holding company. EO plc is a company limited by shares, incorporated in England and Wales and is the ultimate UK insurance holding company at which level Solvency II Group supervision is applied by the PRA. The entire issued share capital of EO plc is owned by QBE Insurance Holdings Pty Limited.

QBE Insurance Holdings Pty Limited is ultimately wholly owned by QBE Insurance Group Limited ('QBE Group'). QBE Group is listed on the ASX and is subject to supervision by the Australian Prudential Regulation Authority ('APRA'). Details of shareholders of QBE Group are disclosed in Section 6 of the QBE Group 2022 Annual Report.

QBE Group manages its operations through three divisions:

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

EO plc is the holding company of QBE Group's European operations. EO plc, through its wholly owned subsidiary, QBE Holdings (EO) Limited, has the following insurance company subsidiary undertakings:

QBE UK Limited ('QUK'): A UK incorporated (re)insurer authorised by the Prudential Regulatory Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA. QUK writes UK and other non-EEA (re)insurance business.

QBE Europe SA/NV ('QBE Europe'): A Belgium incorporated (re)insurer authorised by the National Bank of Belgium ('NBB'). QBE Europe writes (re)insurance business across the European Economic Area ('EEA') on a Freedom of Services ('FOS') basis through its head office (based in Brussels, Belgium) and Freedom of Establishment ('FOE') basis through its EEA branches, and in the UK and Bermuda through its UK and Bermudian branches. QBE Europe's UK branch continues to operate in the UK under the PRA and FCA's Temporary Permissions Regime whilst the UK regulatory authorisation process is completed.

EO plc also owns other subsidiary undertakings alongside QUK and QBE Europe, through its wholly owned subsidiary QBE Holdings (EO) Limited, including QBE Corporate Limited ('QBE Corporate') and QBE Underwriting Limited ('QUL'). QBE Corporate participates in two Lloyd's syndicates (Syndicate 2999 and Syndicate 386). These Syndicates are managed by EO Group's Lloyd's managing agent QUL.

For the purposes of this document the EO Group is defined as EO plc and its subsidiary undertakings including QUK, QBE Europe, QBE Corporate and QUL.

The principal activity of QUK and QBE Europe is the transaction of insurance and reinsurance business. They will continue this activity through the development of existing lines of business, while actively seeking new opportunities for expansion and profitable growth. The strategic ambition of QBE Group, of which the EO Group forms a part, is to remain focused on further improving an already very strong business.

QUK underwrites non-EEA non-life insurance and reinsurance business including property, casualty, financial lines, marine and motor business. In 2022, QUK obtained a Variation of Permission and Variation of Licence from the PRA and Dubai Financial Services Authority ('DFSA') respectively to also enable the underwriting of a limited portfolio of life reinsurance business via the QUK branch located in the United Arab Emirates with effect from 1 January 2023. Some of QUK's business is written in conjunction with Syndicate 2999 and Syndicate 386.

QBE Europe underwrites life and non-life reinsurance businesses, as well as trade credit, property, casualty, financial lines, marine and motor direct insurance business.

Geographical locations

QUK has its head office in London and has further offices across the UK. It predominantly underwrites from its UK offices. It also has a branch in the United Arab Emirates.

QBE Europe has its head office in Brussels, Belgium and underwrites (re)insurance business across the European Economic Area ('EEA') on a Freedom of Services ('FOS') basis through its head office and Freedom of Establishment ('FOE') through its EEA branches in Denmark, France, Germany, Ireland, Italy, Spain and Sweden. In 2022 a branch in the Netherlands was established, writing business from 1 January 2023.

QBE Europe's UK branch is currently operating in the UK under the PRA and FCA's Temporary Permissions Regime in the interim.

QBE Europe also underwrites through its branch in Bermuda which is authorised and regulated by the Bermuda Monetary Authority ('BMA').

The table below shows QUK and QBE Europe branch locations:

Subsidiary	Locations
QUK	United Kingdom – Head Office
	United Arab Emirates (Dubai International Financial Centre) - Branch
QBE Europe	Belgium – Head Office
	Bermuda – Branch
	Denmark – Branch
	France – Branch
	Germany – Branch
	Ireland – Branch
	Italy – Branch
	Netherlands – Branch (from 1 January 2023)
	Spain – Branch
	Sweden – Branch
	United Kingdom – Branch

A.1.2 Names and contact details of supervisory authorities

QUK is authorised and regulated by the PRA. The EO Group and QUK's prudential regulator is the PRA. The PRA's contact details are as follows:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH
Telephone: +44 (0) 203 4614 444
www.bankofengland.co.uk/prudential-regulation

QUK is also regulated by the FCA with respect to conduct of business. The FCA's contact details are as follows:

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN
Telephone: +44 (0) 207 066 1000
www.fca.org.uk

QUK's Dubai branch is regulated by the DFSA. The DFSA contact details are as follows:

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

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

National Bank of Belgium
Boulevard de Berlaimont / de Berlaimontlaan 14
1000 Brussels
Telephone: +32 (0) 2 221 21 11
www.nbb.be

The Company is also regulated by the Belgian Financial Services and Markets Authority ('FSMA') with respect to conduct of business. The FSMA's contact details are as follows:

Rue du Congrès/Congresstraat 12-14
1000 Brussels
Telephone: +32(0)2 220 52 11
www.fsma.be

QBE Europe's UK Branch is deemed authorised by the PRA and subject to regulation by the FCA and limited regulation by the PRA under the UK Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full PRA and FCA authorisation. The Company is currently awaiting PRA and FCA approval of its application for UK Branch authorisation.

QBE Europe's Bermuda branch is regulated by the BMA. The BMA contact details are as follows:

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton
HM12
(441) 295 5278
www.bma.bm

A.1.3 Names and contract details of the external auditors

The external auditor of the EO Group and its subsidiaries (except QUK and QBE Europe) 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

The external auditor of QUK is Mazars LLP. Contact details are as follows:

Mazars LLP
30 Old Bailey
London
EC4M 7AU
Telephone: +44 (0) 7063 4000
www.mazars.co.uk

The external auditor of QBE Europe is PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL.

Contact details are as follows:

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL
Culliganlaan 5,
B-1831 Diegem
Telephone: +32 (0)2 710 42 11
www.pwc.be

A.1.4 Group structure chart

Group structure charts showing the structure of the EO Group at 31 December 2022 and the subsidiaries of EO plc and QUK and QBE Europe's position within the structure are shown below.

The main operating entities in the EO Group are QUK and QBE Europe together with participations in two Lloyd's syndicates through the Lloyd's corporate member, QBE Corporate Limited. These syndicates are managed by EO Group's managing agent QBE Underwriting Limited ('QUL'). There are also two service companies QBE Management Services (UK) Limited which provides services to QUK and QBE Management (Ireland) Limited which provides services to QBE Europe. QUK and QBE Europe do not have any subsidiaries.

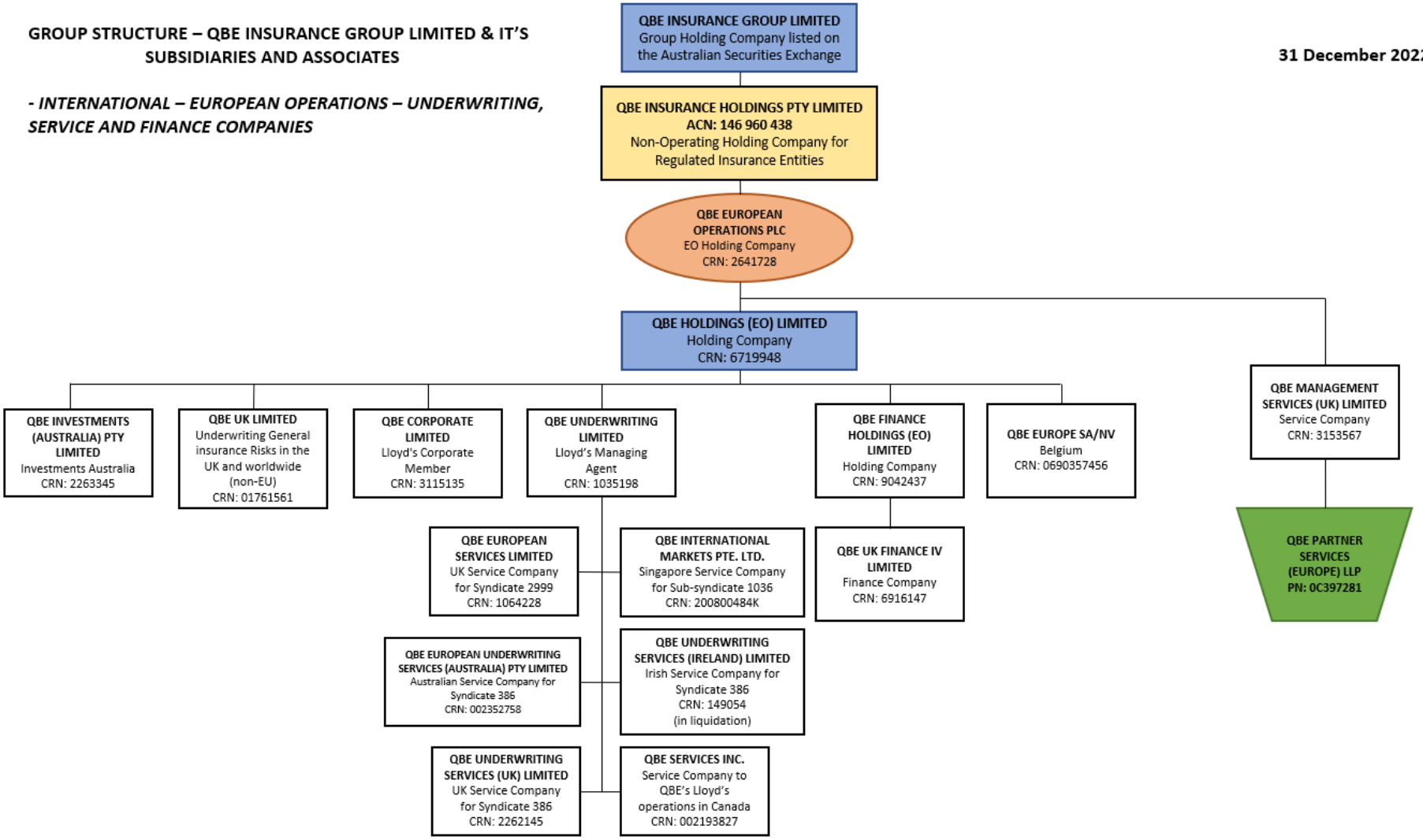
A full list of undertakings within the EO Group at 31 December 2022, and the nature of those undertakings, can be found in the quantitative reporting template ('QRT') S.32.01.22, included in Appendix A.

A list of all the QBE Group's controlled entities in terms of shares or contractual agreements is included in note 7.3 of the QBE Group 2022 Annual Report.

GROUP STRUCTURE – QBE INSURANCE GROUP LIMITED & IT'S SUBSIDIARIES AND ASSOCIATES

- INTERNATIONAL – EUROPEAN OPERATIONS – UNDERWRITING, SERVICE AND FINANCE COMPANIES

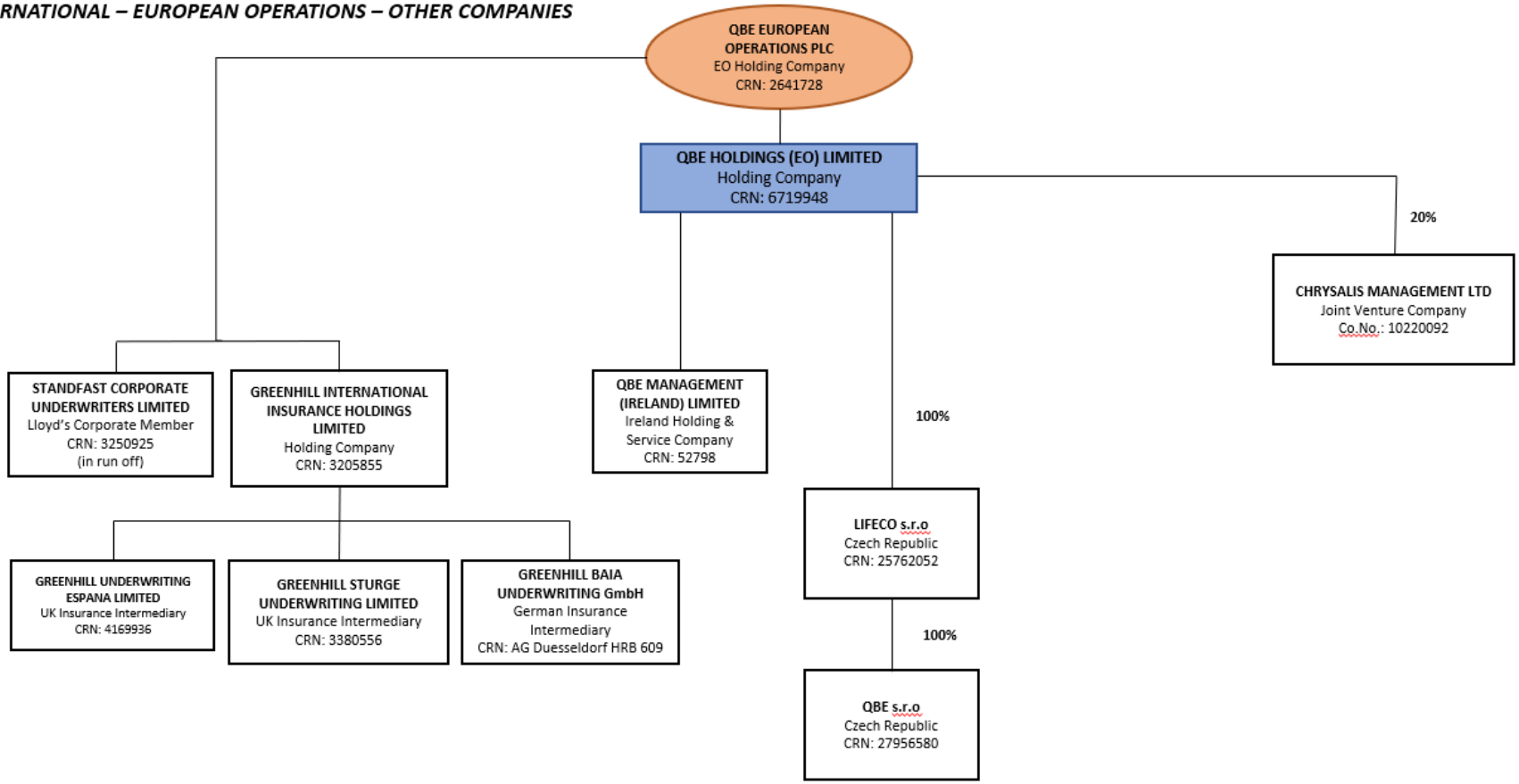
31 December 2022



GROUP STRUCTURE – QBE INSURANCE GROUP LIMITED & IT'S SUBSIDIARIES AND ASSOCIATES

31 December 2022

- INTERNATIONAL – EUROPEAN OPERATIONS – OTHER COMPANIES



A.1.5 Significant business and other events in the reporting period

The following significant events and transactions impacted the EO Group structure and its business during the year:

Challenging operating conditions have characterised 2022, with significant inflationary pressures, geopolitical tensions and heightened catastrophe activity being the main drivers. The economic environment remains highly uncertain, with higher inflation being seen across most markets in which EO Group operates and recessions anticipated in many major economies.

The EO Group continues to monitor the situation arising from Russia's invasion of Ukraine and developments that may impact its assessment of potential exposures.

The COVID-19 pandemic remained an area of focus for EO Group management during 2022. For QUK and QBE Corporate, uncertainty following the UK Supreme Court judgment in 2021 regarding the FCA Test Case has been reduced following the High Court judgements in the Corbin & King v AXA and the Stonegate v Amlin litigation in 2022, but there remain some uncertainties, particularly in relation to the Stonegate appeal and the "at the premises" claims.

QUK, QBE Europe and the Lloyd's syndicates in which QBE Corporate participates have comprehensive reinsurance programmes that significantly reduce the net exposure to losses related to COVID-19.

During periods of uncertainty such as during the COVID-19 outbreak, as well as Russia's invasion of Ukraine, the Group increases the frequency of monitoring its capital and liquidity positions. The Group also has a programme of stress and scenario testing in order to review the potential impacts of a range of different strategic threats on its capital position and exposure to market, liquidity and operational risks.

QUK

Effective 29 November 2022, following sanction by the High Court, a portfolio of legacy liabilities primarily comprising UK Employers' Liability and UK Public Liability, was transferred by QUK to a third party under Part VII the Financial Services and Markets Act 2000. Under this transfer, gross claims reserves and reinsurance recoveries were transferred. The transfer was of £53m gross undiscounted best estimate liabilities relating to business written or assumed by QUK and which incepted on or prior to 31 December 2007. The impact of the transfer to a third party had no material impact on the net profit or solvency position of the Company or EO Group at 31 December 2022.

QBE Europe

Following a strategic review, management took the decision to cease underwriting all Republic of Ireland domiciled direct insurance business. The change was effective from 1 July 2022, from which point the Company no longer wrote stand-alone Republic of Ireland-domiciled risks. The Irish Branch of QBE Europe, whose business is predominantly inwards reinsurance business, was unaffected by this change. Going forward, the Company will continue to support incidental Irish business written as part of a broader policy of placement.

On 13 December 2022, the NBB approved the transfer by QBE Europe of legacy liabilities which have been in run-off since at least 31 March 2016 to a third party with an effective date of 31 December 2022. The transfer was of €6m gross undiscounted best estimate basis liabilities. These policies were originally written by QUK and were transferred to QBE Europe by means of a UK court-approved loss portfolio transfer effective 1 November 2020. The transfer to a third party had no material impact on the net profit of the Company or EO Group at 31 December 2022.

A.1.6 Significant post-balance sheet events

The following non-adjusting post-balance sheet events occurred after the end of the reporting period:

- As the insurance industry continues to assess the impact of the Turkey earthquakes in February 2023, the Group has performed initial reviews of its exposure based on outputs of the Natural Catastrophe models it uses. Property classes of business being an integral part of the EO Group's strategic focus, the subsidiary undertakings (QBE Europe, Syndicates 2999 and 386 and QUK (limited exposure to Turkish earthquake losses)) have robust reinsurance programmes in place which will reduce the net exposure to extreme events.

- As announced by QBE Group on 17 February, QBE Europe, QUK and Syndicates 2999 and 386, entered into a 100% retrospective reinsurance arrangement covering certain prior year claim reserves equating to

approximately 10% of the total net claim reserves held on the EO Group balance sheet as at 31 December 2022. The effective date of the arrangement is 1 January 2023. The arrangement is part of a wider transaction entered into by QBE Group on the same day.

A.1.7 Material intra-group transactions during the reporting period

EO plc paid a dividend of £120m in February 2022 and a dividend of £150m in December 2022 to its parent QBE Insurance Holdings Pty Limited.

QUK paid a dividend of £168m in February 2022 and a dividend of £130m in December 2022 to its intermediate parent, QBE Holdings EO Limited ('QHEO') which were subsequently paid by QHEO to EO plc (the December 2022 dividend was paid by QHEO to EO plc after a deduction of £26m was applied to settle an inter-company receivable due to QHEO from EO Plc).

QBE Europe did not pay any dividends during the reporting period

There are 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:

- A number of statutory entities within the EO Group have entered into or settled (including by way of in specie dividend) intercompany loan agreements as part of the EO Group's cash management strategy or for other general corporate purposes.
- Details of intra-group Tier 2 subordinated debt of €200m (2021: €200m) issued by QBE Holdings (EO) Limited, a wholly owned subsidiary of EO plc and held by QBE Europe are disclosed in Section E.1.2
- As at 31 December 2022 there was an outstanding loan of £35m from EO plc to QBE Corporate.
- The EO Group, including QUK and QBE Europe, holds derivatives via QBE Strategic Capital Company Pty Ltd, a related undertaking within the wider QBE Group; and
- The EO Group has reinsurance arrangements with Equator Re, a related undertaking (captive reinsurer) within the wider QBE Group. Details of exposures are included in C.3.1 'Reinsurance credit risk'.
- There are no reinsurance arrangements in place between QUK, QBE Europe and Lloyd's Syndicates 2999 and 386.
- QBE Management Services (UK) Limited receives monthly profit distributions from a UK Limited Liability Partnership with respect to management services provided by QBE Management Services (UK) Limited to EO Group Companies.
- As a Lloyd's Corporate Member, QBE Corporate is required to provide Funds at Lloyd's (FAL) as security for the liabilities of Syndicate 386 and Syndicate 2999. The majority of this FAL is provided or guaranteed by entities outside the EO Group and therefore EO Group has limited exposure with respect to these arrangements. Further details are provided in Section E.1.1.

A.1.8 Scope of the EO Consolidation Group under Solvency II compared to under IFRS

Under Section 401 of the Companies Act 2006, EO plc is exempt from the requirement to publish group consolidated statutory financial statements. The comparative consolidated statutory financial statement values shown in Section D for the EO Group are therefore the consolidated, unpublished and unaudited EO Group IFRS values.

The scope of entities included in the EO plc IFRS consolidated financial statements prepared for the purposes of Solvency II Group reporting and the Solvency II consolidation is the same.

The Solvency II balance sheet for the EO Group has been prepared using the default Method 1 (accounting consolidation method). The key difference between the consolidation approach under Solvency II and IFRS is that under Solvency II only entities which meet the definition of insurance holding company, insurance undertaking and ancillary services undertaking are fully consolidated and 'other' undertakings, including EO Group's investment in QBE Corporate (which participates Lloyd's Syndicate 2999 and Syndicate 386), are not consolidated on a line by line basis, but recognised as investments under 'Holdings in related undertakings, including participations' gross of intra-group transactions on the EO Group Solvency II balance sheet. These investments are valued at the Solvency II value of their underlying assets using the adjusted equity method. This results in material presentational differences between the IFRS and Solvency II balance sheet even though the Solvency II valuation approach under the two bases is the same.

Further information is included in Section D.

A.1.9 Rounding convention

The SFCR is presented in pound sterling for the EO Group and QUK, and in Euros for QBE Europe respectively, rounded to the nearest million. Rounding differences of +/- one million can occur.

A.2 Underwriting Performance

A.2.1 The EO Group underwriting performance during the year

QUK and QBE Europe are the only insurance companies in the EO Group. The underwriting performance of the EO Group for the year ended 31 December 2022 as shown on QRT S.05.01.02 in Appendix A is required to show the aggregation of QUK and QBE Europe underwriting performance. This does not include the underwriting performance of QBE Corporate (which participates in Syndicates 2999 and Syndicate 386). This is consistent with the required consolidation approach under Solvency II as explained in A.1.8 above.

Information on the QUK and QBE Europe underwriting performance is detailed in the relevant sections below.

A.2.2 QUK underwriting performance during the year

A.2.2.1 QUK overview

QUK prepares its financial statements in accordance with UK GAAP (FRS 101). The table below presents the underwriting performance for the year ended 31 December 2022 together with comparative information.

As a (re)insurance company, for QUK key performance indicators for QUK include Gross Written Premium ('GWP'), Gross Earned Premium ('GEP') and Net Earned Premium ('NEP'). Key ratios monitored by the Board include the Combined Operating Ratio, including the Claims Ratio and Commission and Expense Ratio. The Ratios are net claims, expenses and commissions incurred for the year, expressed as a factor of the Net Earned Premium.

Key metrics (£'m)	2022	2021
Gross Written Premium	1,468	1,184
Net Earned Premium	1,097	860
Net Claims Ratio	54.1%	46.4%
Net Commission and Expense ratio	26.7%	29.4%
Net Combined Operating Ratio (NCOR)	80.8%	75.8%

The Company has continued to focus on achieving a strong performance within its business to support delivery of its plan during the year. Gross written and net earned premium have increased industry wide as market dynamics continued to firm during 2022, with change in appetite and withdrawal of capacity amongst many of our competitors leading to rate increases on renewed business; and customer engagement efforts contributing to new business. During the year the Company recorded £1,468m gross written premium, ahead of plan and the prior year (2021 £1,184m).

Net earned premium is higher than prior year, reflecting the growth in gross written premium.

Net claims experience during 2022 is adverse to 2021.

The 2022 claims ratio is negatively impacted by a loading for higher than anticipated inflation on prior year provisions and loss experience during the year, including the impact of severe weather conditions, as well as strengthening of the COVID-19 related provision in light of the ongoing court cases in the UK. The impact of the Russia's invasion of Ukraine on the claims ratio is immaterial.

Net operating expenses are adverse to 2021, as we invest to support growth and experience the effects of inflation on our cost base, with the commission and expense ratio slightly lower than 2021, driven by a higher net earned premium.

Notwithstanding the reduction in profitability relative to the prior year, the company has continued to generate a very strong underwriting return with an NCOR of 80.8%.

A.2.2.2 QUK 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 and prior year. The values in the tables are consistent with UK

GAAP and are prepared on the same basis as QRT S.05.01.01, where claims management expenses are included in expenses incurred. The full QRT is included in Appendix A.

Direct Business and Reinsurance Accepted (Non-life and Life)

31 December 2022 £'m	General liability insurance	Fire and other damage to property insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Credit and suretyship insurance	Other	Total
Gross written premium	419	521	276	100	66	56	30	1,468
Net earned premium	361	296	262	81	17	38	42	1,097
Net claims incurred	139	142	162	83	25	8	15	574
Expenses incurred	112	80	69	22	6	17	14	320
Underwriting performance	110	74	31	(24)	(14)	13	13	203

31 December 2021 £'m	General liability insurance	Fire and other damage to property insurance	Motor vehicle liability insurance	Other motor insurance	Marine, Aviation and Transport Insurance	Credit and suretyship insurance	Other	Total
Gross written premium	346	286	244	49	153	46	60	1,184
Net earned premium	272	177	226	46	60	23	56	860
Net claims incurred	131	23	118	38	44	18	5	377
Expenses incurred	88	71	66	14	15	9	14	277
Underwriting performance	52	83	42	(6)	2	(4)	37	206

General liability insurance

Income grew as we continued to see renewal rate increases in the mid single digit range as inflation was persistent through 2022 and we sought to maintain pricing discipline, particularly across our longer tail books.

The favourable underwriting result reflected reflects the ongoing strong performance of QUK's UK Liability business.

Fire and other damage to property insurance

Gross written premium was favourable with positive trading conditions experienced in a hard market combined with new business opportunities in the construction sector and growth in our UK business. Profitability remained at acceptable levels with the impact of inflation on our shorter tailed classes being offset by rate in the upper single digit range.

Underwriting performance remained profitable.

Motor vehicle liability insurance and Other Motor insurance

Income increased year on year with as we continued to see an uplift in rate to offset persistent inflation and we expanded the Insuretech portion of our motor book through the 'Other Motor' category.

Underwriting profitability was impacted by an uplift in inflationary assumptions during the year as we see the effects of persistent inflation, supply chain challenges and an increase in the technological capability of vehicles drive an uptick in the cost of claims.

Marine, aviation & transport insurance

Our focus in this class in in the Energy arena where we continued to see rate growth and new business opportunities. The increased focus on the renewables market coupled with strong oil and gas commodity prices have also benefited the top line.

Credit & suretyship

Gross written premium grew in 2022 compared to the previous year, driven by the continued development of financial credit products and a Surety binder written mid-way through the year. Underwriting methodologies and approach remain the same as for previous years.

Underwriting performance improved from the prior year as, whilst the economic recovery remained challenging for many customers, the expected claims impact of Covid-19 on insolvencies was not as significant as we had initially anticipated.

Other

The 'Other' Solvency II lines of business consist largely of:

- Direct and proportional reinsurance: Income Protection, Credit and suretyship, Legal expenses, Assistance, Miscellaneous financial loss
- Non-proportional health reinsurance;
- Annuities stemming from non-life insurance contracts.

QUK incurred net claims of £(11)m (2021: £(6)m) on annuities stemming from non-life insurance contracts which are classified as Life business under Solvency II. These have been included in net claims incurred in the 'Other' Solvency II lines of business column above.

'Other' lines of business represent 2% (2021: 5%) of QUK's gross written premium.

A.2.2.3 QUK underwriting performance by material geographical areas

Underwriting performance within QUK's material geographical areas for non-life business are shown in the tables below for the current 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 full QRT is included in Appendix A.

Non-Life (Direct business and reinsurance accepted)

31 December 2022 £'m	United Kingdom	United States of America	United Arab Emirates	Qatar	Saudi Arabia	Canada	Other	Total
Gross written premium	1,082	121	58	17	13	13	164	1,468
Net earned premium	861	73	42	10	8	7	96	1,097
Net claims incurred	426	67	29	3	10	3	48	586
Expenses incurred	269	11	16	3	2	2	17	320
Underwriting performance	166	(5)	(3)	4	(4)	2	31	191

31 December 2021 £'m	United Kingdom	United States of America	United Arab Emirates	Australia	Saudi Arabia	Canada	Other	Total
Gross written premium	922	52	47	33	15	11	104	1,184
Net earned premium	712	23	30	27	9	4	55	860
Net claims incurred	335	9	9	12	2	-	16	383
Expenses incurred	233	9	12	4	3	1	15	277
Underwriting performance	144	5	9	11	4	3	24	200

The largest market for the company is the UK, where we have continued to see market conditions improve through 2022, albeit with renewal rate increases moderating across a number of lines as competitors' growth

appetites compete with the need to increase prices in line with inflationary pressures. The UK market has continued to perform well during 2022 and underpins the financial and underwriting performance of QUK.

Business written in other markets is typically customer focused and driven by their underlying insurance needs and exposures rather than a strategic desire to grow a material QUK footprint in any individual markets.

Life (Direct business and reinsurance accepted)

QUK's life business which consists of non-life annuities referred to in A.2.2.2 above and an immaterial amount of life reinsurance business all relates to the United Kingdom. QUK incurred net claims of £(11)m (2021: £(6)m) on annuities stemming from non-life insurance contracts which are classified as Life business under Solvency II.

A.2.3 QBE Europe underwriting performance during the year

A.2.3.1 QBE Europe overview

QBE Europe prepares its financial statements in accordance with Belgian Accounting Standards ('BE GAAP'). The table below presents the underwriting performance for the current and prior year.

As a (re)insurance company, for QBE Europe, key performance indicators include Gross Written Premium('GWP'), Gross Earned Premium ('GEP') and Net Earned Premium ('NEP'). Key ratios monitored by the Board include the Combined Operating Ratio, including the Claims Ratio and Commission and Expense Ratio. The Ratios are net claims, expenses and commissions incurred for the year, expressed as a factor of the Net Earned Premium.

Key metrics (€'m)	2022	2021
Gross written premium	2,005	1,645
Net earned premium	1,531	1,279
Claims ratio	75.2%	67.7%
Commission and expense ratio	28.6%	30.2%
Combined operating ratio	103.8%	97.8%

Gross written premium for the year totalled €2,005m (2021: €1,645m). This represents an increase compared to prior year driven by a strong rating environment.

GWP generated by the non-life business amounted to € 1,950m, 59% of which was insurance business written out of the foreign insurance branches or on a FOS basis out of the head office in Belgium. The remainder is generated by reinsurance business. Life business generated GWP of €55m up from €45m last year. The life premium volume continues to be 100% generated by reinsurance business written out of the head-office in Belgium.

The increase in Net Earned Premiums is in line with the increase of the GWP.

The claims ratio is negatively impacted by a loading for inflation on prior year provisions and loss experience for the current year, including the impact of severe weather conditions in Europe and to a lesser extent the rest of the world, as well as strengthening of the COVID-19 related provision in light of the ongoing court cases in the UK. In line with the Belgian requirements, the Company continues to monitor its equalisation provision and adjust as required. The impact of the Russian invasion of Ukraine on the claims ratio is immaterial.

The increase in the net operating expenses was lower than the growth of the NEP, resulting in a slightly lower commission and expenses ratio than in 2021.

A.2.3.2 QBE Europe 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 Europe for the current and prior year. The values in the table are consistent with BE GAAP and are prepared on the same basis as QRT S.05.01.01, where claims management expenses are included in expenses incurred. The full QRT is included in Appendix A.

Direct Business and Reinsurance Accepted (Non-life and Life)

31 December 2022 €'m	General liability insurance	Fire and other damage to property insurance	Property	Casualty	Marine, aviation and transport insurance	Life re-insurance	Other	Total
Gross written premium	676	578	213	226	126	55	131	2,005
Net earned premium	518	432	130	183	100	51	116	1,530
Net claims incurred	295	259	191	113	95	48	116	1,117
Expenses incurred	166	155	37	43	30	11	37	479
Underwriting performance	57	18	(98)	27	(25)	(8)	(37)	(66)

31 December 2021 €'m	General liability insurance	Fire and other damage to property insurance	Property	Casualty	Marine, aviation and transport insurance	Life re-insurance	Other	Total
Gross written premium	569	456	200	141	73	45	161	1,645
Net earned premium	455	344	130	116	62	40	132	1,279
Net claims incurred	242	243	186	67	21	26	54	839
Expenses incurred	158	131	36	33	18	10	31	417
Underwriting performance	55	(30)	(92)	16	23	4	47	23

General liability insurance

Increase in GWP for the year were driven by a combination of the rate increases achieved across lines, and measured growth within the business. Rate growth has been compounded for several years but moderated somewhat during 2022 and remained most notable in lines (e.g. Financial Lines) where we are seeing a return to rate adequacy after several years of challenged performance across the market. Measured expansion in Cyber was a feature of 2022 as the market rate became more attractive and allowed us to grow without expanding our risk appetite. Underwriting performance remained strong but normalised somewhat with economic activity returning post pandemic.

Property and Fire and other damage to property insurance

The Property book continued to experience a challenging year with catastrophe exposures across the reinsurance business impacting performance in 2022. The market remains challenging in several geographies. We limited GWP growth in 2022 as we remediate areas of the book and seek to improve profitability to adequate levels. We saw the insurance business experience rate in the high single digits across the region, as the market recognised the need for some response to the loss activity in recent years, however excess capacity remains in the market and further rate increases are required to achieve price adequacy across the continent. Our inwards reinsurance business was the key driver of the adverse performance vs Plan, exposed to several Catastrophe events during the year, most significantly Storm Eunice and French Hail. We saw the market pricing environment start to shift towards the end of the year, as well as a desire from reinsurers to push up attachment points on Property Cat business, which we anticipate will support performance improvement in 2023.

Casualty

Casualty performance remains positive. We have taken the opportunity to grow in the current market conditions, with rate in the high single digits and adequacy at levels that reflect compound rate growth over several years. Increases in our inflation assumptions have been recognised in 2022 and generated some adverse prior year reserve development in the Casualty book.

The largest contributors to growth are our General Liability book and the Decennial business written in France. We announced the closure of our Irish insurance business in the Summer of 2022, which had a liability focus, but the impact on our income will be more marked in 2023.

Marine, aviation & transport insurance

Growth in the Marine, Aviation & Transport book was driven by rate and the desire to expand our specialty offering across our European footprint. The Marine (insurance)_and Aviation (reinsurance) businesses were the driver of the underwriting loss this year with the War in Ukraine generating claims activity in the region.

Life

The life reinsurance business is located in Belgium, with marginal increases in income as we navigate the relatively low-rate environment. Performance was impacted this year as we updated our inflation assumptions.

Other

The 'Other' Solvency II lines of business consist largely of:

- Direct and proportional reinsurance: Medical expenses, Income protection, Motor vehicle liability, Other motor, Credit and suretyship, Legal expenses, Miscellaneous financial loss;
- Non-proportional health reinsurance;
- Annuities stemming from non-life insurance contracts.

QBE Europe incurred net claims of £26m (2021: £0m) on annuities stemming from non-life insurance contracts which are classified as Life business under Solvency II. These have been included in net claims incurred in the 'Other' Solvency II lines of business column above.

'Other' lines of business represent 7% (2021: 10%) of QBE Europe's gross written premium.

A.2.3.3 QBE Europe underwriting performance by material geographical areas

Underwriting performance within QBE Europe's material geographical areas are shown in the table below for the current 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 full QRT is included in Appendix A.

Non-Life (Direct business and reinsurance accepted)

31 December 2022 €'m	Belgium	France	United Kingdom	Spain	Germany	Italy	Other	Total
Gross written premium	257	429	231	149	136	85	662	1,949
Net earned premium	190	323	168	115	106	68	510	1,480
Net claims incurred	191	265	121	66	55	31	312	1,041
Expenses incurred	72	115	47	33	37	27	138	469
Underwriting performance	(73)	(57)	-	16	14	10	60	(30)

31 December 2021 €'m	Belgium	France	United Kingdom	Spain	Germany	Italy	Other	Total
Gross written premium	197	361	193	122	101	82	544	1,600
Net earned premium	175	272	128	93	78	62	431	1,239
Net claims incurred	89	161	85	62	121	43	241	802
Expenses incurred	59	103	39	31	21	25	129	407
Underwriting performance	27	8	4	-	(64)	(6)	61	30

On the inwards reinsurance non-life portfolio, the Belgian office was able to capitalise on favourable market conditions, and grow the book compared to both plan and the prior year. The rating environment was positive as the market continued to harden, though this benefit was offset somewhat by the spike in inflation in the first

half of the year. There was a claims provision made in the second half of the year to reflect the impact of higher claims costs on prior years of account.

2022 was another busy year of natural catastrophe losses with the series of French hailstorms in June and July as well as a French bushfire event significantly impacting the result.

Performance in Germany improved markedly year on year as we saw more normal claims activity after we experienced the Storm Bernd Cat event during 2021.

The trend of generating growth in income was observed across all of our primary geographies, with the exception of Italy where the Property market continues to be overcapitalised and challenging to deliver profitable growth.

Life (Non-Life Annuities and Reinsurance Accepted)

31 December 2022 €'m	Belgium	United Kingdom	France	Netherlands	United States of America	Switzer-land	Other	Total
Gross written premium	23	14	5	2	2	2	8	56
Net earned premium	22	13	4	2	2	1	7	51
Net claims incurred	41	12	2	2	1	1	16	75
Expenses incurred	6	1	1	-	-	-	2	10
Underwriting performance	(25)	-	1	-	1	0	(11)	(34)

31 December 2021 €'m	Belgium	United Kingdom	France	Mexico	Peru	Switzer-land	Other	Total
Gross written premium	16	7	4	3	2	2	(3)	45
Net earned premium	14	6	3	3	2	2	(4)	40
Net claims incurred	12	6	(2)	8	(1)	1	(23)	36
Expenses incurred	3	1	1	1	-	1	2	10
Underwriting performance	(1)	(1)	4	(6)	3	-	17	(6)

The life inwards reinsurance business remained marginally ahead of plan for top line as the market continues to react to the post-covid environment. There were a number of adverse adjustments on prior underwriting years relating to Danish Peruvian treaties. Inflation tracked at higher than anticipated levels during 2022 so a one off reserve charge was taken in the second half of the year in expectation of a prolonged heightened inflationary environment. The team continue to closely monitor inflation trends.

A.3 Investment Performance

A.3.1 Overview

The information on investment performance below is presented on a fair value basis for the EO Group, QUK and QBE Europe. For EO Group (IFRS) and QUK (UK GAAP) this is consistent with the financial statement valuation basis. For QBE Europe this approach differs from the financial statements under BE GAAP which values investments at fair value other than debt instruments that are valued at amortised cost.

The EO Group, QUK and QBE Europe investment portfolio allocations, and overall portfolio structure, are substantially unchanged during 2022. The majority of investments are in a fixed income portfolio with moderate allocation to growth assets. On a mark-to-market basis returns on fixed income assets were adversely impacted by the rise in market yields during 2022. Geopolitical events and rising inflation resulting in an increase in the cost of living contributed to rise of yields of government bonds and a widening of credit spreads on other fixed income portfolios. These events impacted returns across all major fixed income holdings, with corporate bonds impacted more than government and semi-government holdings. Growth assets and investments in infrastructure assets provided good returns, despite experiencing volatility in the second half of the year.

The majority of fixed income portfolios have an average credit rating equivalent to or better than Standard & Poor's ('S&P') 'A'. The minimum permitted credit quality per the Group Investment Guidelines is 'BBB-' grade instruments.

The EO Group (including QUK and QBE Europe) follows the 'Prudent Person Principle' ('PPP') as set out in Solvency II regulations, PRA SS1/20 and NBB 2016_31. These principles are now embedded in processes and controls within the EO Group and subsidiaries.

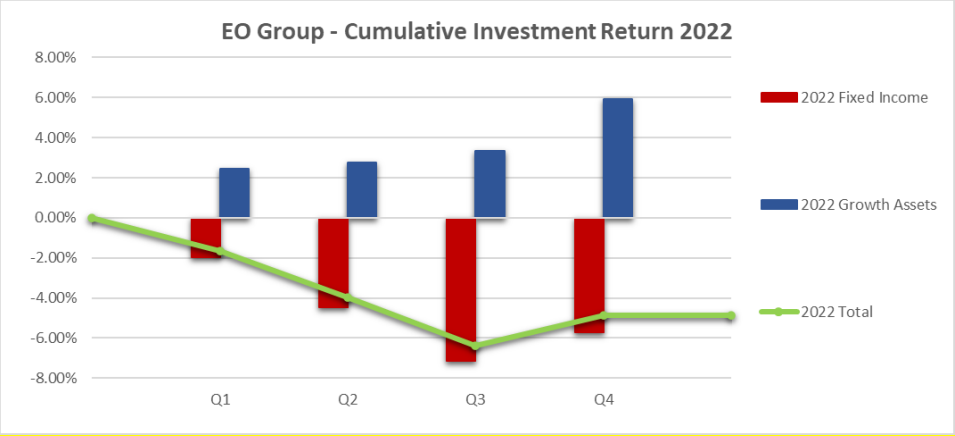
A.3.2 EO Group investment performance

Consistent with the approach outlined in A.2.1 with respect to Group underwriting performance, Group investment return in A.3 for Solvency II purposes only relates to entities which are required to fully consolidated under Solvency II. This therefore only includes QUK, QBE Europe and EO plc (EO plc being the only fully consolidated entity with a significant investment portfolio).

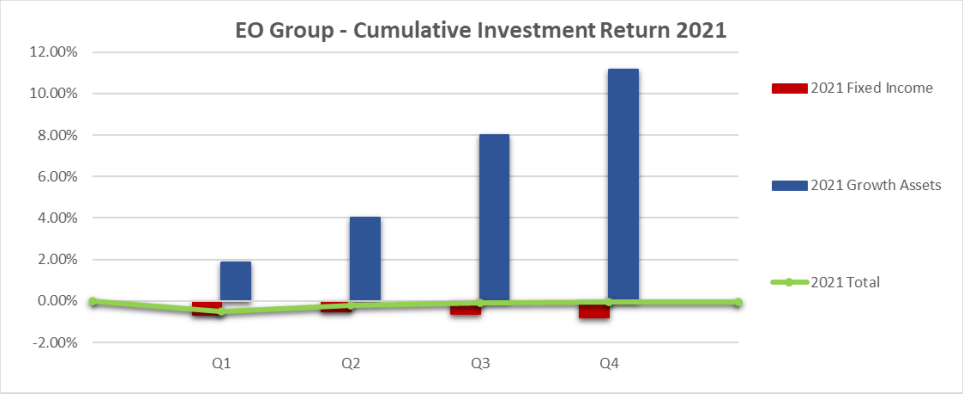
Investment performance for the EO Group discussed in this Section relates only to EO plc, QUK and QBE Europe as these are the only entities which are fully consolidated on a Solvency II basis and have a significant investment portfolio. It therefore does not include the investment performance of QBE Corporate (which participates in Syndicate 2999 and Syndicate 386) and other EO Group entities.

Investment return is measured and reported at an asset class level for the EO Group. A summary of this information is provided to the Executive Management Board ('EMB') on a monthly basis.

The chart below shows cumulative investment return for major asset classes by quarter for the year for EO plc, QUK and QBE Europe combined.



Prior year comparatives of cumulative investment return for major asset class by quarter for EO plc, QUK and QBE Europe combined are shown in the chart below:



Fixed income and enhanced fixed income investment return for the EO Group was negative (5.7)% (2021: negative (0.8)%), primarily driven by losses associated with rising sovereign and corporate bond yields, amid monetary policy tightening by central banks.

Growth asset investment return was positive 5.9% for the year (2021: positive 11.2%). Unlisted property and infrastructure assets performed strongly during the year.

Investments are monitored using the asset types below. The total investment returns achieved for the year together with the values of investments at the year end and prior year comparatives are set out below. The combined currency total return (percentage yield shown in the table below) for the year was negative (4.9)% (2021: negative (0.1)%) on a fair value basis.

Asset Class	2022			2021		
	Yield (%)	Investment Return £'m	FUM[1] at Y/E £'m	Yield (%)	Investment Return £'m	FUM[1] at Y/E £'m
Fixed income	(5.8%)	(315)	5,251	(0.8%)	(46)	5,636
Equities	(5.9%)	(9)	113	35.1%	-	8
Infrastructure debt	-	-	-	(0.1%)	-	8
Infrastructure assets	8.6%	10	150	14.6%	14	108
Unlisted property	11.7%	24	219	10.1%	19	199
High yield debt	(6.7%)	(8)	153	-	-	-
Emerging market debt	(0.3%)	(1)	106	-	-	-
Private equity	-	3	0	13.7%	7	0
Private credit	4.6%	3	94	-	-	-
Alternatives	0.1%	(0)	29	(9.7%)	(1)	26
Total	**(4.9%)**	**(293)**	**6,116**	**(0.1%)**	**(7)**	**5,985**

1. Funds under management / Investments in the balance sheet

Investment return included in EO Group's IFRS accounts with respect to EO plc, QUK and QBE Europe also includes foreign exchange and other and other valuation adjustments, which do not form part of investment return and yield reported in the table above.

Investment expenses and charges (including realised losses) were £198m for the period (2021: £140m), increased from prior year due to higher level of realised losses on investments.

A.3.3 QUK investment performance

At 31 December 2022, QUK's investments were primarily held in fixed income securities and money market instruments, with a modest exposure to private credit and growth assets through investment funds investing in infrastructure assets, unlisted property, equities, exchange traded commodities (Gold) and social impact bonds.

Investments are monitored using the asset types below. The total investment returns achieved for the year together with the values of investments at the year end and prior year comparatives are set out below. The combined currency total return (percentage yield shown in the table below) for the year was negative (3.0)% (2021: flat 0.0%) on a fair value basis.

Asset Class	2022			2021		
	Yield (%)	Investment Return £'m	FUM[1] at Y/E £'m	Yield (%)	Investment Return £'m	FUM[1] at Y/E £'m
Fixed income	(4.3%)	(90)	2,040	(1.0%)	(21)	2,326
Equities	4.7%	1	33	83.0%	-	8
Infrastructure debt	-	-	-	(0.1%)	-	-
Infrastructure assets	8.8%	6	76	14.3%	8	62
Unlisted property	11.4%	10	93	12.9%	10	88
Private equity	-	1	0	13.7%	2	-
Private credit	4.6%	3	94	-	-	-
Alternatives	2.6%	-	12	(10.1%)	(1)	11
Total	**(3.0%)**	**(70)**	**2,347**	**(0.0%)**	**(2)**	**2,494**

1. Funds under management / Investments in the balance sheet

Investment return reported in QUK's financial statements includes foreign exchange and other valuation adjustments, which do not form part of investment return and yield reported in the table above.

Investment expenses and charges (including realised losses) were £71m for the period (2021: £9m). The increase from last year was due to higher realised losses compared to 2021.

A.3.4 QBE Europe investment performance

At 31 December 2022, QBE Europe's investments were primarily held in fixed income bonds and money market instruments, with a modest exposure to high yield debt, emerging market debt and growth assets through investment funds in infrastructure assets, unlisted property, equities and exchange traded commodities (Gold).

Investments are monitored using the asset types below. The total investment returns achieved for the year together with the values of investments at the year end and prior year comparatives are set out below. The combined currency total return (percentage yield shown in the table below) for the year was negative (6.1)% (2021: negative (0.1)%) on a mark-to-market / fair value basis.

Asset Class	2022			2021		
	Yield (%)	Investment Return €'m	FUM[1] at Y/E €'m	Yield (%)	Investment Return €'m	FUM[1] at Y/E €'m
Fixed income	(6.9%)	(261)	3,589	(0.7%)	(26)	3,853
Equities	(12.2%)	(11)	90	0.7%	-	-
Infrastructure debt	-	-	-	(0.0%)	-	10
Infrastructure assets	8.4%	5	83	15.1%	7	54
Unlisted property	11.9%	16	142	8.0%	10	133
High yield debt	(6.7%)	(10)	173	-	-	-
Emerging market debt	(0.3%)	(1)	120	-	-	-
Private equity	-	3	-	13.7%	5	-
Alternatives	(1.6%)	(0)	19	(9.7%)	(1)	18
Total	**(6.1%)**	**(259)**	**4,216**	**(0.1%)**	**(5)**	**4,068**

1. Funds under management / Investments in the balance sheet

The investment return reported in QBE Europe's financial statements includes foreign exchange and other valuation adjustments and differences between fair value and amortised cost, which do not form part of the investment return and yield reported in the table above.

Investment expenses and charges (including realised losses) were €120m for the period (2021: €38m), increased from prior year due to higher level of realised losses mostly on debt instruments sold in the year.

A.3.5 EO plc investment performance

EO plc's Investments are held in fixed income securities and money market instruments. The combined currency total return for the year was negative (1.8%) (2021: negative (0.5%)). Investment expenses and charges including realised losses were £3.6m for the period (2021: £58m), decreased from prior year due to lower level of realised losses on investments.

A.3.6 Gains and losses on investments recognised directly in equity

There are no gains or losses recognised directly in equity by EO Group for IFRS reporting purposes, by QUK for UK GAAP reporting purposes or QBE Europe for BE GAAP reporting purposes.

A.3.7 Investments in securitisation

The EO Group's Investment Guidelines and Restrictions impose certain criteria for investment in relation to securitised assets in addition to those which exist for fixed income investment in general. Specifically, and to observe the limitations on such investments set out in Article 6 of Regulation (EU) 2017/2402 of the European Parliament and of the Council (as referenced by Article 257 of the Solvency II Delegated Regulation ((EU) 2015/35)), 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; and
- Shall not invest in securities that are classified as 're-securitised' products.

At 31 December 2022 exposure to securitisations within the EO Group's portfolio (including QUK and QBE Europe) was comprised of Asset Backed Securities ('ABS') £174m (2021: £170m) and Residential Mortgage Backed Securities ('RMBS') £17m (2021: £19m).

At 31 December 2022 exposure to securitisations within QUK's portfolio was comprised of Asset Backed Securities ('ABS') £2m (2021: £2m) and Residential Mortgage Backed Securities ('RMBS') £17m (2021: £19m).

At 31 December 2022 QBE Europe's investment in securitisation was €193m (2021: €199m), comprised of Asset Backed Securities ('ABS').

A.4 Performance of other activities

A.4.1 Material leasing arrangements

EO Group, QUK and QBE Europe apply IFRS 16: Leases for the purposes of Solvency II reporting.

As at 31 December 2022, EO Group held right of use assets of £53m and lease liabilities of £53 million in the IFRS and Solvency II balance sheet. Depreciation charges with respect to right of use assets in the IFRS financial statements were £12m and interest charges were £1m.

As at 31 December 2022 and 31 December 2021 QUK did not hold any material right of use assets or have any material lease liabilities.

QBE Europe prepares financial statements under BE GAAP. Under BE GAAP lease payments are expensed as incurred. As at 31 December 2022 QBE Europe held right of use assets of €6m and lease liabilities of €6m in the Solvency II balance sheet. Depreciation charges under IFRS 16 with respect to right of use assets would have been €3 million and interest charges would have been €0m.

A.4.2 Other material income and expenses

There is no other material income and expenses for the EO Group, QUK or QBE Europe.

A.5 Any other information

There is no other material information regarding Business and Performance of the EO Group, QUK or QBE Europe.

Section B: System of Governance

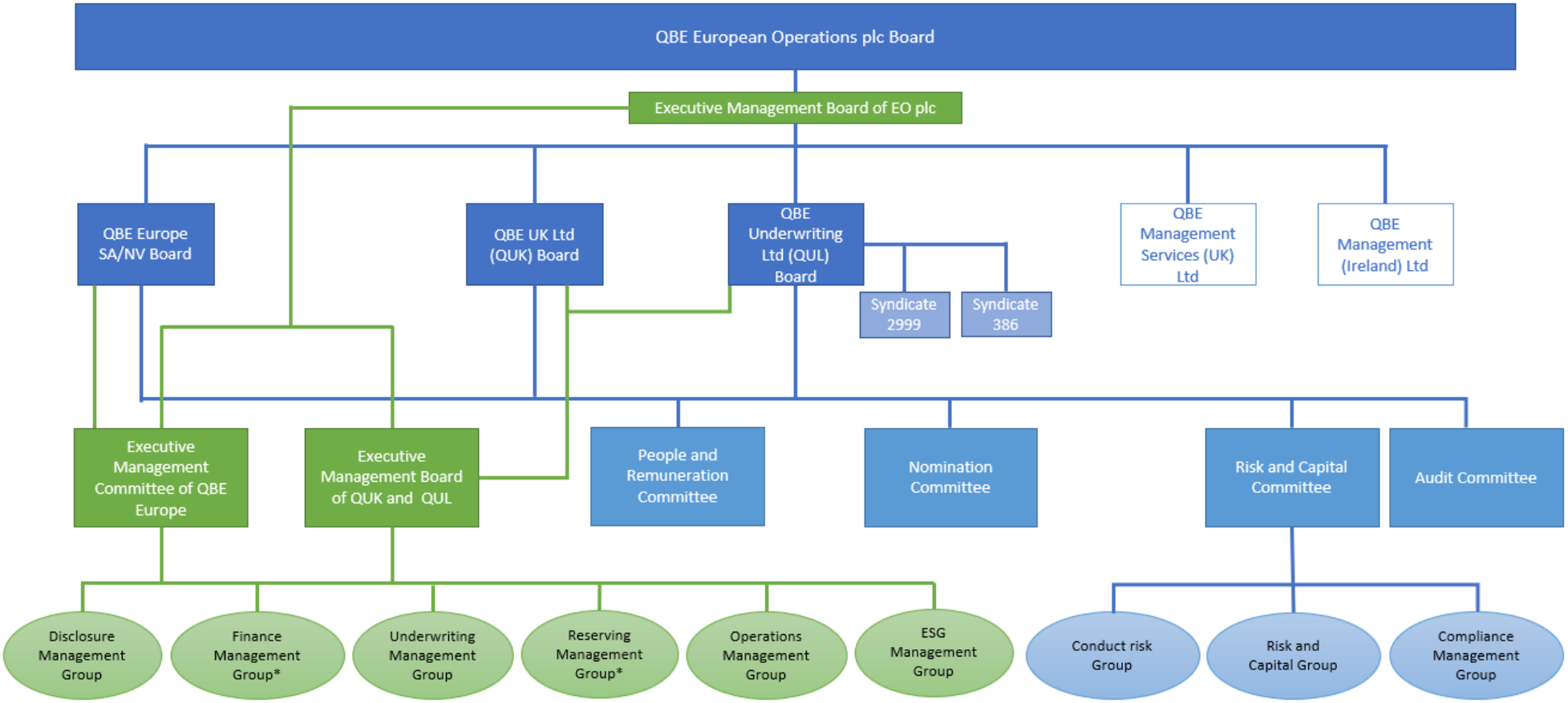
B.1 General information on the System of Governance

B.1.1 Overview

For the purposes of this document the EO Group is defined as EO plc and its subsidiary undertakings including QBE UK Limited ('QUK') (UK authorised insurer), QBE Europe SA/NV (Belgium authorised insurance company), QBE Corporate Limited ('QBE Corporate') (which participates in Lloyd's Syndicates 2999 and 386) and QBE Underwriting Limited ('QUL') (Lloyd's managing agent for Syndicates 2999 and 386). EO plc is a wholly owned indirect subsidiary of the Sydney headquartered QBE Insurance Group Limited ('QBE Group').

The Board and Committee structure of EO plc, QUK, QBE Europe and QUL is illustrated below. The EO Executive Management Board ('EMB') supports the Chief Executive Officer of EO plc in providing executive management of the entire EO Group, as well as acting as a UK management committee for QUK and QUL. The Board of QBE Europe has separately established a management committee ('QEMC').

EO plc is the UK holding company of the EO Group. Apart from the Company, as at 31 December 2022 there were three key operating entities within the EO Group, namely: QUK, QBE Europe and QBE Underwriting Limited ('QUL') - the ('EO Key Regulated Companies').



* Reserving Management Group established in February 2023. Reserving covered by Finance Management Group prior to this date.

The Board Charters of EO plc and each of the EO Key Regulated Companies state that the Board of Directors is responsible for the long-term success of the Company and, where applicable, its subsidiaries. The role of the Board is to provide leadership; to oversee the design and implementation of the 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 of EO plc comprises five Board members: four executive directors and one non-executive director, Sir Keith Skeoch who replaced Mr. Tim Ingram as chair of the EO Group Boards on 29 March 2023. Mr. Tim Ingram resigned as a director of EO plc on 31 March 2023.

The role of the Chair 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.

The Boards of the EO Key Regulated Companies each have four non-executive directors, including the Chair. All non-executive directors are members of the (jointly established by the EO Key Regulated Companies) Audit Committee, the Risk and Capital Committee ('RCC'), the People & Remuneration Committee ('PARC') and Nomination Committee. All the non-executive directors of EO plc and the EO Key Regulated Companies are considered to be independent of management and free from any relationship that could materially interfere with the exercise of independent judgement.

In conjunction with QBE Group, and led by PARC, succession planning is undertaken in accordance with the talent and culture objectives within the strategic priorities of both EO Group and QBE Group whilst ensuring the Board has the right balance of skills, knowledge, experience and diversity to be effective.

B.1.2 Board Committees

The Boards of EO plc, QUK, QBE Europe and QUL (the 'EO Boards') have jointly constituted Board Committees. The Committees all comprise of appropriately skilled members and are supported by attendees as necessary.

The EO Boards Committees comprise:

- **Audit Committee**
  The role of the Committee is to support the EO Boards in overseeing the effectiveness of financial reporting. In particular, the Committee oversees, monitors and keeps under review the 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, whilst having regard for the broader strategy and frameworks set by QBE Group.
- **People and Remuneration Committee**
  The role of the Committee is to provide input to the design and operation of the QBE Group Global Remuneration Framework and provide related recommendations to the Boards. The Committee assists the Boards in oversight of: (i) the effectiveness of the QBE Group Remuneration Framework; (ii) the remuneration of, and incentive arrangements relating to, Directors, Executive Management Board members, QBE Europe Management Committee members, QBE Europe Branch Managers, Senior Managers under the UK Senior Managers and Certification Regime ('SMCR'), Key Function Holders, Material Risk Takers, Heads of Control Functions and all individuals identified as Solvency II Staff or Identified Staff from time to time under the Solvency II Staff Identification Framework ('SII Staff'); and (iii) people programmes and projects including culture, employee engagement, diversity and inclusion and non-Board succession planning, in the context of the broader strategy and frameworks set by QBE Group.
- **Nomination Committee**
  The role of the Committee is to review the balance of skills, knowledge, experience and diversity of each of the EO Boards and Committees (including succession planning) in the context of the broader strategy and frameworks set by QBE Group. The Committee oversees the selection process for appointment of any director to any of the Boards or Board Committees and make recommendations

to the relevant Board(s) for approval, whilst having regard for the QBE Group Governance Framework; and

- **Risk and Capital Committee ('RCC')**
  The role of the Committee is to support the EO Boards in overseeing the integration and effectiveness of the Risk and Capital Management Frameworks (and management's implementation of those frameworks) in order to (i) support strategic objectives of EO Group, (ii) support and inform business plans, (iii) ensure that all risks are identified, assessed and monitored in line with risk appetite and (iv) ensure that adequate capital is maintained against the risks associated with business activities, whilst having regard for the broader strategy and frameworks set by QBE Group.
- **Investment Committee (disbanded July 2022)**
  The role of the Committee was to support the Boards in overseeing the implementation and monitoring the effectiveness of the investment strategies of the EO Group, which form part of the overall QBE Group Strategy, taking into account local regulatory requirements and the investment appetite of the QBE Group. The Committee monitored investment performance and investment risks, and the use of derivatives (where applicable). The Committee was also responsible for the overseeing and monitoring of the effectiveness of the asset-liability strategy with respect to the matching of: (i) investment assets and (ii) the liabilities generated by insurance activities. This Committee was disbanded in July 2022 following a review by QBE Group of its governance structure. Matters previously within the remit of the Committee have been distributed or absorbed by the Boards and their committees.

The membership of each Board Committee is comprised of independent non-executive directors only.

EO plc, QUK and QUL are also supported by the Executive Management Board (the 'EMB'). The EMB supports the Chief Executive Officer of EO plc in providing executive management of the entire EO Group, as well as acting as a UK management committee for QUK and QUL. The Board of QBE Europe has established a separate management committee ('QEMC') to provide support with day-to-day management of QBE Europe.

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; and
- 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.

The role of the QEMC 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.

In addition, the following Management Groups are established to support the above EO Boards, EMB, QEMC and Committees, and form part of the Governance Structure of the EO Group:

- Compliance Management Group ('CMG'), Conduct Risk Group ('CRG') and Risk and Capital Group ('RCG'), accountable to the RCC and the EO Boards; and
- Disclosure Management Group ('DMG'), Finance Management Group (including Reserving) ('FMG'), Underwriting Management Group ('UMG'), Operations Management Group ('OMG') and ESG Management Group ('ESG MG'), and for 2023 a newly established Reserving Management Group (accountable to the EMB, QEMC and the EO Group Boards.

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.

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

EO plc and the EO Key Regulated Companies have a robust System of Governance which includes:

- Board Charters for each company setting out the role and responsibilities of the Board;

- Terms of Reference for each Committee and Management Group referred to above setting out the areas of responsibility of each 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; and
- 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 UK SMCR).

The Boards of EO plc and the EO Key Regulated Companies consider the System of Governance to be appropriate and adequate considering the business strategy and objectives.

B.1.3 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 EO plc, and its subsidiaries QUK, QBE Europe and QUL.

Key Function	Main Roles and Responsibilities

Actuarial	• Establish and maintain a robust Actuarial control framework to ensure that the EO Group:
	  • Complies with all material legal and regulatory requirements;
	  • Adheres to relevant Actuarial standards and best practice;
	• Provide reserving data and analysis;
	• Calculate technical provisions and capital requirements;
	• Responsible for pricing, benchmarking, portfolio analysis and support for business planning; and
	• The main roles and responsibilities of the Actuarial function are further detailed in section B.6.

Risk Management & Compliance	• Establish and maintain a robust enterprise risk management framework; • Produce and perform the EO Group's ORSAs; • Monitor the material risks the business faces and ensuring the adequacy of capital should these risks materialise; and • 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 Group's governance, operations, and information systems regarding the:
	  • reliability and integrity of financial and operational information;
	  • compliance with laws, regulations, policies, procedures and contracts; and
	• The main roles and responsibilities of the Internal audit function are further detailed in section B.5.

Claims Management	• Implement and maintain effective leading-edge practices and processes to provide maximum value to the business and excellent customer service;

Key Function	Main Roles and Responsibilities
	• 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; and • 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; and • Execute and manage the operations strategy of the business.

Investments	• Implement and monitor the effectiveness of local investment strategies;
	• Monitor investment performance and investment risks; and
	• Oversee and monitor the effectiveness of the asset-liability strategy with respect to the relationship between:
	  • investment assets;
	  • the liabilities generated by insurance activities.

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; and • Identify and effectively control financial risks (credit, market liquidity, commercial etc.).
Underwriting	• Establish and maintain a robust underwriting control framework; and • Adhere to relevant underwriting standards and best practice.
Legal	• Pro-actively monitor and evaluate legal risks, emerging/pipeline legal and regulatory developments, alert the business to specific associated risks and extend principles around legal 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; and • Provide legal advice where required to the EMB and QEMC.

People	• Establish and maintain a robust HR control framework to ensure the EO Group:
	  • Adhere to relevant HR standards and good practice; and
	  • Identify and effectively control People risks.

The four key Solvency II functions (Risk, Compliance, Actuarial and Internal Audit) all have representation at key EO Boards, Committees and Management 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.

B.1.4 Changes in the System of Governance during the Reporting Period

The following changes took place during the year.

As noted in B.1.2 above the Investment Committee was disbanded in July 2022. Matters previously within the remit of the Committee distributed or absorbed by the EO governance forums.

The Environmental, Social and Governance ('ESG') Management Group was established during the year accountable to the EMB, QEMC and the EO Group Boards. Further commentary on this group is included in C.6.4 below.

Changes to the composition of EO plc, QUK and QBE Europe board, EMB and QEMC during the year were as follows:

EO plc Board

- Mr Inderpreet Singh Pal was appointed as a director on 13 July 2022;
- Mr Christopher Killourhy resigned as a director on 7 September 2022;
- Mr Robert Stone was appointed as a director on 7 September 2022.

QUK Board

- Mr Steven Maddock was appointed as a director on 11 February 2022;
- Mr Robert Stone was appointed as a director on 12 December 2022;
- Mr Christopher Killourhy resigned as a director on 12 December 2022.

The appointment of Sir Keith Skeoch as an independent Non-Executive Director and Chair of the Boards of EO plc and QUK became effective on 29 March 2023, the date of receipt of his regulatory approval. Mr Tim Ingram stood down as Chair of the Board on the same date and resigned as a director on 31 March 2023.

EMB

- Mr Robert Stone became a member on 1 September 2022;
  Mr Joe Gordon and Mr. Steve Postlewhite resigned as members during the year;
- Mr Nathan Fuller and Ms Ceri Stokoe became members on 1 December 2022.

QBE Europe Board

- Mr Christopher Killourhy and Ms Anna Miskin were appointed as directors on 12 July 2022;
- Mr Nigel Terry resigned as a director on 12 July 2022;
- Mr Robert Stone was appointed as a director on 7 February 2023.
- Mr Christopher Killourhy resigned as a director on 7 February 2023.

The appointment of Sir Keith Skeoch as an independent Non-Executive Director and Chair of the Board of QBE Europe was effective 7 March 2023 following receipt of regulatory approval. Mr Tim Ingram resigned as a director and Chair of the Board on the same date.

QEMC

- Mr Luc Boghe resigned as member on 30 April 2022,
- Mr Nigel Terry resigned as member on 12 July 2022,
- Ms Anna Miskin and Mr Piet Haers were appointed as members on 12 July 2022,
- Mr Christopher Wallace resigned as member on 15 November 2022,
- Ms Beatriz Valenti was appointed as a member on 15 November 2022,
- Mr Christopher Killourhy resigned as member on 7 February 2023,
- Mr Robert Stone was appointed as member on 7 February 2023,
- Mr Nick Menear resigned as member on 8 February 2023.

Each year there is a formal Board Effectiveness Review ('BER'), which is facilitated by an independent external advisor. In June 2022, the QBE Group undertook a BER encompassing the Divisional Boards, including the Boards of the EO Key Regulated Companies. Comments supporting continuous improvement of the effectiveness of the Board arising from the review were discussed by the Boards and a number of minor actions were agreed.

B.1.5 Material transactions during the period with shareholders, persons who exercise significant influence on the EO plc, QUK or QBE Europe and with members of their boards

Details of dividends paid during the reporting period and other material intra-group transactions are disclosed in A.1.9 above.

There were no other material transactions in the reporting period with shareholders, persons who exercise significant influence on EO Plc, QUK or QBE Europe or with members of their Boards.

B.1.6 Adequacy of the System of Governance

The process of assessing the adequacy of the System of Governance is explained in section B.3.13. From the November 2022 review, the EO Risk team concluded that the EO Group's Three Lines Model remains appropriate and represents an effective risk governance framework with adequate checks and balances to support appropriate consideration of risk management throughout the EO Group.

B.1.7 Remuneration

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; and
- 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 Group'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 on a permanent or contractual basis (including any controlled entity) to the extent possible and subject to local market conditions and regulatory requirements.

The Remuneration Policy is aligned with QBE Group's Risk Management Framework, which operates on the following fundamental principles:

- Managing risk is everyone's responsibility;
- Managing risk is integral to informed decision-making;
- Effectively managing risk is a mechanism to gain competitive advantage;
- Management of risk is clearly demonstrable; and
- Managing risk drives continuous improvement.

QBE Group's Remuneration Policy's guiding principles are designed to promote robust risk management practices and are applied effectively to manage remuneration and reward across QBE Group. Those principles are:

- 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 Group'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; and
- Shareholder aligned - achievement of QBE Group divisional targets aligned to shareholder value; delivery of equity awards with significant levels of deferral align reward arrangements to shareholder interests; executive minimum shareholding requirements further link executive interests to those of shareholders.

The use of minimum corporate standards also supports the QBE risk culture in a robust and consistent manner.

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, through the application of short-term and long-term incentive is focused towards the longer-term time horizon, enhancing alignment with the delivery of the long-term strategy and shareholders' interests. For 2022 QBE Group introduced a new variable short-term incentive scheme in order to take a broader view of performance and behaviours increasing emphasis on both financial and non-financial performance including risk, people and strategic measures. Performance is measured through the business scorecard containing financial measures alongside risk, people and strategic non-financial measures. In addition, personal performance objectives focus on what has been achieved and how it was achieved during the year.

Variable remuneration outcomes are reviewed to ensure that they appropriately reflect an individual's performance as well as the performance and risk outcomes of the QBE Group. Adjustments can apply to current year awards, deferred variable remuneration prior to vesting (i.e. malus), and remuneration that has already been paid or vested (i.e. clawback).

There are no supplemental retirement schemes for members of the Board and other key function holders.

Further information on remuneration is available in the 'QBE Group Annual Report 2022', in section 'Remuneration Report', on pages 62 to 84 inclusive.

B.2 Fit and proper requirements

B.2.1 Overview

There is an established Board approved Fit and Proper Policy that applies to the EO Group including the EO Key Regulated Companies (QUK, QBE Europe and QUL). 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, manual on assessment of fitness and propriety 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 Senior Managers and Certification Regime ('SMCR') in relation to those individuals who perform regulated functions on behalf of the UK regulated entities (QUK and QUL) and the QBE Europe UK branch.

B.2.2 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; and
- 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 People & Remuneration and Nomination Committees that they are 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; and
- Have gained approval from the regulatory authority (where applicable).

B.2.3 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 EO Group. 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); and
- 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/ Financial Services and Markets Authority ('FSMA') approved functions;
    - Defined senior management and internal control roles;
    - Individuals holding a delegated authority;
    - Finance; and
    - IT.
- Regular review of all employees, where performance and development assessments are carried out in line with the current QBE Group Performance Review 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; and
- Internal moves - where a change to a person's role may prompt a reassessment of their suitability.

The rigour and detail afforded to the assessment of members of the Board of Directors are particularly stringent.

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;
- Verifications of any required qualifications specific to the role;
- Role profiles;
- Training and development;
- Centres of excellence (i.e., development of subject matter experts); and
- 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.

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

B.3.1 Risk function

The EO Group manages 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 and processes 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 operate consistently across all trading entities. This includes systems in Underwriting, Finance, IT, HR and Risk Management;
- The Three Lines Model operates consistently across all trading entities. Where identified control failures are legal entity specific, they are escalated to the appropriate legal entity Board; and
- A consistent Internal Model operates across the EO Group, the outputs from which are reviewed by EO Group's management groups before being reported to their relevant entity Boards.

Responsibilities of the Risk Function include the following:

- Development and implementation of the Enterprise Risk Management ('ERM') Framework;
- Oversight and challenge of the EO Group and underlying solo Internal Models; and
- Coordination of the Own Risk and Solvency Assessment ('ORSA').

B.3.2 Risk Management Strategy and Framework

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 or performance. Given the centralised nature of the QBE Group's Risk Management Framework, the RMS applies equally to all the EO Key Regulated Companies and is approved by the Boards of those Companies. The strategy sets out the high-level governance arrangements and key roles and responsibilities relating to risk management and identifies the key risk processes and reporting mechanisms.

It is supported by the EO Group's ERM Framework, EO Group Risk Policies and a number of more detailed procedures/standards, covering Risk and Control Self-Assessments, incident reporting, issues and actions management, scenario analysis, risk appetites, key risk indicators and risk reporting.

B.3.3 Risk and Control Self-Assessment framework

QBE Group has a Group-wide Risk and Control Self-Assessment ('RCSA') framework in place. This places responsibility on each business area and is overseen by the ERM team. This framework ensures that risks are managed at a functional level and at a wider risk category level to support the achievement of 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 annually through a risk-based approach by the Risk team and verified through Internal Audit testing.

B.3.4 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; and
- Group Risk.

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

B.3.5 Risk Appetite

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

The Risk Appetite Statements define the thresholds for Risk Appetite. Each statement is accompanied by 'breach', 'caution', 'within appetite' and 'conservative' ranges (where relevant) to provide management and the Board with clear reporting.

QBE Group level RASs set by the QBE Group Board are cascaded, as appropriate, to the Divisions, including the EO Group and its subsidiaries. This ensures a consistent approach and appetite to risk is applied across QBE Group, where it is appropriate and reasonable to do so.

The RASs are reviewed annually to ensure they reflect changes to strategic objectives and to the internal and external environment.

QBE Group's Risk Appetite Framework establishes the approach for setting, monitoring and reporting QBE Group's Risk Appetite at Group and Divisional levels.

B.3.6 Risk Culture

The QBE Group is committed to, and supports, a strong risk culture. It recognises the importance of risk awareness and culture as being instrumental in the effectiveness of QBE Group's ERM Framework and a part of the control mechanisms for the organisation. QBE Group's approach to managing risk culture is based on a set of key principles outlined below:

- Risk Culture is underpinned by a strong risk mindset
- Risk Culture is a key element of the QBE organisational culture
- Our Risk Culture supports our Risk Management Strategy
- Risk Culture is assessed and reported on to enable its ongoing effectiveness

Risk culture metrics are reported regularly to the EO Group's RCC to ensure appropriate escalation of cultural issues and trends. The Risk team also conducts an annual review of risk culture across the EO Group senior management.

B.3.7 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 EO Group's regulatory capital assessment.

The key processes that make up the Internal Model are as follows:

- Internal Model governance (B.3.8)
- Risk identification (including emerging risks) (B.3.9);
- Risk assessment (B.3.10);
- Risk reporting (B.3.11);
- Risk governance (B.3.12);
- Internal control framework B.3.13) and
- The economic capital model (B.3.14).

B.3.8 Internal Model governance

The high level and detailed governance of the Internal Model is the responsibility of the RCC and the Risk 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 Risk function, who have oversight of the Internal Model, 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 independent validation is performed independently of individuals that have been involved in the design and/or operation of the Internal Model, 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 a senior member of the Risk team. There were no material changes to the Internal Model governance during the period.

Changes to the model are further monitored on a regular basis and reported to the RCC and Boards, as applicable, for approval via the model change process.

Use of the model in decision-making processes, for example through risk appetite monitoring and stress and scenario testing, is also reviewed by the Risk team on an at least annual basis.

There were no material changes to the internal model governance process during the reporting period.

B.3.9 Risk identification (including emerging risks)

The EO Group identifies, on a continuous basis, key risks that have the potential to affect the business' ability to achieve its objectives. Each risk is assigned an 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 EO Group's risk and capital management processes.

Risk identification is implemented through the Risk Function's engagement with each business function as part of the ORSA process (management focus areas) and RCSA process (functional risks) and is supported by the emerging risks process.

Emerging risks are defined as "a new or future threat that is difficult to assess but may have a significant impact on QBE's business or the markets we operate in". The Emerging Risks Group ('ERG') co-ordinates the identification, assessment, monitoring, management and reporting of emerging risks applicable to the EO Group. Emerging risks are included as a sub-category of Strategic risk, according to QBE Group's RMS, and are typically new or rapidly changing developments, likely to be unprecedented or not fully understood and/or characterised by a lack of historical data. Emerging risks can have a significant impact on QBE Group achieving its strategic or business objectives, but are not adequately captured within other risk classes or risk sub-classes within QBE Group's RMS. The ERG is attended by Subject Matter Experts ('SMEs'), who participate in knowledge sharing, identification, assessment, monitoring and management of emerging risks. The EO Group ERG maintains a matrix of emerging risks that is used as the basis for the reporting to management on a quarterly basis via the ORSA.

The Risk team also engages Executive Management Board members in assessing new key and emerging risks each quarter, to provide a top-down perspective for risk identification.

B.3.10 Risk assessment

Risks (by sub-risk category) are assessed by committees using a combination of qualitative and quantitative techniques via the risk dashboard process and through the ORSA process. The assessment process brings together key information to support the analysis such as risk appetite statements, management key concerns/risks, control assessments, emerging risks, risk ranking (based on the Economic Capital Model), significant transformation portfolio assessments and issues and incidents including action plans.

Risk assessment is supported by the EO 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 granular 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 B.3.15 'Determination of Solvency Requirements'.

Risks are further assessed on a functional level through the RCSA process (please refer to section B.3.3)

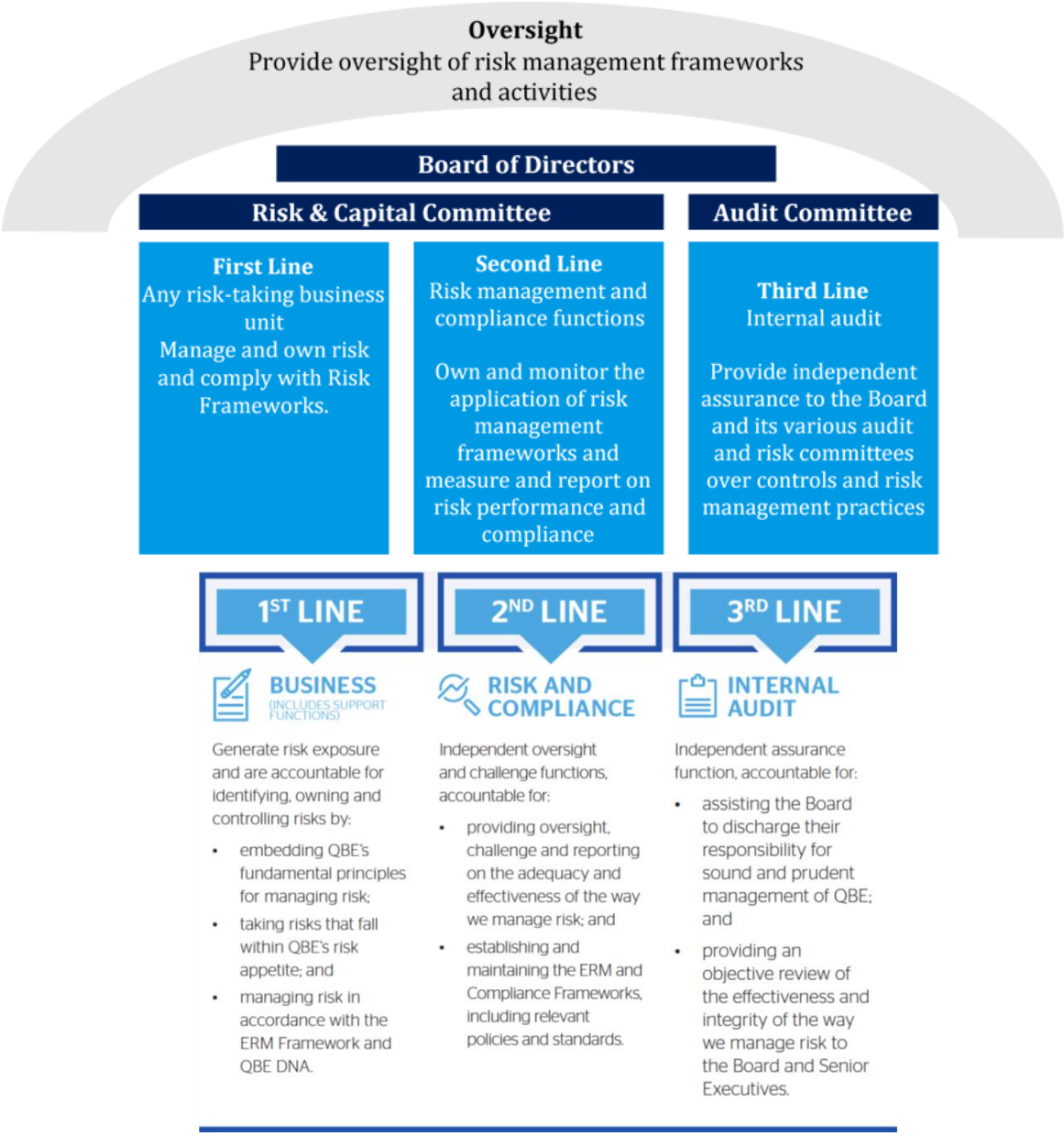
B.3.11 Risk Reporting

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 EO Group's risk reporting is the ORSA, details of which can be found in section B.3.15.

B.3.12 Risk governance

Everyone within the QBE Group has responsibility for managing risks. The EO Group employs the Three Lines Model to managing risk, as described below:



Embedded in most of the 1st Line teams there is a 1b function providing:

- Review, challenge or oversight of 1st Line risk management activity. Although 1b functions are not fully independent of 1st Line management, they are one step removed from risk taking and decision-making activities led by 1st Line teams and are therefore able to provide an objective view;
- Specialist business advice or service to the business, such as training or legal advice; and

- Monitoring of 1st Line's compliance with procedures, policies or frameworks set out by the 1st, 2nd or 3rd Line.

B.3.13 Assurance and governance forums

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

A RAG rating is used to assess each business function in relation to the adequacy of design of their assurance model across the lines of defence. Where the Assurance Operating Model needs improvement, a designated owner is identified to ensure any remedial or business improvement actions are effectively undertaken in a timebound manner.

The Governance Committees and Management Groups, noted in section B.1, provide further challenge and assurance on risk taking and management activity. Members of the 2nd Line sit on all relevant Committees and Management Groups established by the EO Group Board and attend additional working groups and steering committees as appropriate to deliver risk and compliance oversight and challenge across the spectrum of business activity.

The EO Group's Three Lines Model provides an effective risk governance framework in which roles and responsibilities for risk management and oversight are clearly defined throughout the EO Group and its Regulated Subsidiaries. It also ensures the existence of appropriate checks and balances and enables remedial actions to be taken where weaknesses are identified. Further, by embedding 1b teams within the 1st Line business functions, the EO Group enables:

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

From the November 2022 review, the EO Group Risk team concluded that the EO Group's Three Lines Model remains appropriate and represents an effective risk governance framework with adequate checks and balances to support appropriate consideration of risk management throughout the EO Group.

B.3.14 Determination of solvency requirements – Economic Capital Model

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 QBE Europe model has been approved by the NBB since 2019.

The ECM measures the risks specified in the QBE Group 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 Strategy (for example through use for business planning / business plan stress testing);
    - Strategic asset allocation;
    - Capital Appetite Framework;
    - Setting and monitoring against risk appetite statements;
    - Stress Testing (including Regulatory Stress Tests); and

    - Approval of regulatory reporting, including the ORSA.
- Capital setting: elements of the SCR are derived directly from the output of both the ECM and risk management processes;
- Risk appetite: some elements of 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 dashboard and ORSA assessments and appetites in the Risk Management Framework; and
- Model risk: the governance around the ECM is based on the Risk Management Framework principles. Matters affecting any changes to the ECM such as methodology updates are included in the quarterly ORSA reports sent to the relevant committees, including the RCC and Boards.

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

B.3.15 The Own Risk and Solvency Assessment ('ORSA')

B.3.15.1 Overview

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 Group faces or may face and determine the assets 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, 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 and Key Risk Indicators 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. A separate ORSA report for QBE Europe is prepared in addition to that for the EO Group.

The EO Group ORSA report is reviewed and discussed by the RCG, RCC and QEMC (for the QBE Europe ORSA only) which, in aggregate, contain all the Directors of the EO Group, QUK and QBE Europe, prior to recommendation to the Boards for review and approval. This process ensures that detailed discussion and review can be effected 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.

B.3.15.2 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 current and future risk and capital position. The report provides analytical breakdown by risk type and regulated entity. PRA approval has been received to submit a single Group ORSA report covering EO Group and separately QUK. QBE Europe is also included within this single Group ORSA report. A separate Annual ORSA report is produced for QBE Europe, in addition to that for the EO Group.

The Annual ORSA is reviewed and approved by the Boards of the EO Group and the EO Key Regulated Companies.

B.3.15.3 Regular ORSA updates

ORSA updates are reported to the EO Group's RCC and RCG on a quarterly basis and include analysis of:

- Risk Appetite Statements;
- Risk profile;
- Areas of management key concern / risks (including horizon key risks);
- Key Risk Indicators ('KRI');
- Financial position and solvency ratios;
- The current and indicative SCR, where applicable, for each legal entity;
- The on-going suitability of the Internal Model for capital setting purposes;
- Internal Model Usage;
- Transformation and project risk and EO Group's Line 2 Risk Opinion;
- Emerging risks;
- Issues and Incidents analysis;
- Control environments;
- RCSA analysis; and
- Risk culture and Group Risk via the risk dashboards, as appropriate.

The ORSA update, or a summary of it, is also reported to the QEMC, a Committee of the QBE Europe Board.

B.3.15.4 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 changes to EO Group, QUK or QBE Europe's capital base; and
- Identification of a critical issue.

B.3.15.5 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 Group 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 approve the quarterly ORSA updates and the RCC will also review and recommend the annual ORSA report to the Boards 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.
- QEMC: The QBE Europe annual ORSA is further reviewed by the Management Committee for QBE Europe prior to QBE Europe Board approval. The QEMC also receive the quarterly ORSA updates.
- 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.

B.4 Internal control system

B.4.1 Overview

EO Group has implemented a consistent internal control framework that seeks to ensure compliance with all relevant regulatory and legal requirements across EO plc and its subsidiaries. These requirements include meeting the standards contained within Article 46 of the Solvency II Directive (implemented in the UK in Rule 4 of the Conditions Covering Business Part of the PRA Rulebook for Solvency II Firms), FCA requirements under the Senior Management Arrangements, Systems and Controls Sourcebook ('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", the NBB Overarching Circular on system of governance, and other NBB Regulations and Circulars including the *Regulation on the internal control system and the internal audit function* of 19 May 2015 which states that "Each institution must have an internal control system appropriate to its activities or planned activities, taking into account the nature, size and complexity of these activities and the associated risks".

As discussed in Section B.3, 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 B.3.11 for further information.

B.4.2 Risk Governance

The risk governance forums within the EO Group 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 B.1 for further detail on the various committees and their functions within the EO Group.

B.4.3 The Compliance Function

The Compliance function consists of three dedicated central teams (Regulatory and Assurance; Sanctions and Licensing; and Compliance Monitoring) and specific local resources in respect of continental Europe. The function reports through the Compliance Director (EO Group) and Head of Compliance (QBE Europe), to the respective entity Chief Risk Officers, who are both members of the respective Boards. 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 Group Boards, senior management or the EO Group Committees.

The principal purpose of the function is to ensure the business meets the standards set by its regulators and QBE Group, proactively support the development of a culture of compliance and appropriate management of regulatory risk across the EO Group, and to and provide appropriate second line independent challenge in respect of first line activities. Accountabilities include advising the Boards on compliance with PRA/FCA/NBB requirements, the Principles for doing business at Lloyd's, other international regulatory requirements and the QBE Group standards and requirements established by the QBE Group Compliance Risk Policy and supporting 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, Data Privacy, Anti-Money Laundering and Anti-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; and
- 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 the defined QBE Group Compliance Risk Policy. The Policy outlines QBE Group's approach to compliance and defines roles and responsibilities within the Three Lines of Defence model for achieving a positive compliance culture and effective compliance management. The requirements of the QBE Group policy are applied as part of the EO Group Compliance Framework 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;
- Monitoring, assessing and reporting regularly on regulatory risks (via the established Insight Risk Management platform); and
- 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 Boards. 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". Individual member's knowledge, experience and competency are routinely assessed and monitored through the internal Performance review process.

In addition to active engagement with market bodies such as the Association of British Insurers ('ABI'), International Underwriting Association ('IUA'), Lloyd's Market Association ('LMA') and Assuralia in Belgium 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 the following on behalf of the Board:

Material Risk Classes

- Compliance Risk;

Risk Sub-Classes

- Non-compliance with external requirements (Compliance Risk);
- Improper business practice (Operational Risk); and
- Internal and/or external fraud (Operational Risk).

The function works with a number of other key assurance functions including Internal Audit, Risk, Legal, Underwriting and Claims Governance, ERM and Delegated Underwriting to ensure all significant areas of regulatory risk are addressed.

There is an established issue and incident reporting process as part of the wider Risk Management Framework which includes 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 and QBE Europe Head of Compliance further escalate all material issues to the Boards and supervisory bodies through their 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; and
- Review of Compliance breach and incident reports.

The EO Group has implemented the QBE Group Conduct Risk Policy. The Conduct Risk Group ('CRG') is another key management group of the RCC and is responsible for identifying, assessing, mitigating and overseeing Conduct Risk, including application of the QBE Group Policy. 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;
- Assessing the conduct risk inherent in the EO Group's products and distribution methods and whether mitigating controls and oversight are appropriate;
- Designing and providing effective management information around conduct risk within the EO Group; and
- Reporting to the RCC on the design and effectiveness of the EO Group's Conduct Risk Framework.

B.5 Internal audit function

B.5.1 Overview

QBE Group Internal Audit ('GIA') is a group-wide function, in which divisional internal audit teams operate on a globally integrated basis. The primary role of GIA is to assist the Board of Directors and senior management by providing independent assurance that the design and operation of the controls across the QBE Group are effective. The QBE Group Head of Internal Audit is responsible for the function, which operates under a written charter from the QBE Group Board Audit Committee. The Group Head of Internal Audit is responsible for the establishment of a team with the required skills, knowledge, and experience to deliver the internal audit plan.

GIA operates within an established framework designed to meet key stakeholder expectations and achieve adherence to applicable professional mandatory guidance and requirements. This includes adherence with The Institute of Internal Auditors International Professional Practices Framework "Core Principles for the Professional Practice of Internal Auditing", "Definition of Internal Auditing", "Code of Ethics", and "International Standards for the Professional Practice of Internal Auditing" (Standards), and any other applicable professional mandatory guidance and requirements.

A risk-based plan of internal audits is determined annually in consultation with stakeholders e.g., senior management for approval by the Group and Divisional audit committees. GIA uses the QBE Risk Management Framework in developing the plan, incorporating the results of the risk assessments performed by management. This is overlaid by GIA's own assessment of risks and related controls. The plan will also include audits to address relevant regulatory requirements.

GIA maintains a quality assurance and improvement programme that covers all aspects of GIA assurance activity. This comprises both internal and external assessments, and findings of the quality assurance programme are reported to the Audit Committee Chair at least annually.

B.5.2 Independence

GIA is authorised to perform any audits, reviews, investigations, or conduct any form of inquiry, which it considers necessary to meet its purpose. GIA has full, free, and unrestricted access to all QBE activities, records, property, and personnel.

GIA maintains its independence through having 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 QBE Group Head of Internal Audit reports to the QBE Group Audit Committee at least annually on the organisational independence of the internal audit activity.

B.6 Actuarial function

B.6.1 Overview

There are two Actuarial Functions within the EO Group, one for QUK and one for QBE Europe.

At the core of all actuarial work, mathematical techniques are used to interpret the available data. 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 (e.g., the Enterprise Risk Management department).

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

All departments that form the Actuarial Function are subject to regular internal audits to ensure that the appropriate governance and processes are followed in their operation. External actuaries are contracted annually to provide an independent reserve review on a central estimate basis. The results are compared to the EO Group reserve results and differences discussed. Major differences are referred to the Reserving Working Group, Finance Management Group and relevant Board sub-committee. The external actuarial review is performed at the EO Group level and at the entity level.

B.7 Outsourcing

B.7.1 Overview

The EO Group Boards initially adopted the QBE Group Outsourcing Policy in July 2020 in place of the previous EO Group Outsourcing Policy, with an updated Group Policy adopted in May 2022. The Policy is regularly reviewed (with input from the EO Group on any required content changes) and updated where appropriate. The policy details the QBE 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.

The Policy is supported by an approach document which details how the requirements of the QBE Group policy are implemented within the EO Group. This approach document was initially adopted by the EO Group Boards in July 2021, with a further updated version adopted in May 2022, and in combination with the QBE Group Policy now forms the Outsourcing Policy for all EO Group entities. Collectively these documents establish 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 Outsourcing Policy asserts QBE Group's comment to "managing any risks associated with outsourcing through appropriate systems and controls", and "ensuring compliance with regulatory requirements", stating that outsourcing should only be undertaken where:

- It does not significantly increase our risk exposure;
- Ensures we remain in line with the relevant QBE Group Risk Appetite; and
- It supports QBE's strategic objectives and business plans.

The Policy and supporting approach document also establish obligations around the periodic review of all outsourced arrangements, which will differ according to the nature, scale and scope of those arrangements. The documents collectively require 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, including the regular review and challenge of materiality assessments to ensure the appropriate classification and management of arrangements. An Outsourcing and Third Party Risk Management Working Group ('OWG'), reporting to the Operations Management Group ('OMG'), oversees both the practical application of the policy within the EO Group and preparation of the material outsourcing register on an ongoing basis.

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 OMG monitor, review and report on matters relating to critical/important outsourcing and the service performance level of suppliers both directly to the Boards and indirectly through the QBE Group global contractual approach (whether provided by intra-group arrangements or from third party service providers).

Once a contract is in place, the OMG will monitor and review the performance of both internal and external service providers on behalf of the Boards in key service areas in order to ensure that the operation of the companies is delivered effectively and efficiently. Focussed support is provided to the OMG in this regard by the OWG. The OMG also will review and challenge the operational strategy of the Companies and ensure such strategy is aligned with the Companies' business plans; monitor performance under outsourcing agreements and any other applicable arrangements (including performance against agreed service levels) and approve, monitor and oversee any corrective actions as required, identify risks and/or systemic performance issues in relation to the above areas and set and undertake any corrective action or recommend any corrective action, as necessary, to the QEMC and EMB.

This enables the relevant internal forums to maintain appropriate oversight and challenge over outsourced critical/important functions and activities. It also ensures that that outsourcing has no detrimental impact on the overall standard of governance and control.

The governance and control framework established around critical/important outsourcing (as outlined above) is designed to ensure that the Company has appropriate ongoing oversight over third parties performing material functions on its behalf. This includes generating appropriate MI for review and assessment by the appropriate governance forums, and as a consequence, the Company's submissions and regulatory reporting will take full account of and be based on sound oversight of all material outsourced functions/activities.

The due diligence process around any proposed critical/important outsourcing will include an assessment of potential providers in the market and any decision will be based upon a range of factors including their regulatory authorisation, financial strength, business reputation, internal control environment, ability to perform the necessary functions and the experience and technical competence of the Company and its employees. The QBE Group Outsourcing Policy requires that such outsourced arrangements must also be monitored on an ongoing basis in line with the nature, scale and scope of the services provided including ongoing assessment of the factors outlined above.

For Claims relationships, any potential financial and staffing issues identified as part of these reviews are detailed in contract summary documentation prepared by the Procurement function. For other outsourced partners, assessment of financial resourcing is included in summary documentation detailing key contract points and pricing. This follows the selection process established via the internal procurement process. Assessment of staffing considerations is a default term as part of the 'Requested For Proposal' ('RFP') process and is evidenced as part of the tender/award process.

B.7.2 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 QBE Group Outsourcing Policy and supporting EO Group Approach:

- 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 EO Group's behalf and operate predominantly in the following territories:
    - Australia;
    - Canada;
    - The European Union;
    - United Kingdom; and
    - 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 Australia, India, Malaysia, the Philippines and the United States; and

- Two significant delegated underwriting arrangements operated by the EO Group are also currently considered to be critical or important outsourcing. These involve the underwriting of multiple classes of business on behalf of QUK (one arrangement only) and QUL (one arrangement only) via separate delegated authorities, which are reviewed annually and monitored by the EO Group Material DUA Oversight Group.

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); and
- Human Resources (including Service Desk support, joiner/leaver processes and lifestyle changes).

In addition, various intra-group outsourcings are implemented in accordance with the QBE Group Services Governance Framework. In all cases the QBE 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 Group Global IT function, with employees and infrastructure physically located within the EO Group. This intra-group outsourcing is governed by the QBE Group Master Services Agreement and is subject to formal on-going oversight by the EO Chief Operations Officer, Chief Information Officer and OMG, with established Service Level Agreements ('SLAs') and regular performance reviews;
- Treasury services are provided by the QBE Group Treasury function, with key employees physically located within EO Group. These services are also within the scope of the QBE Group Master Services Agreement, with SLAs in place and formal oversight provided by the 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 EMB; and
- Provision of reinsurance administration and support services for the EO Group's outwards reinsurance placement programme by a predominantly UK-based Group function that was previously part of the EO Group.

Internal Audit support to the EO Group is provided by the QBE Group Internal Audit function. 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 QBE Group Services Governance Framework.

Prior to entering into any global agreement, the contracting QBE entity carries out an appropriate due diligence process on the potential service provider and performs its own assessment of the risks related to the outsourcing arrangement. The Company's Management Committee and Board approve the general conditions of the contractual arrangement with the service provider after having received proper information. Procedures are in place for the performance of prior review of the proposed agreement by Legal and by the Company Head of Compliance. Both the Internal Audit and Compliance Functions perform an independent review of outsourced activities, including Interaction with the PRA and NBB for reporting existing or planned outsourcing of critical functions or activities. In all such cases, the requirements and associated governance arrangements of the QBE Group Outsourcing Policy (incl. EO's Approach to Outsourcing & Third Party Risk Management) apply.

B.7.3 Delegated Underwriting Authority ('DUA') Arrangements

In addition to the delegated underwriting arrangement referenced in section B.7.2 above, the EO Group also operates a worldwide network of coverholders which are delegated authority to underwrite business on the EO Group's behalf. The primary sources of delegated authority business are:

- Australia;
- Canada;
- The European Union;
- United Kingdom; and
- 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.

B.8 Any other information

No other information is considered material regarding the EO Group, QUK or QBE Europe System of Governance.

Section C: Risk profile

The EO Group's **external risk exposures** have increased throughout 2022 with a number of increasing risk trends including for the 'Economic & political uncertainty' (rated "High"), 'Claims, reserving, large losses and Prior Year Development ('PYD') (rated "High") and 'Risk free rates change' (rated "Low"), which were impacted by a heightened risk of a recession following rising inflation and resulting interest rate increases throughout 2022. Inflation hit a 40 year high in the UK in October 2022 as the Consumer Prices Index (CPI) in the UK rose to 11.1% in October before falling to 10.5% in December 2022 (similar trends were experienced across the Eurozone, US and other major economies). In response to inflation central banks have significantly increased interest rates, which led to yield curves for Sterling, the Euro and the US dollar all increasing. In Q1 2023 QBE announced a reserve transaction with Enstar that, once finalised, will de-risk exposure to prior year reserve development for Insurance Financial Lines (2018 & prior) and QBE Re Belgium (2010 & prior). Focus on our 'Climate change' risk profile continued during 2022, with increased attention from regulators, investors and other stakeholders, resulting in a stable risk trend for the "High" rated risk throughout the year. During 2022, QBE Group joined the UN-convened Net Zero Insurance Alliance (NZIA), and progress against the climate change roadmap included the development of a climate risk dashboard and underwriting strategies. 'Regulatory environment' moved to an increasing risk trend in Q4 with increased focus from each of EO's regulators expected in 2023, notably reflected in the PRA's Dear CEO Letter. Other external key risks have been generally stable throughout 2022.

The EO Group's **internal risk exposures** have generally been increasing throughout 2022 including risk increasing trends in areas such as 'Cyber security and IT risk', 'People risk' and 'Pricing risk', but largely stabilised towards the end of 2022. The increasing risk trend of 'Cyber security and IT' (rated "High") in H1 2022 was due to the heightened external threat environment following Russia's invasion of Ukraine. 'People risk' (rated "Medium") had an increasing risk trend due to challenging recruitment conditions. The 'Capital plans' key risk had a decreasing risk trend in Q1 2022, resulting in the rating moving from "Medium" to "Low" in Q2 2022. Further Internal key risks have shown stability during 2022.

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 risks, the EO Group uses a number of risk mitigation techniques, as described in section B System of Governance.

The below table shows the SCR calculated under the Internal Model for the EO Group, QUK and QBE Europe. More information is given on the risk types in this section.

Risk Components under Internal Model	EO Group (£'m)		QUK (£'m)		QBE EU (€'m)	
	2022	2021	2022	2021	2022	2021
Market risk	263	395	77	174	276	278
Counterparty default risk	180	145	84	56	125	115
Non-life underwriting risk	1,341	1,211	659	571	995	841
Operational risk	173	152	66	61	128	102
Pension risk	80	99	-	-	4	4
Capital adjustments	17	20	-	1	23	-
Debt servicing costs	43	44	-	-	-	-
Total undiversified components	**2,097**	**2,066**	**886**	**863**	**1,551**	**1,340**
Diversification	(665)	(571)	(249)	(216)	(488)	(389)
Solvency capital requirement	**1,432**	**1,495**	**637**	**647**	**1,063**	**951**

References to EO Group below also apply to QUK and QBE Europe on a solo basis.

C.1 Insurance risk

Description

The EO Group defines insurance risk as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

Exposure measurement

Insurance risk is one of the key risks for the EO Group, for which exposure is measured mainly through the SCR derived from the Solvency II Internal Model. 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 including more specific exposure measurement information is detailed below in section C.1.1 – C.1.4.

Risk mitigation

Risk mitigation is mainly achieved through reinsuring a portion of risks underwritten to reduce EO Group's exposure to individual losses or an accumulation of losses. This allows the EO Group to control exposure to insurance losses, reduce volatility of reported results and protect capital. The EO Group has in place systems, internal controls and processes to ensure that its reinsurance arrangements are appropriate to enable it to meet its obligations to its various stakeholders, including policyholders and shareholders.

QUK does not reinsure to insurance special purpose vehicles. QBE Europe's reinsurance programme includes ceding to six Bermudan authorised Special Purpose Vehicles ('SPV') which are required to be fully funded on an equivalent basis to that required under the Solvency II rules. Exposures to these SPVs are not material.

Changes were made to the EO Group's reinsurance programme in 2022 had only relatively minor impact on the capital position.

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 the EO Group'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 Impact Forecast Elements, the Realistic Disaster Scenarios ('RDS'), and the QBE Group Aggregate Methodology ('GAM') and Realistic Event Methodology ('REM'). A risk appetite in relation to insurance concentrations has been determined using the QBE Group's capital model. This is monitored against on a regular basis.

C.1.1 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 expected 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 Group'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; and

- Commission and expenses - Commission and expense assumptions are aligned to the business plan and make an allowance for variability.

In addition, Risk Appetite Statements are in place and monitored in relation to insurance risk, using for example probability of adequacy of claims reserves and insurance concentrations as a measure as well as performance from a more strategic perspective.

C.1.2 Catastrophe risk

EO Group has material exposure to losses from natural catastrophe events as well as man-made catastrophe events (e.g., terrorism or casualty events). Whilst the risk assessment processes set out below cover natural catastrophe exposure, man-made catastrophe events are also covered under underwriting risk.

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 (and therefore used to measure man-made catastrophes); and
- The QBE Group realistic event methodology ('REM') - used to assess catastrophe 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 of the above is monitored and measured against internal limits. The Insurance Concentrations risk is monitored by the EO Group Aggregate Management Group and reviewed at a summary level via the Underwriting Management Group risk dashboard. In addition, catastrophe risk is reviewed at QBE Group level via the QBE Group Aggregate Management Committee ('GAMC').

C.1.3 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; and
- Hertig.

These statistical techniques are used to project historical gross 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; and
- External systematic risk, such as claims inflation and legislative changes.

The gross variability is then netted down to produce the net variability. The netting down process allows explicitly for potential exhaustion of prior reinsurance programmes.

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.

C.1.4 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 claim distributions from the underwriting risk section of the model and are modelled separately for attritional, large and cat claim types.

C.2 Market risk

Description

The QBE Group defines market risk as the risk of adverse impacts on earnings resulting from changes in market factors. Market factors include but are not limited to: interest rates, credit spreads, foreign exchange rates and equity prices. The EO Group's exposure to market risk arises from movements in investment markets and foreign exchange rates.

Exposure measurement

Market risk is mainly measured based on the SCR derived from the Solvency II Internal Model.

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 a relatively conservative investment strategy with the vast majority of assets held in cash equivalents, floating rate notes, and investment-grade government and corporate fixed income securities. The investment of these assets is aligned with business objectives and policyholder interests, for example through consideration of the nature and duration of liabilities. At 31 December 2022, the duration of cash and fixed interest securities was 2.1 years (2021: 2.8 years) for the EO Group, 1.7 years (2021: 2.3 years) for QUK and 2.4 years (2021: 2.9 years) for QBE Europe.

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. The Economic Scenario Generator 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 Group uses a market-leading third-party Economic Scenario Generator.

A significant amount of work is undertaken by the EO Group to assess and validate the Economic Scenario Generator and modelling of market risks to ensure this is fit for purpose for the companies within the EO Group. Validation of the Q4 2021 Economic Scenario Generator was performed as part of the annual validation cycle in for both QUK and QBE Europe in June 2022. This assessment concluded that a capital uplift should be applied to QBE Europe to allow for the heightened inflation volatility that manifested between Q4 2021 and the model submission date (June 2022). Otherwise, the Market risk methodology, parameters, documentation, appropriateness of data and associated governance met the appropriate regulatory requirements for each legal entity. As part of the annual exercise, the continued validation also confirmed that the ESG remained appropriate.

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

In addition to the above, the adherence to market, credit and liquidity risk appetite statements is monitored by the EO RCG, RCC and the QEMC on a quarterly basis.

Risk mitigation

See Section C.2.2 below.

Risk Concentration

Concentration risks are managed through adherence to the EO Group's Investment Guidelines which are designed to encourage diversification and prevent excessive exposure concentrations, for example in terms of sector. Counterparty exposures are managed through counterparty limits and monitored and reported to the EMB and QEMC.

C.2.1 Prudent person principle

The EO Group has a defined approach, risk framework and governance process around the Prudent Person Principle ('PPP') as set out in the Solvency II regulations, PRA SS 1/20 and NBB 2016 31. These principles are now embedded in processes and controls within the EO Group. Requirements set out in the principle include that:

- The undertaking only invests in assets and instruments whose risks it can properly identify, measure, monitor, manage, control and report and appropriately take into account in its overall solvency needs;
- All assets, in particular those covering the Minimum Capital Requirements and the SCR, shall be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole as well as the availability of the assets;
- That the nature and duration of assets held to cover the technical provisions should match closely with that of the undertaking's liabilities. The EO Group's policies are consistent and compliant with this rule;
- That the intention and effectiveness of any derivative instruments used within the investment portfolios are documented and reported upon;
- That the characteristics and valuation methodology, including levels of valuation uncertainty within new products, instruments and significant changes in asset profile are assessed prior to approval of the new products, instruments or significant change in asset profile;
- That any significant valuation uncertainty within the portfolio is understood and monitored; and
- That EO Group has internal capability to evaluate credit risk of the portfolio.

Restrictions on investments which are set out in specific Investment Guidelines and Restrictions are primarily based on the Solvency II Directive, the PRA's Rulebook and guidance in Supervisory Statements and Belgian regulatory requirements, as applicable, which give 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.

The Investment Guidelines and Restrictions are approved by the Boards and address market and credit risks; they 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 Sourcebook, Belgian regulatory requirements and, where applicable, Article 14 of the New York Insurance Department Regulations and the (Canadian) Insurance Companies Act.

The EO 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.

In summary, the EO Group mitigates the level of market risk using the following:

- Application of and monitoring against Board-approved Risk Appetite Statements;
- Active asset management;
- Diversified portfolio;
- Derivatives for efficient portfolio management;
- Hedging of residual non-functional currency exposure; and
- Monitoring of compliance with legal and regulatory requirements, including the PPP.

The responsibilities of the EMB and QEMC include the monitoring of compliance with legal and regulatory requirements including the PPP.

The EMB and QEMC monitor Market and Credit Risk Appetite Statements on a quarterly basis. The Risk function further reports on adherence to the Risk Appetite Statements to the RCG and RCC on a quarterly basis as part of the ORSA process, including relevant market, credit and liquidity risk appetite statements.

Risk dashboards, as part of the ORSA process, link risks across the EO Group in line with the QBE Group 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 EO Group committees, in particular the EMB, QEMC, FMG and the RCC.

The CFO reports the following information to the EMB and QEMC on a quarterly basis: Detailed investment performance versus business plan, Asset-Liability matching information and compliance with the QBE Group's Investment and Regulatory Guidelines.

Further detail regarding the EO Group's investment processes and risk mitigation is set out below in section C.2.4.

C.2.2 Investment Process including Risk Mitigation

C.2.2.1 Governance structure

The Boards of the EO Group retain authority to make decisions on investment policy and guidelines for the EO Group and to take responsibility for the implementation and monitoring of the agreed strategy. All material investment strategy decisions are reserved for the Boards.

C.2.2.2 Investments (including Investment and Treasury Credit Risk)

Day-to-day management of the investment portfolio is outsourced to specialist investment managers, QBE Group Services Pty Limited (referred to as QBE Group Investments). Appointment is formalised in an Investment Management Agreement ('IMA'), which states the terms and conditions applying to the management of company investment assets, including compliance with the Investment Guidelines and Restrictions.

The Investment Guidelines and Restrictions, which reflect the QBE Group's strategy, permit the investment manager to procure assets on the basis that they comply with asset specific requirements, such as issuer, credit, counterparty 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 permitted within the investment portfolio for efficient portfolio management and risk reduction purposes and are not permitted within the Guidelines for speculative investment. Monitoring of the investment portfolio against the Guidelines is performed by Group Investments and within the EO Group's finance team.

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 and short-term deposits) is 5% of funds under management for the majority of assets held, with a 10% maximum exposure permissible per counterparty; provided the total exposures, which exceed 5%, do not exceed 40%. These limits apply at legal entity level.

The EO Group's Guidelines with respect to fixed income securities and growth assets are aligned to regulations. Growth asset exposure is aligned to 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 in the UK; and to update the NBB via existing communication channels, when introducing major changes to the asset allocation model and this will include sharing proposed limits.

Under the terms of the IMA, 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. Limits are monitored on a day-to-day basis by the investment manager. Independent from the investment manager, the EO Group's finance team obtains portfolio analyses at individual security level every month end and performs its own tests to verify compliance. Based on the output findings and the compliance reports from the Investment Manager, a monthly compliance report is sent to the EMB and QEMC.

In the event of a breach of the terms, the investment manager is expected to immediately contact the Board of individual entities to ascertain whether or not to effect immediate action to resolve the breach, or whether the Board will issue a waiver with additional clauses, which is possible under certain conditions including regular monitoring. Waivers are reviewed and re-issued annually subject to the approval of the Board of directors of individual entities 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 Standard & Poor's ('S&P'). Exposures through derivatives are included when calculating the EO Group's overall exposure to a counterparty.

The average portfolio credit quality for the EO Group's fixed income portfolio is A (2021: A). Approximately 77.4% (2021: 80.5%) of the EO Group (EO plc, QUK and QBE Europe), 80.1%% (2021: 84.5%) of QUK and 75.6% (2021: 85.3%) of QBE Europe's total fixed interest and cash investments are with counterparties with a S&P rating of A or better.

Absolute counterparty limits are set for Treasury balances and instruments. The majority of counterparty exposure details are fed into a central reporting system. 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 Group Treasury team monitors all Treasury counterparty exposures against a counterparty limit report on a daily basis and also carries out a pre-deal check of limits.

C.2.2.3 Asset Liability Management

The EO Group's current investment strategy, which is unchanged from the prior year, is to maintain fixed income asset duration which is broadly equal to average net technical liability durations to mitigate interest rate risk.

Investment Guidelines permit the investment manager to extend fixed income duration a maximum of 1 year greater than that of average net technical liabilities of each entity, with no restrictions for fixed income duration below the duration of average net technical liabilities.

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 EO 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 EO Group. These are monitored and formalised by the EO Group Finance Management 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 Group's internal asset management division.

For managing Asset-Liability mis-match risks, there is also a Risk Appetite Statement in place that is approved by the QBE Board and that is reported against each quarter at the EMB and QEMC and at the RCC.

C.2.2.4 Derivatives

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

Separate to derivative usage within the investment portfolio, foreign exchange derivatives are permitted to be used to mitigate operational foreign exchange gains and losses. Foreign exchange derivatives may be used to hedge residual foreign exchange exposure to monetary net asset positions. The effectiveness of the foreign exchange derivatives mitigating foreign exchange gains and losses is included in the CFO FX memo submitted to the FMG on a quarterly basis.

C.2.2.5 Foreign Exchange

An operational hedging cycle is in place to ensure that residual exposure is identified, validated and appropriate adjustments to Forward foreign exchange derivatives are instructed, in order to hedge the residual exposure to foreign currencies.

A report on the foreign exchange impact on the EO Group, QUK and QBE Europe is provided to 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. The report also describes major currency exposures.

C.3 Credit risk

Description

Credit risk arises from a potential default of the EO Group's counterparties, mainly in respect of a reinsurer defaulting on reinsurance recoveries, or a broker on premiums. The credit risk arising from reinsurer defaults is much more material than the credit risk arising from broker defaults.

It should be noted that investment and treasury credit risk (including for example the default of corporate bonds), whilst being a sub-risk category of credit risk, are considered as part of market risk for modelling purposes and the relevant processes have been detailed in the market risk Section C.2. However, some risk mitigation processes are included in the credit risk section here.

Exposure Measurement

Credit risk is mainly measured based on the SCR derived from the Solvency II Internal Model.

Credit exposures are monitored quarterly against Risk Appetite Statements ('RAS's) that apply to the EO Group's legal entities and are reported on a quarterly basis, through the ORSA and the FMG and QBE Group Risk Dashboards (please also refer to section C.6.1 below). Further details of collateral amounts posted in favour of the EO Group are shown in the following section.

An annual credit risk review is also performed for Equator Re as a large internal reinsurer to the Company. This report is submitted for review and approval to the RCC each year.

Risk mitigation

The EO Group mitigates credit risk using the following:

- The posting of collateral to EO entities as beneficiary by counterparties in respect of specific exposures;
- An annual review of Equator Re's financial performance by the Risk team, reported to the RCC;
- Various levels of credit risk limits that are monitored against on a regular basis;
- Regular counterparty monitoring through dedicated systems and procedures to manage and control exposure to counterparties;
- The monitoring on an on-going basis by QBE Group's Group Security Committee 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; and
- The regular review of receivables, the collectability of those debts, and the adequacy of associated impairments.

Specific controls over reinsurers include the following:

- 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 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; and
- 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.

Specific controls over brokers include the following:

- 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; and
- 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.

Specific controls over investments include the following:

- Exposure limits for approved counterparties in relation to deposits and investments; and
- EO Finance Team perform monthly monitoring of exposure to investment counterparties against limits set out in the QBE Group Investment and Regulatory Guidelines, in addition to QBE Group Investment pre- and post-trade compliance processes.

Risk concentration

A key area of credit risk concentration is the exposure to the QBE Group's captive reinsurer as the EO Group's largest reinsurer. Credit risk concentration is monitored through the risk appetite monitoring (including the exposure to Equator Re). A separate Risk Appetite Statement is in place for the credit risk exposure to Equator Re, and collateral is held to manage this exposure, as described under the Risk mitigation section above. Risk concentration regarding external reinsurers is mitigated by the GSC on behalf of the EO Group, through application of approved criteria for placing reinsurance with highly rated reinsurance counterparties.

C.3.1 Reinsurance credit risk

Credit risk arising from potential default by reinsurers and increase in bad debt reserve due to rating downgrade 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 is able 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; and

- 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 downgrades or defaults the impact on both the current reinsurance asset and the future recoveries can be modelled. There is also a link applied between reserve deteriorations and the downgrade/default probabilities, making it more likely for reinsurers to downgrade/default when there are large reserve deteriorations.

At 31 December 2022, 54.8% (2021: 57.5%) of the EO Group reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 95.0% (2021: 93.1%) of the remaining balance was 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 2022 the EO Group held £414m of letters of credit (2021: £445m) as collateral against credit risk. EO Group also held £169m (2021: £236m) of assets pledged by reinsurers for ceded technical provisions (off balance sheet assets) and £39m (2021: £33m) deposits from reinsurers.

At 31 December 2022, 55.3% (2021: 59.2%) of QUK reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 94.3% (2021: 94.0%) 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 2022 QUK held £371m of letters of credit (2021: £400m) as collateral against credit risk. QUK also held £142m (2021: £204m) of assets pledged by reinsurers for ceded technical provisions (off balance sheet assets) and £0m (2021: £0m) deposits from reinsurers.

At 31 December 2022, 54.3% (2021: 58.2%) of QBE Europe reinsurers' share of claims outstanding was with QBE Group's captive reinsurer Equator Re and 95.7% (2021: 97.9%) of the remaining balance is with reinsurers with an S&P rating of A- or greater. QBE Europe holds letters of credit as security to mitigate credit risk exposure to reinsurers.

At 31 December 2022 QBE Europe held €49m of letters of credit (2021: €54m) as collateral against credit risk. QBE Europe also held €31m (2021: £38m) of assets pledged by reinsurers for ceded technical provisions (off balance sheet assets) and €43m (2021: €40m) of deposits from reinsurers.

C.3.2 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.

C.4 Liquidity risk

Description

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

Exposure measurement

The most likely causes of liquidity risk arise from shortfalls in liquid assets when liabilities are required to be paid. The EO Group ensures that sufficient unencumbered investments are held in liquid securities to ensure that there are funds available to meet obligations to policyholders and other creditors, as they fall due.

Risk Appetite Statements, approved and owned by the Board, are in place to ensure that minimum levels of eligible available assets are maintained at all times to meet remote but plausible stressed cash outflows. According to EO Group's Liquidity RAS, a minimum percentage of liabilities must be maintained in liquid assets.

These apply to EO Group's individual legal entities and reporting of coverage against these RASs is made on a regular basis, as well as quarterly through the ORSA reporting to the RCG and RCC. Available liquid assets, as defined by QBE, are substantially higher than the minimum entity RAS requirements and liquidity risk is considered to be low. Following the PRA's Supervisory Statement 5/19 - Liquidity risk management for insurers, scenario analysis has been integrated into the methodology and calibration of EO Group's entity Liquidity RAS.

In addition, a Liquidity Risk Dashboard is reported to the FMG on a regular basis. This dashboard reports liquidity metrics for each legal entity. In addition, key risk indicators, key concerns, cash flow forecasts, risk mitigation options and details of the control environment for liquidity are also reported in this dashboard and reviewed by the FMG.

Within the ECM, liquidity risk is modelled considering any shortfall in the cash flow at the end of each future year of modelling leading to an overdraft being required at a penal rate of interest while generating cash through selling other investments to pay off the overdraft.

Risk mitigation

The EO Group mitigates liquidity risk using the following:

- Ensuring that appropriate levels of liquid assets are available and reporting these quarterly against the RASs approved by the EO Board;
- Reporting the results of liquidity stress tests to the FMG via the Liquidity Risk Dashboard;
- Regular liquidity risk stress and scenario testing encompassing diverse scenarios across various risk types and return periods; and
- Implementation of the EO Group's Liquidity Contingency Plan, which details options available to the EO Group to access alternative funding in the event of remote Liquidity events.

C.4.1 Expected Profit in Future Premium ('EPiFP')

The EO Group calculates the expected profit in future premiums ('EPiFP') by projecting the expected future gross of reinsurance profits directly. This is carried out separately for each actuarial reserving class and only profit-making classes are taken into account.

The expected gross of reinsurance profit in future premiums for EO Group, QUK and QBE Europe is:

EO Group:	£383m (2021: £289m)
QUK:	£118m (2021: £72m)
QBE Europe:	€299m (2021: €258m)

C.5 Operational risk

Description

The EO Group defines operational risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events". From an exposure measurement perspective operational risk includes compliance risk. The EO Group's exposure to operational risk arises from various sub-risk categories as outlined in the section below.

Operational risk is a significant risk in the capital model, albeit one that is notably less important than underwriting and reserving risks (and of similar magnitude to credit risk).

Exposure measurement

Operational risk is assessed and modelled using the following seven operational and one compliance sub-risk categories:

- Internal fraud;
- External fraud;
- Employment practices and workplace safety;
- Improper business practice;
- Damage to physical assets;
- Business disruption and system failure;
- Execution, delivery and process management; and
- Non-compliance with external requirements.

Each sub-risk is modelled with a frequency and severity element for each. The frequency is modelled using a Poisson distribution and the severity is modelled using a Generalised Pareto distribution.

The input parameters for the model are set using the scenarios developed through the Operational Risk Assessment process and the internal and external actual loss data taken from ORIC. The Operational Risk Assessment brings together key risk assessment information for each of the EO Group's operational and compliance risks, both at an extreme level (remote but plausible scenarios; for further detail on the scenario analysis please refer to the Risk Mitigation section C.5.3 below) and over the business planning period. The input parameters for the model are estimated as per the above for all entities within the EO 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 50% 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.

Risk mitigation

The EO Group recognises that certain operational risks are unavoidable and arise from various areas across the business. The EO 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 EO Group mitigates operational risk using the following:

- Active monitoring of key processes;
- Closely monitoring rapid changes in the international sanctions regulatory environment, undertaking appropriate screening and due diligence, and communicating requirements to the business as required;
- Scenario reviews to identify and quantify potential exposures for mitigation; and
- Effective segregation of duties, access controls, authorisation and reconciliation procedures.

In the first instance, operational risk is managed by the first line of defence through various systems, controls and processes.

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

Risk and control self-assessments

The QBE Group has a Group-wide Risk and Control Self-Assessment ('RCSA') framework in place. The RCSA process places the responsibilities for functional risk and control assessments on each business area and it is overseen, challenged and validated by the Risk team. This framework ensures that risks are managed at a functional level and a wider risk category level 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 Risk team on an annual basis and verified through Internal Audit testing.

Key risk indicators ('KRIs')

The EO Group monitors its risk through KRIs, defined as "early warning indicators that provide management with information on the level of risk that is being taken across the organisation and potential changes to the entity's risk profile". They are the common metrics agreed and used by all Divisions across the QBE Group to flag changing risk exposure.

Incidents

The incident process applies to operational risks that have materialised as "an operational breakdown that arises from an inadequate or failed internal process, people or systems, or from an external event, that leads to financial impacts and/or non-financial impacts."

QBE Group further classifies incidents as a:

- Regulatory breach;
- Near-miss; and/or
- Boundary event.

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

On a quarterly basis, the Risk team analyses incident data and reports this to the RCC and QBE Group.

Issue management

The EO Group has an issue management process in place including the identification and recording of weaknesses or gaps in the control environment as well as the monitoring of relevant remediation actions and reporting to the executive management and relevant governance forums.

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 impact could be extreme; and
- Hypothetical: plausible but severe scenarios that could impact QBE Group, informed by expert input, are applied to existing portfolios or exposures.

C.6 Other material risks

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

C.6.1 Group Risk

Description

The EO Group defines group risk as "the risk to a Company arising specifically from being part of the wider QBE Group, including financial impact and loss of support from the parent company." This includes potential default on inter-company loans. Note, however, that group risk (from a capital modelling perspective) excludes reinsurance credit risk exposure in relation to the QBE Group captive Equator Re, which 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 the most significant group risks within the QBE Group and, in aggregate, representative of the overall group risk.

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

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

The EO Group Risk Policy describes EO Group's approach to the assessment, management, monitoring and reporting of group risks. Processes applied to managing group risk include:

- QBE Group Risk Dashboard: including monitoring of intra-group loans, intra-EO Group loans, exposure to Equator Re and Group Outsourced Services service level agreements ('SLAs') monitoring;
- Monitoring and reporting of group risk appetite statements;
- The RCSA process providing periodic assessment of risks as well as assurance over control design and performance;
- Key Risk Indicators ('KRIs') and SLA monitoring: provide a current and trending view on levels of exposure to key risks and performance over outsourced services;
- Incidents, Issues and Actions: identification of incidents, root cause analysis and management activity required to resolve problems or address improvements identified through various risk processes; and
- Economic capital models ('ECM'): the quantification of risk measurement for regulatory and economic capital purposes.

In addition to this, other risk processes are applied similarly to the processes set out in the Operational Risk section C.5.

A key area of group risk concentration for the EO Group arises from the use of the QBE Group reinsurance captive, Equator Re. This concentration is monitored on a regular basis via the risk appetite monitoring and reported to the RCC and Boards through the ORSA.

C.6.2 Pension Risk

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

The EO Group's subsidiaries operate four defined benefit pension schemes: The Iron Trades ('IT') and Janson Green ('JG') schemes relate to certain current and former UK-based employees; the QBE Management (Ireland) Limited Pension and Life Assurance Plan ('QMIL') relates to certain current and former employees based in Ireland; and the Secura NV scheme relates to certain current and former Brussels-based employees of QBE Europe.

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 Europe Secura NV 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 UK and Irish 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 2021 a full actuarial valuation was completed for the QMIL scheme, based on data to 31 December 2020, and it was recommended that QMIL continue to make an annual contribution of €100,000.

The latest full actuarial valuations were completed in 2020 for the JG and IT schemes, with no specific funding required for either scheme. The next full valuation will be completed in 2023.

Actuarial estimates of the Secura NV scheme are completed each year end.

In addition, there is a post-employment medical care scheme related to the former Brussels-based employees of Secura/QBE Europe. This scheme is accounted for under a similar basis to the defined benefit pension scheme. Within the SCR calculation, the Company takes a prudent approach and treats this scheme in the same way as other defined benefit schemes within the EO Group and bears the economic and demographic risks associated with these schemes.

EO Group also operates 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.

C.6.3 Strategic Risk

The EO Group defines strategic risk as "the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change". This includes for example strategic risk in respect of growth and performance, capital management risk and Environmental, Social and Governance ('ESG') related risks, with a focus on climate change risk (further detail on the ESG and climate change risk is outlined below in section C.6.4).

Whilst being within the scope of the Internal Model, strategic risk is not measured using the regulatory capital model, as strategic risk is not expected to materialise within the one-year timeframe applied in the capital model. Once strategic risks materialise, they transition to the relevant risk class where they are incorporated into the capital model.

Strategic risk is managed through several risk management processes such as:

- Risk appetite statements in relation to strategic risk and strategic risk preferences;
- Stress and scenario testing (for example long-term horizon climate change stress testing);
- Performance monitoring; and
- Emerging risk management.

Other strategic risk processes include:

- Business Strategy;
- Capital Strategy and Capital Appetite Framework;
- Reputational risk management; and

- ESG management (please refer to the section C.6.4 below).

Ongoing monitoring, oversight and reporting of the QBE Group's exposure to strategic risk and its sub-risk categories are important to ensure that (potential) strategic issues are recorded, escalated and actioned in a timely manner. Risk reporting and analysis is provided to key stakeholders across QBE Group. This includes boards, committees, forums and business management including strategic board planning days and presentations.

C.6.4 Environmental, Social and Governance ('ESG') (including Financial Risks from Climate Change ('FRCC'))

The EO Group, including QUK and QBE Europe, defines ESG risk as "the risk that QBE Group's strategic priorities or business objectives are negatively impacted by environmental, social or governance issues". ESG risk management is a relatively new part of the QBE Group's Risk Management Framework and is subject to further development and implementation in the EO Group. EO Group's approach to managing ESG risks is guided by QBE Group's strategic purpose to enable a resilient future and by its sustainability framework and commitments.

QBE Group's Environment and Social ('E&S')Risk Framework outlines QBE's approach to addressing key environmental and social risks across its underwriting and investment activities. This framework is operationalised through associated technical documents, the QBE Group Underwriting Standards, the E&S Risk Framework Underwriting Application document, the Group Environmental and Social Investment Monitoring Procedure, and the Responsible Investments Guidelines.

The EO Group, as part of the QBE Group, recognises the material risk that climate change poses to its business and is committed to embedding climate-related risks and opportunities in decision-making.

A key focus area of QBE Group's Sustainability Framework is to foster an orderly and inclusive transition to a net-zero economy. In 2020, the QBE Group was the first Australian-based insurer to become a member of the UN-convened Net-Zero Asset Owner Alliance ('AOA'), committing to achieving net-zero greenhouse gas ('GHG') emissions by 2050 in its investment portfolio. QBE Group joined the UN-convened Net-Zero Insurance Alliance ('NZIA') in 2022, committing to transition its underwriting portfolio to net-zero GHG emissions by 2050.

In line with the requirements of the NZIA, QBE Group's Net-Zero Insurance Emission Program ('NZIEP') was established to build capability to measure, attribute and report insurance-associated GHG emissions over time. QBE's Group Executive Committee and Group Underwriting Committee provide executive oversight of the NZIEP. Private motor and commercial lines are in scope for Phase 1 of the Program, with some exceptions such as construction/engineering all risks and treaty reinsurance. QBE Group has committed to setting science-based intermediate targets and will independently report on progress against these on an annual basis, with the first intermediate targets to be made public within 6 months of the publication of the NZIA target setting protocol.

Climate change is a material financial risk in and of itself, and it can also act as a risk multiplier. For example, prolonged droughts combined with stronger winds are making bushfires in Australia and wildfires in California, and elsewhere, more intense. Coastal windstorms, together with increasing sea levels, may multiply the scale and intensity of damage within a coastal region. There are also risks associated with climate transition, as part of the adjustment to a low-carbon economy. The past may therefore no longer be a good guide to the future; risk models based on historic experience need to be adjusted to allow for the impact of climate change over time.

This represents a challenge where the EO Group and the QBE Group provide cover for physical loss or damage to assets. It also increases the potential for third party injury and/or damage. Given this, the QBE Group has invested in scenario analysis to assess the potential impacts of climate change from physical, liability and transition risk perspectives. For physical risks, the ability has been developed to model the frequency and severity of gross and net losses at different time horizons (for example, in 2022, 2030 or 2050), based on the different reference climate scenarios (i.e., Representative Concentration Pathways). For transition risks, we are able to measure the extent that the EO Group's premium is exposed to industries considered sensitive to climate transition risks, and how this may change over longer time horizons under several scenarios. Similarly, we are able to apply scenario analysis to assess the implications that climate risks may have on the EO Group's investments. This analysis is supporting our responses to climate change, for example through the implementation of underwriting strategy and business planning, and by informing our risk appetite.

In 2021, EO Group implemented its Board-approved Roadmap to address the PRA's requirements set out in Supervisory Statement 3/19 ('SS 3/19') on the Financial Risks from Climate Change ('FRCC'). The Roadmap ensured EO Group embedded its approach to managing climate-related financial risks, addressing the following requirements:

- Embed the consideration of the FRCC in their governance arrangements;
- Incorporate the FRCC into existing financial risk management practice;
- Use (long-term) scenario analysis to inform strategy setting and risk assessment and identification; and
- Develop an approach to disclosure on the FRCC.

In 2022, developments to our approach to managing climate and broader ESG risks included:

- The Boards / EMB / QEMC received a second round of climate risk training;
- Updated scenario assessments of physical and transition climate risks to estimate exposure materiality and to inform underwriting strategy updates for EO Group insurance products;
- The completion of liability scenario analysis, in line with the litigation analysis included in the Bank of England's Climate Biennial Exploratory Scenario;
- Participation in QBE Group's Net Zero Insured Emissions Programme, which seeks to prepare QBE for meeting our commitment to be net zero for underwriting by 2050; and
- The establishment of a Climate Risk Dashboard for additional risk reporting capability.

In addition, in 2022 the ESG Management Group ('ESG MG') was established as part of EO Group's formal governance structure. This forum, whose membership consists of the EO EMB, provides dedicated time for strategic management and oversight of all aspects of ESG, including evolving industry trends and regulatory requirements, and EO requirements arising from QBE's Net Zero commitments. The ESG MG is co-chaired by the Chief Underwriting Officer, Insurance and the Chief Risk Officer, who are accountable under the UK's regulatory regime for climate risks. This committee is supported by the ESG Underwriting Group ('ESG UG') and ESG Risk Working Group ('ESG RWG'), which are chaired by the EO CUO and CRO respectively. This structure governs our strategic responses to climate change and wider ESG developments, including risk identification, measurement, management and reporting. Importantly, material ESG risks, including those relating to the FRCC, are assessed and reported to the RCG, RCC and EO Boards, including as part of the Climate Risk Dashboard and the ORSA. This allows the EO Board to review and challenge management of climate financial risks, as for other ESG risks.

C.7 Any other information

C.7.1 Stress and scenario analyses

As part of the validation of the Internal Model, extensive stress and scenario and sensitivity testing is performed around all of the risk types.

The one-year SCR is examined resulting from a range of sensitivities applied to the input assumptions as shown below.

Stress and scenario analysis is further used to help validate the overall level of capital and the following approaches have been considered:

- Reverse stress testing - A series of 'extreme' reverse stress tests are already conducted within QBE Group and this considers their impact in relation to the capital distribution calculated as part of the Internal Model; and
- 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.

Stress and scenario testing is also used to:

- Validate the internal model by comparing the outputs of stress and scenario tests to the internal model; and
- Assess the impact of various stresses/scenarios on the EO Group's business plan.

C.7.2 Sensitivity tests

Sensitivity tests are a useful tool to assess the effect of parameter uncertainty and determine the material assumptions that are driving the capital assessment as well as confirming that the model is operating as expected. The sensitivity tests have been ranked in order of the percentage impact on the one-year SCR for the EO Group, QUK and QBE Europe.

When comparing the relative impact of the sensitivity 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 one-year SCR of the top ten sensitivity tests:

Test No.	Test Type	Test Description	EO Group	QUK	QBE Europe
1	Correlation	Increase all class dependencies by 5%	9.0%	7.2%	6.9%
2	Risk emergence	Faster risk emergence	7.9%	7.4%	7.8%
3	Non-life underwriting (Reserve risk)	Increased reserve variability assessments	7.1%	7.3%	6.7%
4	Non-life underwriting (Reserve risk)	Faster earned reserve risk emergence	6.4%	6.0%	5.6%
5	Correlation	Reduce level of tail dependence	(6.1%)	(4.9%)	(4.6%)
6	Market risk	1% reduction in assumed investment returns	5.2%	4.2%	4.0%
7	Strategic risk	Reduce modelled gross claims to align with the plan	(3.5%)	(5.2%)	(3.2%)
8	Reserve risk	Thinner tailed reserve risk distributions	(3.2%)	(3.5%)	(3.2%)
9	Underwriting Risk	Attritional variabilities increased by 10%	3.1%	1.9%	2.6%
10	Reserve risk	Faster reduction in future capital for the risk margin	(2.3%)	(1.4%)	(2.7%)

The sensitivity 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 made where there is limited data to statistically justify assumptions or methodologies.

The sensitivity tests presented here, along with a more detailed set of sensitivities, are used as a key tool in the validation of the capital model. In 2022, the Independent Validators considered the sensitivity test results to be reasonable and explainable based on the risk profile of the business and inherent subjectivity in certain expert judgements.

Section D: Valuation for Solvency Purposes

D.1 Assets

The tables below show the value of assets held in each of the EO Group (D.1.1), QUK (D.1.2) and QBE Europe (D.1.3).

The differences between the Solvency II balance sheet and the statutory accounts balance sheet arises due to consolidation scope, valuation and presentational differences. Section D.1.4 compares the asset valuation methodology under Solvency II with the financial statement bases.

The bases, methods and assumptions applied to the valuation of assets in the Solvency II balance sheet is consistent between EO Group, QUK and QBE Europe.

Consolidation scope differences

Under section 401 of the Companies Act 2006, the EO Group is exempt from having to produce consolidated accounts at EO plc level. The comparative consolidated financial statement values shown in Section D for the EO Group are the consolidated unpublished and unaudited EO Group IFRS values. The scope of entities included in the EO plc IFRS consolidated financial statements prepared for the purposes of Solvency II Group reporting and the Solvency II consolidation is the same.

QUK and QBE Europe report on a UK GAAP (FRS 101 (IFRS with reduced disclosure)) and BE GAAP basis, respectively, and the statutory accounts information presented below is taken from the audited annual financial statements. The UK GAAP and BE GAAP figures are presented in the Solvency II balance sheet format and therefore do not directly correspond to the line items in the respective financial statements.

The scope of entities included in the EO plc IFRS and Solvency II consolidation is the same.

The Solvency II balance sheet for the EO Group has been prepared using the default Method 1, i.e., the accounting consolidation method. The key difference between the consolidation approach under Solvency II and IFRS is that under Solvency II only entities which meet the definition of insurance holding company, insurance undertaking or ancillary services undertaking are fully consolidated and 'other related undertakings' including EO Group's investment in QBE Corporate (which participates Lloyd's Syndicate 386 and Syndicate 2999) are not consolidated on a line by line basis but recognised as investments under 'Holdings in related undertakings, including participations' gross of intra-group transactions on the EO Group Solvency II balance sheet. These investments are valued at the Solvency II value of their underlying assets using the adjusted equity method. This results in material presentational differences between the IFRS and Solvency II balance sheet, even though the Solvency II valuation approach under the two bases is the same.

Valuation and presentational differences

Although the valuation bases between statutory accounts and Solvency II may be consistent for certain asset classes, such as investments, there are presentational and reclassification adjustments made to arrive at Solvency II asset and liabilities classifications, such as the following:

- Accrued interest is presented as receivables on the IFRS, UK GAAP and BE GAAP balance sheets, but on the Solvency II balance sheet it is included within the appropriate investment asset classes;
- Derivatives assets and liabilities are presented net on the IFRS, UK GAAP and BE GAAP balance sheets where the requirements permit, but on the Solvency II balance sheet derivative assets and derivative liabilities are presented on a gross basis; and
- As noted above under 'Consolidation scope differences' Under Solvency II reporting the assets and liabilities of QBE Corporate and 'other related undertakings' are not consolidated on a line-by-line basis in the EO Group balance sheet but instead they are recognised separately under 'Holdings in related undertakings, including participations' under the adjusted equity method. This results in material presentational differences.
- The deferred tax impact of adjustments to assets and liabilities between the statutory accounts and Solvency II balance sheets is recognised.

More detailed information on asset valuation differences between Solvency II and the statutory accounts is included in D.1.4 below.

Except where noted in the table, assets are valued at fair value. Where alternative valuation methods are used to determine the fair value, the key assumptions and judgements are included in section D.4.

There have been no material changes to the recognition and valuation bases for assets during the reporting period.

D.1.1 EO Group

The EO Group held total assets of £9,024m (2021: £8,522m) and total liabilities of £7,111m (2021: £6,810m) at 31 December 2022 valued on a Solvency II basis.

The table below shows the analysis of assets by Solvency II summarised asset and liability classes on an IFRS and Solvency II basis, together with the consolidation scope, presentational and valuation adjustments that have been made to move from an IFRS to a Solvency II basis.

Solvency II Balance sheet items[1] (£'m)	IFRS	Consolidation scope differences[2]	Presentational and reclassification differences	Valuation differences	Solvency II
Assets					
Goodwill	163	-	-	(163)	-
Deferred acquisition costs	648	(303)	-	(345)	-
Intangible assets	66	(24)	-	(42)	-
Deferred tax assets	18	(28)	-	13	3
Pension benefit surplus	38	-	-	-	38
Property plant and equipment for own use	64	-	-	-	64
Investments[3]	9,183	(3,043)	160	-	6,300
Holding in related undertakings, including participations	-	96	-	-	96
Loans and mortgages	-	-	3	-	3
Deposits other than cash equivalents	-	-	3	-	3
Reinsurance recoverables	2,737	(1,199)	-	(474)	1,064
Deposits to cedants	148	-	-	-	148
Insurance and intermediaries receivables	2,302	(738)	-	(737)	827
Reinsurance receivables	319	(139)	-	1	180
Receivables (trade, not insurance)	227	(122)	(31)	(7)	67
Cash and cash equivalents	408	(80)	(97)	-	231
Any other assets, not elsewhere shown	-	-	-	-	-
Total assets	**16,321**	**(5,580)**	**38**	**(1,754)**	**9,024**

[1] Presentational and reclassification adjustments have been made to align the IFRS balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

[2] Difference which mainly relates to the deconsolidation of QBE Corporate (where the Lloyds' participations are consolidated) on a line-by-line basis and inclusion on the balance sheet as a one-line participation in the "Holdings in related undertaking, including participations" item.

[3] Investments include Government Bonds, Corporate Bonds, Collateralised Securities, Collective Investment Undertakings and Derivatives.

Solvency II Balance sheet items[4] (£'m)	IFRS	Consolidation scope differences[5]	Presentational and reclassification differences	Valuation differences	Solvency II
Liabilities					
Technical provisions	12,143	(5,080)	-	(1,367)	5,696
Provisions other than technical provisions	15	-	-	-	15
Deposits from reinsurers	39	-	-	-	39
Deferred tax liabilities	61	(49)	-	54	66
Derivatives	2	-	38	-	40
Insurance and intermediaries payables	633	(120)	-	(146)	367
Reinsurance payables	660	(268)	-	(172)	220
Payables (trade, not insurance)	133	(47)	-	(7)	80
Subordinated liabilities	583	-	-	-	583
Any other liabilities, not elsewhere shown	5	-	-	-	5
Total liabilities	**14,275**	**(5,564)**	**38**	**(1,638)**	**7,111**
Excess of assets over liabilities	**2,045**	**(16)**	**-**	**(116)**	**1,916**

[4] Presentational and reclassification adjustments have been made to align the IFRS balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.

[5] Difference which mainly relates to the deconsolidation of QBE Corporate (where the Lloyds' participations are consolidated) on a line-by-line basis and inclusion on the balance sheet as a one-line participation in the "Holdings in related undertaking, including participations" item.

D.1.2 QUK

QUK held total assets of £3,763m (2021: £3,876m) and total liabilities of £2,926m (2021: £2,954m) at 31 December 2022 valued on a Solvency II basis.

The table below shows the analysis of assets by summarised asset class on a UK GAAP (FRS 101) and Solvency II basis, together with the presentational and valuation adjustments that have been made to move from a UK GAAP (FRS 101) to a Solvency II basis.

Solvency II Balance sheet items[6] (£'m)	UK GAAP	Presentational and reclassification differences	Valuation differences	SII
Assets				
Deferred acquisition costs	154	-	(154)	-
Deferred tax assets	-	-	-	-
Property plan and equipment for own use	-	-	-	-
Investments[7]	2,357	71	-	2,428
Loans and mortgages	3	-	-	3
Reinsurance recoverable	769	-	(238)	531
Deposits to cedants	10	-	-	10
Insurance and intermediaries receivables	686	-	(267)	419
Reinsurance receivables	94	-	(15)	79
Receivables (trade, not insurance)	159	-	-	159
Cash and cash equivalents	181	(47)	-	134
Any other assets[8]	17	(17)	-	-
Total assets	**4,430**	**7**	**(674)**	**3,763**
Liabilities				
Technical provisions[9]	3,058	-	(701)	2,357
Deferred tax liabilities	-	-	46	46
Derivatives	-	7	-	7
Insurance and intermediaries' payables	338	-	(49)	289
Reinsurance payables	201	-	(76)	125
Payables (trade, not insurance)	101	-	-	101
Any other liabilities	6	-	(5)	1
Total liabilities	**3,704**	**7**	**(785)**	**2,926**
Excess of assets over liabilities	**726**	-	**111**	**837**

[6] Presentational and reclassification adjustments have been made to align the BE GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.
[7] Investments include Government Bonds, Corporate Bonds, Collateralised Securities, Collective Investment Undertakings and Derivatives.
[8] Any other assets on a UK GAAP basis relate to accrued income which is required to be allocated to investments under Solvency II
[9] Technical provisions are gross of salvage and subrogation recoveries under UK GAAP

D.1.3 QBE Europe

QBE Europe held total assets of €5,842m (2021: €5,365m) and total liabilities of €4,465m (2021: €4,133m) at 31 December 2022 valued on a Solvency II basis.

The table below shows the analysis of assets by Solvency II summarised asset class on a BE GAAP and Solvency II basis, together with the presentational and valuation adjustments that have been made to move from a BE GAAP to a Solvency II basis.

Solvency II Balance sheet items[10] (€'m)	BE GAAP	Presentational and reclassification differences	Valuation differences	SII
Assets				
Deferred acquisition costs	-	-	-	-
Intangible assets	-	-	-	-
Deferred tax assets	-	-	3	3
Property plan and equipment for own use	1	-	6	7
Investments[11]	4,395	24	(109)	4,310
Loans and mortgages	20	-	(20)	-
Reinsurance recoverable	984	-	(381)	603
Deposits to cedants	155	-	-	155
Insurance and intermediaries receivables	1,135	-	(675)	460
Reinsurance receivables	115	-	-	115
Receivables (trade, not insurance)	85	-	-	85
Cash and cash equivalents	139	-	(35)	104
Any other assets[12]	24	(24)	-	-
Total assets	**7,053**	**-**	**(1,211)**	**5,842**
Liabilities				
Technical provisions	5,059	-	(1,295)	3,764
Deferred tax liabilities	0	-	40	40
Derivatives	0	-	34	34
Insurance and intermediaries' payables	197	-	(109)	88
Reinsurance payables	219	-	(112)	107
Payables (trade, not insurance)	176	-	8	184
Subordinated debt	200	-	-	200
Any other liabilities[13]	43	-	5	48
Total liabilities	**5,894**	**-**	**(1,429)**	**4,465**
Excess of assets over liabilities	**1,159**	**-**	**218**	**1,377**

[10] Presentational and reclassification adjustments have been made to align the BE GAAP balance sheet items to Solvency II balance sheet classifications. The full Solvency II balance sheet is included in Appendix A.
[11] Investments include Government Bonds, Corporate Bonds, Collateralised Securities, Collective Investment Undertakings and Derivatives and additionally Loans and Mortgages for Solvency II.
[12] Any other assets on a BE GAAP basis relate to accrued income which is required to be allocated to investments under Solvency II
[13] Any other liabilities are deposits from reinsurers and other liabilities.

D.1.4 Comparison of asset valuation methodology under Solvency II and financial statement bases

The below table sets out the material differences between the bases, methods and main assumptions between the Solvency II and financial statement bases for the material classes of assets.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Goodwill / Intangible assets	Under IFRS, UK GAAP and BE 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, however, 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 and therefore no intangible assets have been recognised under Solvency II. No goodwill and intangibles have been recognised for QUK and QBE Europe for year ended 31 December 2022 and therefore there are no differences between Solvency II and the relevant GAAPs.
Deferred acquisition costs (DAC)	Deferred acquisition costs are reported as assets under IFRS and UK GAAP. Under BE GAAP only commission expenses are deferred. Other acquisition cost expenses are not deferred. Under Solvency II, however, deferred acquisition costs are valued at £/€ nil. Cash flows related to future acquisition costs are included in the calculation of technical provisions.
Holdings in related undertakings, including participations	Under IFRS, the assets and liabilities of related undertakings are fully consolidated by the EO Group where the parent has control over the related undertaking. Intra-group transactions are eliminated from the EO Group consolidated balance sheet. There are no subsidiaries to consolidate in the GAAP financial statements of QUK and QBE Europe. Under Solvency II, however, undertakings are consolidated and valued differently depending on the type of entity. Insurance company subsidiaries (QUK and QBE Europe), 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 including the investment in QBE Corporate, are valued based on the adjusted equity method.
Pension benefit surplus	Pension benefit surpluses and obligations arise in the group's defined benefit pension schemes and are accounted for in accordance with UK or Irish GAAP (FRS 101) in the relevant ancillary services undertaking. These bases are consistent with IAS 19 under IFRS and therefore no adjustments are required for the purposes of accounting under Solvency II.
Shares, Government Bonds, Corporate Bonds and Collateralised Securities	Investments are measured at fair value for Solvency II, IFRS and UK GAAP purposes. Under BE GAAP, they are valued as follows: shares and similar securities are carried at acquisition value less related write-downs; fixed income securities are carried at amortised cost. Fair value is obtained from quoted market prices, or if quoted market prices are not available, then by using relevant valuation techniques, see section D.4 for more information on assets valued using an alternative method. Money market instruments (accumulating certificates of deposit, and discounted securities) are valued using an external pricing source. Where a market quote is not available, a mark to model using market-based inputs is used where possible.
Collective investment undertakings	Collective investment undertakings are measured at fair value for Solvency II, IFRS and UK GAAP purposes, whilst under BE GAAP the valuation basis is amortised cost. Fair value is obtained from quoted market prices, or if quoted market prices are not available, then by using relevant valuation techniques, see section D.4 for more information on assets valued using an alternative method.
Derivatives	Derivatives are carried on a fair value basis under Solvency II, IFRS, UK GAAP and BE GAAP. They are presented net on the financial statement balance sheet, where the requirements permit, but on the Solvency II balance sheet derivative assets and derivative liabilities are presented on a gross basis.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Loans and mortgages	Loans and mortgages are fair valued under Solvency II, IFRS and UK GAAP using a mark to model valuation technique. Under BE GAAP an amortised cost basis is used. Where observable market prices are not readily available for infrastructure loans, the market prices provided by fund managers are used, albeit delayed.
Cash and cash equivalents and Deposits other than cash equivalents **Deposits to cedants**	Cash and cash equivalents and deposits other than cash equivalents are valued at amortised cost under IFRS, UK GAAP and BE GAAP, which is deemed a good approximation for fair value for Solvency II. Other than reclassification adjustments, there are no valuation differences between these bases.
Property plant and equipment for own use	The valuation basis under BE GAAP, UK GAAP and IFRS is at cost less accumulated depreciation. This is considered to be a reasonable approximation for fair value under Solvency II. The IFRS 16 valuation basis under IFRS and UK GAAP (FRS 101) is also applied under Solvency II. Under BE GAAP lease payments are expensed as incurred. The valuation adjustment for Solvency II purposes for QBE Europe relates to recognition of right of use assets in accordance with IFRS 16:Leases.
Reinsurance recoverable	The valuation basis is the same under IFRS, UK GAAP and BE GAAP. Under Solvency II, reinsurance recoverables are calculated as the present value of future reinsurance cash flows plus allowances for default that relate to the best estimate liability. See Section D.2 for further details.
Insurance and intermediaries receivables **Reinsurance receivables**	The valuation basis is the same under IFRS, UK GAAP and BE GAAP which is at cost less impairment basis. The main difference between Solvency II and GAAP arises for items that are not considered to be “due” or “past due”. In such instances Solvency II considers the receivables to be future cash flows and part of technical provisions and are therefore valued using discounted cash flows techniques adjusted for the risk of default.
Receivables (trade, not insurance)	The valuation basis is the same under Solvency II, IFRS, UK GAAP and BE GAAP. As these assets have a short-term maturity, the IFRS valuation basis is considered a close approximation to fair value.
Deferred tax assets	The measurement principles for deferred tax assets and liabilities are consistent between IFRS, UK GAAP and Solvency II. 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. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. 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. Under BE GAAP, however, deferred tax assets / liabilities are not recognised except under very specific circumstances. See also Section D.3.6 for more information on the position as at 31 December 2022.

D.2 Technical provisions

D.2.1 Definition of technical provisions[14]

The EO Group's Solvency II net technical provisions ('TPs') amounted to £4,633m at 31 December 2022 (2021: £4,358m), after adjusting for the reinsurance recoverable amount. The IFRS technical provisions at 31 December 2022 were £9,406m (2021: £8,439m). Of the £4,774m difference between IFRS and Solvency II, £3,881m relates to Lloyd's participations held by QBE Corporate resulting from the requirement to consolidate QBE Corporate using the adjusted equity method under Solvency II (as explained under consolidation differences in Section D.1).

The QUK Solvency II net technical provisions amounted to £1,826m at 31 December 2022 (2021: £1,745m), after adjusting for the reinsurance recoverable amount. The net technical provisions balance in the UK GAAP financial statements at 31 December 2022 was £2,289m (2021: £2,011m).

The QBE Europe Solvency II net technical provisions amounted to €3,160m at 31 December 2022 (2021: €3,107m), after adjusting for the reinsurance recoverable amount. The net technical provisions balance in the BE GAAP financial statements at 31 December 2022 was €4,075m (2021: €3,448m).

Line of business	QUK (£'m)			QBE Europe (€'m)		
	Best estimate	Risk Margin (unaudited)[14]	Total net TPs	Best estimate	Risk Margin (unaudited)[14]	Total net TPs
Motor vehicle liability	435	26	461	78	9	87
Fire and property damage	261	17	278	446	26	472
General Liability insurance	644	73	717	1,058	105	1,163
Non-proportional casualty reinsurance	127	14	141	563	153	716
Other non-life obligations	172	20	192	561	52	613
Total Non-Life obligations	1,639	150	1,789	2,706	345	3,051
Life obligations	32	5	37	91	18	109
Total Obligations	**1,671**	**155**	**1,826**	**2,797**	**363**	**3,160**

A quantitative analysis of the gross and reinsurance technical provisions, split by Best Estimate liability and Risk Margin, for all Solvency II lines of business, is available in Appendix A, (QRTs S.12.01.02 (life) and S.17.01.02 (non-life)) for QUK and QBE Europe.

Technical provisions are defined as the probability weighted average of future cash flows, discounted to allow for the time value of money using prescribed yield curves and 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; and
- Risk Margin: additional provision to bring the Best Estimates to the level required to transfer the obligations to a third-party undertaking.

The bases, methods and assumptions applied to the valuation of Solvency II Technical Provisions are consistent between EO Group, QUK and QBE Europe.

[14] Any references to the Risk Margin are unaudited as it is derived from the Solvency Capital Requirement prepared under an approved Internal Model which is also outside the scope of the audit.

D.2.2 Differences between TPs under Solvency II and IFRS/UK GAAP/BE GAAP

The Best Estimate liabilities are calculated in accordance with Article 77(2) of the Solvency II Directive[15]. The claims and premiums provisions are derived from the IFRS/UK GAAP/BE GAAP best estimate reserves and the unearned premium reserve ('UPR') respectively, and are adjusted to incorporate the following:

- Future Premiums: Represent cash flows relating to future premiums that are receivable but not overdue. These cash flows are reclassified from insurance and reinsurance receivables on the IFRS/UK GAAP/BE GAAP balance sheet to technical provisions;
- Bound But Not Incepted policies: Represent premiums, expenses and claims relating to policies that the EO 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. These expense 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;
- Risk Margin: The Risk Margin is calculated using a cost of capital approach by applying the Best Estimate cash flow and the prevailing yield curve (as provided by the European Insurance and Occupational Pensions Authority ('EIOPA') or the PRA) to the Internal Model SCR capital measure; and
- Discounting: Future cash flows are discounted using the 31 December risk free yield curves provided by EIOPA for QBE Europe and the PRA for QUK. 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 table below shows the adjustments made to the technical provisions from statutory financial statement basis to Solvency II basis:

Reconciliation from GAAP TPs to Solvency II TPs	EO Group: IFRS £'m	QUK: UK GAAP £'m	QBE Europe: BE GAAP €'m
Total net TPs – Statutory basis *	**5,602**	**2,124**	**3,919**
Removal of UPR, DAC, equalisation provision (QBE Europe) and GAAP Reserve Margin	(1,447)	(636)	(914)
Addition of Solvency II Future Premium, future claims costs, expenses, ENIDs and discounting	(2)	183	(208)
Risk Margin	480	155	363
Total net TPs – Solvency II basis	**4,633**	**1,826**	**3,160**

* The EO Group statutory technical provisions of £5,602m is arrived at by taking the net technical provisions of £9,406m per the IFRS balance sheet and adjusting for the removal of Lloyd's participations of £3,881m, and other local GAAP statutory adjustments, DAC and discounting. For QUK technical provisions are shown net of salvage and subrogation recoveries in this table.

D.2.3 Material changes during the period on the technical provision methodology

There were two material changes to the Solvency II technical provision methodology during the year:

- Following a deep-dive analysis of QBE Europe's inwards RI casualty book, a cohort of claims in France with *Structured Settlements* (which are similar to Periodic Payment Orders ('PPOs') in the UK) was identified. The valuation approach was changed to model the longer payment profile of these liabilities.

[15] For UK firms and groups implemented in Rule 3 of the Technical Provisions Part of the PRA Rulebook for Solvency II Firms

- A Volatility Assessment Framework was incorporated into the valuation of Financial Lines liabilities, enabling earlier identification of potential claim movements from volatile exposures.

D.2.4 Currency

The Solvency II Directive and PRA rules require that the best estimate be 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.

D.2.5 Options and Guarantees

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

D.2.6 Uncertainty in Technical Provisions[16]

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

The estimation of unreported claims is generally subject to a greater degree of uncertainty than the estimate of settlement costs for reported claims, where more information about the claims is usually available. Furthermore, liability and other long tail classes of business, where claims settlement may not happen for many years after the event giving rise to the claim, typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation.

Some of the main uncertainties are listed below:

- There is heightened uncertainty around future levels of inflation and how an unfavourable economic climate may impact claims for classes such as Liability, Credit and Financial Lines;
- Loss estimates resulting from Russia's invasion of Ukraine and economic sanctions on Russia;
- COVID-19 loss estimates remain exposed to uncertainty from external factors such as legal interpretations of policy wordings, although the uncertainty has reduced since last year;
- General levels of future new claim notifications which could differ from historical experience;
- Large natural or man-made catastrophic events, to the extent that claims have not been fully settled;
- Periodic Payment Orders ('PPO') and the similar French Structured Settlements referred to above;
- 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' EO Group's business plans and discussions with underwriters;
- Plan loss ratio estimates;
- Estimates for Events not in Data;
- Timing of claim, premium, reinsurance and expense cash flows; and
- The appropriateness of the development tail factors applied to the EO Group's classes of business.

D.2.7 Matching adjustment[17], Volatility adjustment[18], Transitional risk-free interest rate term structure [19] and Transitional deductions

EO Group, QUK and QBE Europe do not apply any matching adjustments, volatility adjustments, transitional adjustments or transitional deductions.

[16] Any references to uncertainty in technical provisions are unaudited
[17] Any references to matching adjustments are unaudited
[18] Any references to volatility adjustments are unaudited
[19] Any references to transitional adjustments are unaudited

D.2.8 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 allocated 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 includes 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 EO 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;
- Adjusted to allow for reinsurance minimum premium terms; and
- Allowance for future reinsurance purchase management actions to protect the run-off to expiry of existing inwards business, consistent with the current reinsurance structure.

D.3 Other liabilities

D.3.1 Overview

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 Solvency II. The tables below show the value of those other liabilities for EO Group, QUK and QBE Europe and the Solvency II methodologies used.

The bases, methods and assumptions applied to the valuation of other liabilities in the Solvency II balance sheet is consistent between EO Group, QUK and QBE Europe.

See D.1.1 – D.1.3 for details of the liabilities of EO Group, QUK and QBE Europe.

D.3.2 Comparison of liability valuation methodology under Solvency II and statutory bases

The below table sets out the valuation bases, methods and main assumptions for the financial statements and Solvency II for the material classes of other liabilities and the material differences.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Provisions other than technical provisions	Provisions other than technical provisions are only relevant at EO Group level and are accounted for in accordance with IAS 37 for both IFRS and Solvency II purposes.
Pension benefit obligations	Pension benefit surpluses and obligations arise in the Group's defined benefit pension schemes and are accounted for in accordance with UK or Irish GAAP (FRS 101) in the relevant ancillary services undertaking or under BE GAAP for QBE Europe. For EO Group no adjustment is required between the IAS 19 basis and Solvency II, QUK does not have any pension benefit obligations. For QBE Europe pension benefit obligations are accounted for in accordance BE GAAP. These are adjusted to an IAS 19 basis under Solvency II.

Balance sheet item	IFRS/UK GAAP/BE GAAP valuation basis and comparison with Solvency II valuation basis and assumptions
Insurance and intermediaries payables **Deposits from reinsurers**	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II, being initially recognised at fair value and subsequently remeasured at amortised cost. For the short-term nature of these liabilities, the carrying value is deemed to be a close approximation to fair value and therefore no adjustment is made. In addition, under Solvency II, insurance payables are adjusted to exclude cash flows relating to future premiums which are taken into account when calculating the technical provisions, see D.2 for further information.
Reinsurance payables	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II, being initially recognised at fair value and subsequently remeasured at amortised cost. For the short-term nature of these liabilities, the carrying value is deemed to be a close approximation to fair value and therefore no adjustment is made. In addition, under Solvency II, insurance payables are adjusted to exclude cash flows relating to future premiums which are taken into account when calculating the technical provisions, see D.2 for further information.
Payables (trade, not insurance)	The valuation basis is the same under IFRS, UK GAAP and Solvency II for EO Group and QUK. Book value as per IFRS or 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. BE GAAP has the same valuation basis as Solvency II, except that under BE GAAP lease payments are expensed as incurred. The valuation adjustment for Solvency II purposes in QBE Europe relates to recognition of lease liabilities in accordance with IFRS 16:Leases.
Deferred tax liabilities	The measurement principles for deferred taxes are consistent between IFRS, UK GAAP and Solvency II. 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. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. 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 to a Solvency II basis. Under BE GAAP, however, deferred tax assets/liabilities are not recognised except under very specific circumstances. See also Section D.3.6 for more information on the position as at 31 December 2022.
Subordinated liabilities	Under Solvency II subordinated liabilities are measured on a fair value basis whilst under IFRS, UK GAAP and BE 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.
Any other liabilities, not elsewhere shown	The valuation basis is the same under IFRS, UK GAAP, BE GAAP and Solvency II. Where amortised cost basis is considered a good approximation to fair value, no further adjustment is made.

D.3.3 Changes to the valuation of other liabilities in the period

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

D.3.4 Pension Schemes

The EO Group operates both defined contribution and defined benefit pension plans. QUK operates a defined contribution scheme only. Within the EO Group, there are four defined benefit pension schemes: two in the UK (The Iron Trades ('IT') and Janson Green ('JG') schemes), one in Ireland (QBE Management (Ireland) Limited Pension) and one in Belgium ('the Secura NV scheme'). The UK and Irish schemes are closed to the accrual of future benefits. In addition, there is a post-employment medical care scheme related to the former employees of Secura/QBE Europe Belgium branch, within QBE Europe.

Defined benefit plans are run independently of the sponsoring company by scheme trustees and are subject to relevant local legislation. Pension benefit surpluses and benefit liabilities relating to each scheme are assessed in accordance with the advice of independent qualified actuaries and accounted for in accordance with UK / Irish GAAP (FRS 101`) or BE GAAP. For EO Group no adjustment is required between the IAS 19 basis and Solvency II. QUK does not have any pension benefit obligations. For QBE Europe pension benefit obligations are accounted for in accordance BE GAAP. These are adjusted to an IAS 19 basis under Solvency II

Refer also to section C.6.2 Pension Risks.

The pension surplus included on the EO plc Solvency II balance sheet arises largely from the two UK defined benefit pension schemes. Details of the assets and liabilities of these schemes are disclosed in note 20 of the published financial statements of QBE Management Services (UK) Limited.

D.3.5 Major sources of estimation uncertainty

There is no significant estimation uncertainly associated with liabilities covered in Section D.3.

D.3.6 Taxation

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.

Deferred tax assets are recognised only to the extent that they are recoverable from future taxable profits. Recoverability is assessed on a net basis, i.e., for branches deferred tax assets and deferred tax liabilities are only offset within each branch. A net deferred tax asset would be recognised by examining the following criteria:

- If there is no history of recent losses in the branch a net deferred tax asset would only be recognised if it is considered probable that future taxable profits will arise. Currently, this is done with reference to the annual three-year business plan. Additionally, in the territories where group relief is available, consideration is also given to other profits likely to arise in other QBE Group companies within the same territory which would be available for group relief in the branch. Group relief is currently available with other companies in the UK and Ireland jurisdictions; and
- If there is a recent history of losses in the territory, management judgement would be exercised on a case-by-case basis. At the moment, there is little history available in the QBE Europe business, so management has referred to the history of the branches in the old structure together with an assessment of predicted future profits.

For QUK as at 31 December 2022, in the Solvency II balance sheet there was a £nil deferred tax asset (2021: £nil) and a deferred tax liability of £46m (2021: £13m) in the Solvency II balance sheet. The deferred tax balances arise in the UK and have been calculated by reference to the 25% rate (increased from 19%) which will take effect from 1 April 2023

For QBE Europe as at 31 December 2022, in the Solvency II balance sheet there was a net deferred tax asset of €3m (2021: €4m) which is considered likely to be recoverable against future taxable profits together with a deferred tax liability of €40m (2021: €18m).

For EO Group, there was a net deferred tax asset of £3m (2021: £nil) which is considered likely to be recoverable against future taxable profits together with a deferred tax liability of £66m (2021: £12m).

D.4 Alternative methods for valuation

Where quoted prices of the same or similar assets are not available at year end, there is greater valuation uncertainty. Unquoted assets are fair valued using models and observable inputs where they are available. The valuation methods used are based upon QBE Group's Valuation Standard which governs the valuation of investment assets throughout QBE Group. The QBE Group's Revaluation Committee is responsible for overseeing the valuation of investment assets through approval of valuation methodologies and the source of independent valuation including pricing vendors and external fund managers. The QBE Group's Revaluation

Committee also reviews and approves significant judgments related to fair value measurements of investment assets.

The principal assumptions underlying the valuation approach and key drivers of valuation uncertainty for those categories of assets valued using Alternative Methods of Valuation ('AVM') are described in D.4.1 and D.4.2 below.

The valuation methodology applied to subordinated debt liabilities valued using AVM is disclosed in D.3.2 above.

D.4.1 Infrastructure Debt

The fair value of infrastructure debt is based on the following hierarchy, in accordance with QBE Group's Valuation Standard:

1. Quoted prices – Fair value measurements based on quoted prices (unadjusted) in active markets for identical instruments that the entity can access at the measurement date sourced from independent pricing vendors. Typically, there is no active market for infrastructure debt investments.

2. Observable inputs – Fair value measurements based on valuation techniques that use inputs other than quoted prices included in Level 1 that are observable for the financial instrument, either directly or indirectly (Quoted Marked Price for Similar Assets ('QMPS')). Where possible, infrastructure debt valuation is sourced from external pricing vendors based on market-based valuation approach.

3. Unobservable inputs – Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 (assets valued using AVM). In the absence of independent valuation sourced from recognised pricing vendors, the discounted cash flow model is used by the external fund manager to estimate fair values of infrastructure debt assets. Significant unobservable inputs include project future cash flows and the discount rates which are calculated by incorporating, as appropriate, market observable data, including leverage loan indices, government bond yields and corporate debt metrics and the fair value of these assets is sensitive to changes in these inputs

The valuation uncertainty associated with the valuation of infrastructure debt using AVM is considered to be immaterial.

At 31 December 2022, £nil of infrastructure debt (2021: £8m) in EO Group, £0m of infrastructure debt (2021: £0m) in QUK and €nil (2021: €10m) in QBE Europe were valued using AVM, i.e. discounted cash flow method.

D.4.2 Unlisted property trusts, infrastructure funds and other funds

The fair value of unlisted property trusts, infrastructure funds and other funds is determined using AVM by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme.

The valuation uncertainty associated with the valuation of unlisted property trusts and other funds is considered to be immaterial.

At 31 December 2022, the EO Group held investments in unlisted property trusts of £219m (2021: £208m), private credit funds of £94m (2021: £nil) and infrastructure funds of £150m (2021: £111m) valued using AVM.

At 31 December 2022, QUK held investments in unlisted property trusts of £93m (2021: £91m), private credit funds of £94m (2021: £nil) and infrastructure funds of £76m (2021: £64m) valued using AVM.

At 31 December 2022, QBE Europe held investments in unlisted property trusts of €141m (2021: €139m), private credit funds of £0m (2021: £nil) and infrastructure funds of €83m (2021: €55m) valued using AVM.

D.4.3 Social impact investments

The fair value of social impact investments is determined using AVM by using the current unit price as advised by the responsible entity, trustee or equivalent.

The valuation uncertainty associated with the valuation of social impact investments is considered to be immaterial.

At 31 December 2022, £3m of social impact investments (2021: £nil) in EO Group, £3m of social impact investments (2021: £nil) in QUK and €nil (2021: €nil) of social impact investments in QBE Europe were valued using AVM

D.5 Any other information

No other information is considered material regarding the EO Group, QUK or QBE Europe's valuations for solvency purposes.

Section E: Capital Management[20]

E.1 Own funds

E.1.1 Objectives, policies and processes for managing own funds

The primary objective of the business from a capital management perspective is to maintain sufficient Eligible Own Funds ('EOF') to cover the SCR and MCR with an appropriate surplus. These funds should be of sufficient quality to meet the eligibility requirements in Article 82 of the Solvency II Delegated Regulation ((EU) 2015/35)).

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

The EO Group, QUK and QBE Europe's own funds have been assessed against the criteria of Article 71 of the Solvency II Delegated Regulation and the majority of the capital has been classified as sufficient quality to meet the eligibility requirements of 'Tier 1' capital. Subordinated debt and Ancillary Own Funds have been classified as 'Tier 2' and Deferred Tax Assets ('DTA') have been classified as 'Tier 3' in accordance with the requirements.

The EOF are calculated after adjusting for valuation differences between IFRS, UK GAAP and BE GAAP financial statements and Solvency II and applying restrictions in relation to Ring-Fenced Funds ('RFF').

The EO Group has an approved Internal Model which it uses to calculate 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 SCR are documented and self-assessed, and output reported to the Data Governance Forum. Areas identified as requiring remediation are recorded on a Data Quality Issues Log and progress reported regularly to the Data Quality Working Group with escalation to the Data Governance Forum if necessary.

Available own funds, EOF and the ratio of EOF over the Solvency Capital Requirement ('SCR') and Minimum Capital Requirement ('MCR') for the EO Group, QUK and QBE Europe are disclosed in QRT S.23.01.22 for EO Group and S.23.01.01 QRTs for QUK and QBE Europe in Appendix A. There are separate QRTs included in Appendix A for EO Group, QUK and QBE Europe.

Changes in the reporting period

There were no material changes to the method of calculating own funds over the reporting period.

E.1.1 Method of calculating own funds

The EO Group, QUK and QBE Europe follow four steps:

- Basic Own funds are calculated as the excess of assets over liabilities determined from Solvency II balance sheet less restricted own funds items plus subordinated liabilities (to the extent that these satisfy the Solvency II rules for recognition as part of basic own funds):
- Ancillary own funds are recognised in accordance with the relevant regulatory approval;
- Available own funds are calculated as the total of basic own funds and ancillary own funds and classified into tiers; and
- Eligible own funds by tier are determined by applying tiering limits to available own funds, in order to determine the amount of own funds eligible to cover the EO Group, QUK and QBE Europe's SCR and MCR.

[20] Any references in 'Section E: Capital Management' to the SCR are unaudited.

Undertakings in the scope of the Solvency II consolidated balance sheet and Internal Model used to calculate the EO Group SCR

The EO Group consists of a number of entities that carry out different functions and have different characteristics. Different undertakings within the EO Group are treated in different ways in the Solvency II balance sheet, own funds and the SCR, 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. These entities recognised in a single line 'Holdings in related undertakings, including participations' gross of intra-group transactions on the EO Group Solvency II balance sheet valued on a Solvency II basis using the adjusted equity method. The EO Group SCR treats also these entities as investments.

EO Group's investment in QBE Corporate (which participates in Lloyd's Syndicate 386 and Syndicate 2999) does not meet the definition of an insurance undertaking and is therefore treated as a single line participation in the Group Solvency II consolidated balance sheet.

As a Lloyd's Corporate Member, QBE Corporate is required to provide Funds at Lloyd's (FAL) as security for the liabilities of Syndicate 386 and Syndicate 2999. The majority of this FAL is provided or guaranteed by entities outside the EO Group and therefore EO Group has limited exposure with respect to these arrangements. The FAL requirement provided by QBE Corporate in the form of investments and other assets deposited with Lloyd's was £74m (2021: £77m).

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 Rule 11 of the Group Supervision Part of the PRA Rulebook for Solvency II firms (which implements Article 230 of the Solvency II Directive (2009/138/EC)). Intra-group transactions with entities that are fully consolidated within the EO group are eliminated on consolidation.

E.1.2 Eligible own funds to cover the Solvency Capital Requirement ('SCR') [21] and Minimum Capital Requirement ('MCR')

At 31 December 2022 the EO Group, QUK and QBE Europe's EOF to meet the SCR, the SCRs and the SCR coverage ratios were:

Entity		Eligible Own funds to meet the SCR (£'m/€'m)				SCR (£'m/€'m)	SCR Coverage Ratio (%)
		Tier 1 (unrestricted)	Tier 2	Tier 3	Total		
EO Group	2022	£1,863	£583	£0	£2,446	£1,432	170.8%
	2021	£1,560	£583	£0	£2,143	£1,495	143.3%
QUK	2022	£811	£160	£0	£971	£637	152.4%
	2021	£742	£160	£0	£902	£647	139.4%
QBE Europe	2022	€1,346	€200	€3	€1,549	€1,063	145.7%
	2021	€1,209	€200	€5	€1,414	€951	148.7%

At 31 December 2022 the EO Group, QUK and QBE Europe's EOF to meet the MCR, the MCRs and the MCR coverage ratios were:

[21] Any references in 'Section E: Capital Management' to the SCR are unaudited.

Entity		Eligible Own funds to meet the MCR (£'m/€'m)			MCR (£'m/€'m)	MCR Coverage Ratio (%)
		Tier 1 (unrestricted)	Tier 2	Total		
EO Group	2022	£1,863	£142	£2,005	£711	282.0%
	2021	£1,560	£124	£1,684	£622	270.7%
QUK	2022	£811	£0	£811	£287	282.6%
	2021	£742	£0	£742	£262	283.2%
QBE Europe	2022	€1,346	€96	£1,442	€478	301.7%
	2021	€1,209	€86	£1,295	€428	302.5%

All the regulated subsidiaries of the EO Group had a credit rating at 31 December 2022, as determined by S&P Global Ratings, of A+ with a stable outlook.

Own fund items are assessed and classified into tiers in accordance with criteria defined by Solvency II regulations as set out below.

Tier 1 (unrestricted)

The majority of QUK, QBE Europe and EO Group own funds are classified as unrestricted Tier 1 which 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.

EO Group

(£'m)	2022	2021
Ordinary share capital	1,213	1,213
Reconciliation reserve	650	347
Total Tier 1	**1,863**	**1,560**

QUK

(£'m)	2022	2021
Ordinary share capital	626	626
Reconciliation reserve	185	116
Total Tier 1	**811**	**742**

QBE Europe

(€'m)	2022	2021
Ordinary share capital	1.130	1,130
Reconciliation reserve	216	79
Total Tier 1	**1,346**	**1,209**

Tier 2

As at 31 December 2022, EO plc holds a £580m (2021: £580m) Tier 2 qualifying loan from QBE Strategic Capital (Europe) Limited (a company outside the EO Group consolidation group) under a loan facility which has a maturity date of 12 February 2031 and incurs interest at a fixed rate of 3.25% per annum. The value shown as Tier 2 includes accrued interest.

As at 31 December 2022, QUK holds £160m (2021: £160m) of Tier 2 ancillary own funds in the form of a syndicated Letter of Credit facility provided by external banks on behalf of QBE Insurance Group Limited. This

Letter of Credit Facility expires on 20 July 2025. The funds are payable to QUK on demand. The PRA approved the treatment as Ancillary Own Funds on 29 June 2020. In accordance with the Solvency II requirements these Ancillary Own Funds have been classified as Tier 2 which is one tier lower than the tier they would fall into once called up.

As at 31 December 2022, QBE Europe holds €200m of subordinated debt (2021: €200m) which meet the criteria to be classified as Tier 2 own funds comprising:

- €80m subordinated liabilities issued by QHEO, the immediate parent of QBE Europe. This loan has an interest rate of 2.25% per annum and a maturity date of 10 December 2028; and
- €120m subordinated liabilities issued by QHEO and transferred from QBE Re to QBE Europe as part of the Cross-Border Merger which took place as at 1 January 2019. This loan has an interest rate of 2.25% per annum and has a maturity date of 2 November 2028.

These subordinated loans are eliminated on consolidation in the EO Group consolidated Solvency II balance sheet.

The valuation methodology applied to subordinated debt is described in D.3.2 above.

Tier 3

As at 31 December 2022, QBE Europe had net deferred tax assets on the Solvency II balance sheet of €3m (2021: €4m) which are required to be treated as Tier 3 capital.

QUK does not have net deferred tax assets included on the Solvency II balance sheet.

EO Group does not have Tier 3 capital. The £3m deferred tax asset included on the Solvency II balance sheet has been treated as unavailable at group level.

Further information on the treatment of deferred tax assets is included in Section D.3.6 above.

E.1.3 Reconciliation reserve

The reconciliation reserve is comprised of the excess of assets over liabilities on a Solvency II valuation basis, less any foreseeable dividends, 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. These items are excluded from the reconciliation reserve and included as separate items within basic own funds.

In accordance with Article 69(a)(vi) of the Solvency II Delegated Regulation the reconciliation reserve is treated as Tier 1 Capital. The reconciliation reserve's volatility is materially dependent on the performance of the entity as well as any significant changes to the balance sheet. See QRT S.23.01.22 for EO Group and S.23.01.01 QRTs for QUK and QBE Europe in Appendix A for full breakdown of the reconciliation reserve for EO Group, QUK and QBE Europe.

E.1.4 Deductions from own funds

The following restrictions in relation to Ring-Fenced Funds ('RFF') apply:

- QBE Europe: Letters of credit ('LOC') €26m (2021: €18m) - 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;
- QUK: Capital required to be held locally by the Dubai regulator, the Dubai Financial Services Authority ('DFSA'), in respect of the local operations of QUK £27m (2021: £13m);
- QBE Europe: Deposits with cedants to the extent that the amount deposited exceeds the liabilities secured, to the extent not readily available to withdraw €nil (2021: €nil);
- For QBE Europe and QUK, as a condition of writing US Excess and Surplus lines business, the Companies are required to deposit cash, readily marketable securities or letters of credit into Trust with a "United States Qualified Financial Institution". This is considered within the RFF calculations which did not result in any restrictions as at 31 December 2022 (2021: nil); and
- The above restrictions also apply at EO Group level.

All RFF are considered to be immaterial which means that the required restriction is based on the excess of assets over liabilities of each RFF and there is no requirement to calculate a separate SCR for each RFF.

E.1.5 Eligibility of own funds

The eligibility of own funds to cover the EO Group, QUK and QBE Europe 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; and
- The sum of the eligible amounts of Tier 2 and Tier 3 items must not exceed 50% of the SCR;
- The eligible amounts of Tier 3 items must be less than 15% of the SCR;
- The eligible amounts of Tier 2 items must not exceed 20% of the MCR and Tier 3 items are not eligible to cover the MCR;
- Ancillary own funds items are not eligible to cover the MCR

At 31 December 2022 there were no eligibility restrictions required to own funds to determine eligible own funds to cover the SCR (2021: £nil).

Tier 2 basic own funds items to cover the MCR were restricted to 20% of the MCR and no Ancillary Own Funds are permitted to be treated as eligible to cover the MCR.

E.1.6 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 different valuation approaches is shown below for EO Group, QUK and QBE Europe.

31 December 2022 Reconciliation from GAAP equity to Solvency II Own Funds	EO Group: IFRS (£'m)	QUK: UK GAAP (£'m)	QBE Europe: BE GAAP (€'m)
Total equity – statutory basis	**2,048**	**727**	**1,158**
Removal of net technical provisions balances on a GAAP basis	-	636	869
Inclusion of net technical provisions on a Solvency II basis	-	(480)	(454)
Elimination of goodwill and Intangibles	(206)	-	-
Change in the value of participations	(16)	-	-
Valuation adjustment: Investments	-	-	(199)
Valuation adjustment: other*	89	(46)	1
Excess of assets over liabilities – Solvency II basis	**1,915**	**837**	**1,375**
Adjustment: Subordinated liabilities / ancillary own funds	583	160	200
Adjustment: Foreseeable dividends	-	-	-
Adjustment: Restricted own fund items in respect of ring-**fenced funds**	(49)	(26)	(26)
Adjustment: Non-**available own funds at group level**	(3)	-	-
Eligible Own Funds to cover the SCR – Solvency II basis	**2,446**	**971**	**1,549**

* Other adjustments include removal of IFRS discounting and deferred tax adjustments.

31 December 2021 Reconciliation from GAAP equity to Solvency II Own funds	EO Group: IFRS (£'m)	QUK: UK GAAP (£'m)	QBE Europe: BE GAAP (€'m)
Total equity – statutory basis	**1,979**	**931**	**1,260**
Removal of net technical provisions balances on a GAAP basis	-	546	777
Inclusion of net technical provisions on a Solvency II basis	-	(541)	(827)
Elimination of goodwill and Intangibles	(192)	-	-
Change in the value of participations	(49)	-	-
Valuation adjustment: Investments	(102)	-	21
Valuation adjustment: other*	76	(13)	1
Excess of assets over liabilities – Solvency II basis	**1,712**	**923**	**1,232**
Adjustment: Subordinated liabilities / ancillary own funds	583	160	200
Adjustment: Foreseeable dividends	(120)	(168)	-
Adjustment: Restricted own fund items in respect of ring-**fenced funds**	(28)	(13)	(18)
Adjustment: Non-**available own funds at group level**	(4)	-	-
Eligible Own Funds to cover the SCR – Solvency II basis	**2,143**	**902**	**1,414**

* Other adjustments include removal of IFRS discounting and deferred tax adjustments.

E.1.7 Movement in eligible own funds in the year

The table below shows the movement in the eligible own funds to cover the SCR.

Movement in EOF	EO Group: (£'m)	QUK: (£'m)	QBE Europe: (€'m)
Eligible own funds to cover the SCR brought forward	**2,143**	**902**	**1,414**
Financial statement total comprehensive income for the year	339	94	(102)
Movement in Solvency II valuation differences	134	118	245
Movement in ring fenced funds restriction	(21)	(13)	(8)
Movement in non-available own funds at group level	1	-	-
Dividend paid December 2022	(150)	(130)	-
Eligible own funds to cover the SCR carried forward	**2,446**	**971**	**1,549**

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Overview[22]

At 31 December 2022 the SCR and MCR for EO Group, QUK and QBE Europe were:

Entity (£'m/€'m)	SCR (unaudited)		MCR	
	2022	2021	2022	2021
EO Group	£1,432	£1,495	£711	£622
QUK	£637	£647	£287	£262
QBE Europe	€1,063	€951	€478	€428

[22] Any references in 'Section E: Capital Management' to the SCR are unaudited.

The SCRs for EO Group, QBE Europe and QUK are determined using an Internal Model. The SCRs for the EO Group, QUK and QBE Europe are also shown in separate QRTs S.25.03.21 (unaudited) for QUK and QBE Europe and S.25.03.22 (unaudited) for EO Group in Appendix A. These QRTs provide information around the breakdown of the SCR values into constituent components. Separate QRTs S.28.01.01 provide information on the MCRs for QUK and QBE Europe.

The SCRs for the EO Group, QUK and QBE Europe have been calculated using the Internal Model for 2022 and 2021.

These amounts are subject to supervisory assessment. EO Group, QUK and QBE Europe do not have any required regulatory Capital Add Ons to the SCRs.

Risk Category under Internal Model	EO Group (£'m) (unaudited)		QUK (£'m) (unaudited)		QBE EU (€'m) (unaudited)	
	2022	2021	2022	2021	2022	2021
Market risk	263	395	77	174	276	278
Counterparty Default risk	180	145	84	56	125	115
Non-life underwriting risk	1,341	1,211	659	571	995	841
Operational risk	173	152	66	61	128	102
Pension risk	80	99	-	-	4	4
Capital adjustments	17	20	-	(1)	23	-
Debt servicing costs	43	44	-	-	-	-
Total undiversified components	**2,097**	**2,066**	**886**	**863**	**1,551**	**1,340**
Diversification	(665)	(571)	(249)	(216)	(488)	(389)
Solvency capital requirement	**1,432**	**1,495**	**637**	**647**	**1,063**	**951**

The overall impact of group diversification on the 2022 Group SCR was £100m, largely relating to non-life underwriting risk arising from the different mix of products and geographical spread between QUK and QBE Europe.

E.2.2 The difference between the entity level Internal Model and the Group level Internal Model

QUK 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 and, where relevant, the QBE Europe SCR; and
- The EO Group SCR also allows for QBE Corporate to be treated as an investment which, in a capital setting scenario, is assumed to be nil as the QBE Corporate net asset valuation is used to cover the liabilities of the syndicates.

E.2.3 Inputs to calculate the MCR

The MCR for the (re)insurance undertakings, QUK and QBE Europe, is calculated using inputs for the net (of reinsurance) Solvency II best estimate and the net (of reinsurance) written premium in the last 12 months. Factors are applied to these inputs based on the technical specifications contained in the Solvency II Delegated Regulation.

The MCR is required to fall within the range of 25% to 45% of the SCR. The MCR also has an absolute floor of €4m (for a non-life insurer with authorisation for liability business).

For both QUK and QBE Europe the MCR is limited to 45% of the SCR as at 31 December 2022.

The MCR at EO Group level under Solvency II is referred as the minimum consolidated Group SCR. The minimum consolidated EO Group SCR is calculated as the sum of the MCRs for the two insurance undertakings in the group, QUK and QBE Europe.

E.2.4 Material changes to the SCR[23] over the period

Details of the material changes in the SCR compared to the prior year are included below:

EO Plc and QUK

Market risk has decreased following material improvements to yield curves, allowing for higher discounting and investment returns. Counterparty default risk has increased following a reduction in the collateral required to be held by the captive reinsurer, Equator Re. Non-life underwriting risk has increased following increases in the Technical Provisions and uplift to allow for the current high inflationary uncertainty.

QBE Europe

Non-life underwriting risk has increased following increases in the Technical Provisions and an uplift to allow for the current high inflationary uncertainty.

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

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

E.4 Differences between the Standard Formula and the Internal Model used [24]

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.

E.4.1 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.

E.4.2 Counterparty default credit

The Internal Model and Standard Formula capitalise against reinsurance and premium defaults as described below:

- 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; and
- The primary difference in the credit risk assessment within the Standard Formula and the Internal Model is due to the treatment of the Type II credit risk (broker defaults). The Standard Formula applies a material capital charge against premium debtors, taking 90% of any debts overdue by 3 months or

[23] Any references in 'Section E: Capital Management' to the SCR are unaudited.
[24] Any references to differences between the Standard Formula and the Internal Model are unaudited.

more, and 15% of all other debtors. In practise the credit risk on broker balances (which are the main part of the debtor exposure) are well mitigated, and the Internal Model capital assessment reflects this.

E.4.3 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, 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); and
- 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.

E.4.4 Health underwriting risk

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

E.4.5 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.

E.4.6 Diversification benefit

Because of the differences between risk types, the Standard Formula has less diversification between risk types than the Internal Model.

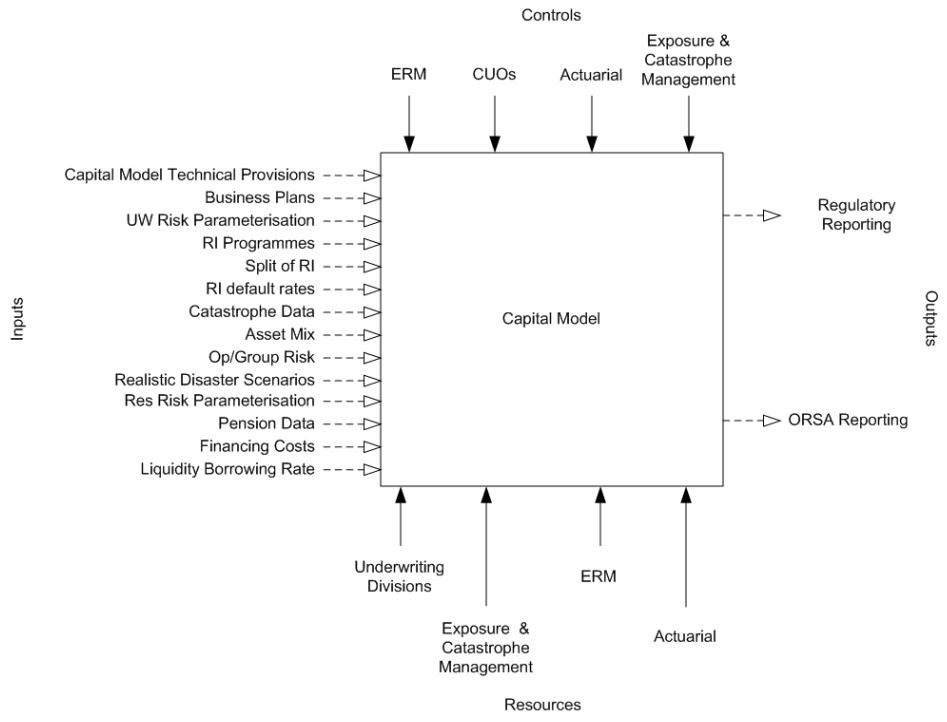
The Standard Formula does not capture group risk, whereas it does appear in the Internal Model. This risk is assumed to diversify well against the other risks, so it also increases the size of the diversification benefit in the Internal Model compared to the Standard Formula.

E.4.7 Data used in the Internal Model

The data flows within the capital model are documented within an Internal Model Data flow Map. As part of data quality management in EO Group, 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 data 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 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 EO Group 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 EO 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 QBE 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 QBE Group Security Committee;
- **Natural catastrophe model output**. This is predominantly 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. Impact Forecast Elements is also used alongside Realistic Event Methodology ('REM') data to assess the risk from regions and perils not modelled by RMS;
- **Asset mix**. This data lists the different investments held by each legal entity within the EO Group. These assets are input into the model as the opening asset position;
- **Operational Risk Assessment** This data is taken from within the ERM team and provides the operational risk parameters;

- **QBE Group Risk Dashboard.** Used to parameterise the group risk distributions. Data is taken from within the ERM team; and
- **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).

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

When the EOF from all entities have been included, the EO Group satisfied and complied with the MCR and SCR requirements.[25] QUK and QBE Europe also satisfied and complied with the MCR and SCR requirements over the reporting period.

E.6 Any other information

No other information is considered material regarding the EO Group, QUK and QBE Europe's capital management.

[25] Any references to the SCR are unaudited.

Forward-Looking statements

This document may contain “forward-looking statements” including those relating to the EO Group’s future financial condition, performance, results, strategy and objectives. Statements that are not historical facts, including statements about the EO Group’s beliefs and expectations and including, without limitation, statements containing the words “may”, “will”, “should”, “continue”, “aims”, “estimates”, “projects”, “believes”, “intends”, “expects”, “plans”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking statements. Any such forward-looking statements in this document are based on plans, estimates and projections as at the date of this document, and therefore undue reliance should not be placed on them. By their nature, all forward-looking statements involve risk and uncertainty. Many factors could cause the EO Group’s actual future financial condition or performance or other indicated results to differ materially from those indicated in any forward-looking statement.

Any forward-looking statements contained in this document speak only as of the date on which they are made. The EO Group expressly disclaims any obligations to update any forward-looking statement contained in this document or any other forward-looking statements it may make, whether as a result of future events, new information or otherwise.

Glossary

The following table details the definition of the terms and acronyms used in this document:

Term or Acronym	Definition
ABI	Association of British Insurers
ASX	Australian Securities Exchange
ABS	Asset Backed Security
BBNI	Bound But Not Incepted
BE GAAP	Belgian Generally Accepted Accounting Principles
BCM	Business Continuity Management
BER	Board Effectiveness Review
BMA	Bermuda Monetary Authority
BOF	Basic Own Funds
CAF	Capital Appetite Framework
CMG	Compliance Management Group
CPI	Consumer Prices Index
COR	Combined Operating Ratio
CRG	Conduct Risk Group
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
DAC	Deferred Acquisition Costs
DFSA	Dubai Financial Services Authority
DMG	Disclosure Management Group
ECM	Economic Capital Model
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EPiFP	Expected Profit in Future Premiums
EO Key Regulated Companies	QUK, QBE Europe and QUL
EOF	Eligible Own Funds
EO Group	QBE European Operations Group
EO plc	QBE European Operations plc
EMB	EO Executive Management Board of QUK and QUL
ENID	Events Not In Data
ERG	Emerging Risks Group
ERM	Enterprise Risk Management

Term or Acronym	Definition
ESG	Environmental, Social and Governance
ESG MG	ESG Management Group
ESG RWG	ESG Risk Working Group
ESG UG	ESG Underwriting Group
FCA	Financial Conduct Authority (UK)
FMG	Finance Management Group (including Reserving)
FSMA	Financial Services and Markets Authority (Belgium)
FOE	Freedom of Establishment
FOS	Freedom of Services
FUM	Funds Under Management
FRCC	Financial Risks from Climate Change
GAAP	Generally Accepted Accounting Principles
GAM	Group Aggregate Methodology
GAMC	Group Aggregate Management Committee
GEP	Gross earned premium
GIA	Group Internal Audit
GSC	Group Security Committee
GWP	Gross written premium
IBNR	Incurred But Not Reported
HPR	High Product Risk
IFRS	International Financial Reporting Standards (including Australian International Financial Reporting Standards)
I&I	Issues and Incidents
IMA	Investment Management Agreement
IT	Iron Trades
IUA	International Underwriting Association
JG	Janson Green
KRI	Key Risk Indicators
LOC	Letter of Credit
LMA	Lloyd's Market Association
MCR	Minimal Capital Requirement
NBB	National Bank of Belgium
NCOR	Net Combined Operating Ratio
OMG	Operations Management Group
ORSA	Own Risk & Solvency Assessment

Term or Acronym	Definition
OWG	Outsourcing Working Group
PPO	Payment Protection Order
PPP	Prudent Person Principle
PRA	Prudential Regulation Authority (UK)
QBE Corporate	QBE Corporate Limited
QBE Europe	QBE Europe SA/NV
QBE Group	QBE Insurance Group Limited
QBE NA	QBE North America
QEMC	QBE Europe Management Committee of QBE Europe
QHEO	QBE Holdings EO Limited
QMIL	QBE Management (Ireland) Limited Pension and Life Assurance Plan
QUK	QBE UK Limited
QUL	QBE Underwriting Limited
QRT	Quantitative Reporting Template
RAS	Risk Appetite Statement
RCC	Risk and Capital Committee
RCG	Risk and Capital Group
RCSA	Risk and Control Self-Assessment process
RDS	Realistic Disaster Scenarios
REM	Realistic Event Methodology
RFF	Ring-Fenced Funds
RFP	Requested For Proposal
RMBS	Residential Mortgage Backed Security
RMS	Risk Management Strategy
S&P	Standard and Poor's
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SLA	Service Level Agreement
SMCR	Senior Managers and Certification Regime (UK)
SME	Subject Matter Expert
UK GAAP	UK Generally Accepted Accounting Principles
UMG	Underwriting Management Group

Appendix A. QRTs

EO Group

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 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.25.03.21	Solvency Capital Requirement - for undertakings on Full Internal Models
S.28.01.01	Minimum Capital Requirement

EO Group (All values in £'000)

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	GB	213800GB00038	2 - Specific code	CHRYSALIS MANAGEMENT LTD	99 - Other	Company limited by shares or by guarantee or unlimited	2 - Non-mutual		20.00%	20.00%	20.00%		2 - Significant	20.00%	1 - Included in the scope		3 - Method 1: Adjusted equity method
2	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
3	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		3 - Method 1: Adjusted equity method
4	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
5	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
6	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		3 - Method 1: Adjusted equity method
7	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		3 - Method 1: Adjusted equity method
8	BE	213800PWJMAF6INXSV90	1 - LEI	QBE EUROPE SA/NV	4 - Composite undertaking	Company limited by shares or by guarantee or unlimited	2 - Non-mutual	Nationale Bank van België	100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
9	GB	21380079IEF5XP7WW494	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								1 - Included in the scope		1 - Method 1: Full consolidation
10	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		3 - Method 1: Adjusted equity method
11	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		3 - Method 1: Adjusted equity method
12	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		3 - Method 1: Adjusted equity method
13	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
14	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		3 - Method 1: Adjusted equity method

EO Group (All values in £'000)

S.32.01.22 (continued)

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
15	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		3 - Method 1: Adjusted equity method
16	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
17	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
18	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	Limited Liability Partnership	2 - Non-mutual		100.00%	100.00%	100.00%		1 - Dominant	100.00%	1 - Included in the scope		1 - Method 1: Full consolidation
19	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		3 - Method 1: Adjusted equity method
20	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		3 - Method 1: Adjusted equity method
21	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
22	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		3 - Method 1: Adjusted equity method
23	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		3 - Method 1: Adjusted equity method
24	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		3 - Method 1: Adjusted equity method
25	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
26	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		3 - Method 1: Adjusted equity method

EO Group (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	2,788
R0050	Pension benefit surplus	37,979
R0060	Property, plant & equipment held for own use	64,283
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	6,399,272
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	96,259
R0100	*Equities*	34
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	34
R0130	*Bonds*	5,519,456
R0140	*Government Bonds*	1,215,296
R0150	*Corporate Bonds*	4,113,393
R0160	*Structured notes*	-
R0170	*Collateralised securities*	190,767
R0180	*Collective Investments Undertakings*	695,514
R0190	*Derivatives*	85,319
R0200	*Deposits other than cash equivalents*	2,690
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	2,662
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	2,662
R0270	Reinsurance recoverables from:	1,063,513
R0280	*Non-life and health similar to non-life*	1,044,728
R0290	*Non-life excluding health*	1,038,843
R0300	*Health similar to non-life*	5,885
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	18,785
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	18,785
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	147,659
R0360	Insurance and intermediaries receivables	827,316
R0370	Reinsurance receivables	181,387
R0380	Receivables (trade, not insurance)	66,746
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	231,506
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	**9,025,111**

EO Group (All values in £'000)

S.02.01.02 (continued)

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	5,542,428
R0520	*Technical provisions - non-life (excluding health)*	5,454,082
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	5,005,825
R0550	*Risk margin*	448,257
R0560	*Technical provisions - health (similar to non-life)*	88,346
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	78,358
R0590	*Risk margin*	9,988
R0600	Technical provisions - life (excluding index-linked and unit-linked)	153,197
R0610	*Technical provisions - health (similar to life)*	47
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	46
R0640	*Risk margin*	1
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked*	153,150
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	131,635
R0680	*Risk margin*	21,515
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	14,489
R0760	Pension benefit obligations	4,849
R0770	Deposits from reinsurers	38,070
R0780	Deferred tax liabilities	66,385
R0790	Derivatives	39,312
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	367,125
R0830	Reinsurance payables	220,402
R0840	Payables (trade, not insurance)	80,075
R0850	Subordinated liabilities	583,115
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	583,115
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	**7,109,447**
R1000	**Excess of assets over liabilities**	**1,915,664**

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 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	-	79	-	289,435	103,620	87,382	704,843	954,581	83,742	(5,242)	-	-					2,218,440
R0120	Gross - Proportional reinsurance accepted	3,635	20,369	-	7,434	3,353	81,876	309,216	40,942	13,549	-	-	6					480,380
R0130	Gross - Non-proportional reinsurance accepted													18,601	214,336	4,703	194,577	432,217
R0140	Reinsurers' share	-	1,431	-	5,981	6,437	57,122	264,234	113,093	17,275	(978)	-	49	1,850	10,506	456	72,629	550,085
R0200	Net	3,635	19,017	-	290,888	100,536	112,136	749,825	882,430	80,016	(4,264)	-	(43)	16,751	203,830	4,247	121,948	2,580,952
	Premiums earned																	
R0210	Gross - Direct Business	(8)	(5)	-	281,373	89,311	83,677	622,827	861,137	72,749	(5,021)	-	-					2,006,040
R0220	Gross - Proportional reinsurance accepted	1,910	19,491	-	7,011	3,341	60,576	276,532	39,332	13,943	-	-	7					422,143
R0230	Gross - Non-proportional reinsurance accepted													18,886	200,318	4,289	197,154	420,647
R0240	Reinsurers' share	-	1,447	-	4,637	3,080	46,169	234,253	97,127	16,134	(977)	-	46	1,950	10,086	469	74,690	489,111
R0300	Net	1,902	18,039	-	283,747	89,572	98,084	665,106	803,342	70,558	(4,044)	-	(39)	16,936	190,232	3,820	122,464	2,359,719
	Claims incurred																	
R0310	Gross - Direct Business	(2)	(165)	-	163,904	85,365	105,456	315,494	326,585	56,609	(2,996)	(1)	16					1,050,265
R0320	Gross - Proportional reinsurance accepted	111	10,307	-	3,174	1,786	20,179	150,191	13,496	3,795	-	-	882					203,921
R0330	Gross - Non-proportional reinsurance accepted													5,554	109,311	1,861	171,812	288,538
R0340	Reinsurers' share	-	139	-	(3,146)	195	47,666	176,361	20,291	32,365	-	(1)	218	722	24,144	(35)	41,561	340,480
R0400	Net	109	10,003	-	170,224	86,956	77,969	289,324	319,790	28,039	(2,996)	-	680	4,832	85,167	1,896	130,251	1,202,244
	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**	856	7,074	-	75,245	25,261	26,312	208,021	254,987	30,442	(2)	-	6	3,548	46,847	2,021	32,706	713,324
R1200	**Other expenses**																	-
R1300	**Total expenses**																	713,324

EO Group (All values in £'000)

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		Total
		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	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	-	-	-	-	-	-	- 82	46,909	46,827
R1420	Reinsurers' share	-	-	-	-	-	-	-	3,569	3,569
R1500	Net	-	-	-	-	-	-	- 82	43,340	43,258
	Premiums earned									
R1510	Gross	-	-	-	-	-	-	- 81	46,908	46,827
R1520	Reinsurers' share	-	-	-	-	-	-	-	3,569	3,569
R1600	Net	-	-	-	-	-	-	- 81	43,339	43,258
	Claims incurred									
R1610	Gross	-	-	-	-	-	- 8,938	- 47	30,501	21,516
R1620	Reinsurers' share	-	-	-	-	-	- 20,103	-	1,181	(18,922)
R1700	Net	-	-	-	-	-	11,165	- 47	29,320	40,438
	Changes in other technical provisions									
R1710	Gross	-	-	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-	-	-
R1900	**Expenses incurred**	-	-	-	-	-	-	- 4	9,267	9,263
R2500	**Other expenses**									-
R2600	**Total expenses**									**9,263**

EO Group (All values in £'000)

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)	United States (US)	Spain (ES)	Germany (DE)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,205,998	275,998	154,488	77,022	106,710	69,969	1,890,185
R0120	Gross - Proportional reinsurance accepted	26,463	13,761	38,278	66,609	15,768	5,738	166,617
R0130	Gross - Non-proportional reinsurance accepted	46,573	77,000	26,510	33,701	5,665	41,559	231,008
R0140	Reinsurers' share	184,153	39,139	55,046	49,240	25,838	24,072	377,488
R0200	Net	1,094,881	327,620	164,230	128,092	102,305	93,194	1,910,322
	Premiums earned							
R0210	Gross - Direct Business	1,098,252	223,149	144,945	66,572	100,636	67,971	1,701,525
R0220	Gross - Proportional reinsurance accepted	22,563	13,364	37,563	57,198	15,018	5,612	151,318
R0230	Gross - Non-proportional reinsurance accepted	41,610	77,583	26,614	26,352	5,591	40,818	218,568
R0240	Reinsurers' share	158,438	38,542	46,804	44,526	22,367	23,425	334,102
R0300	Net	1,003,987	275,554	162,318	105,596	98,878	90,976	1,737,309
	Claims incurred							
R0310	Gross - Direct Business	545,334	150,077	166,691	41,995	78,102	59,925	1,042,124
R0320	Gross - Proportional reinsurance accepted	7,517	9,655	29,514	59,646	8,608	898	115,838
R0330	Gross - Non-proportional reinsurance accepted	20,069	111,431	40,989	5,654	4,119	36,098	218,360
R0340	Reinsurers' share	43,229	44,952	74,364	37,247	33,660	49,760	283,212
R0400	Net	529,691	226,211	162,830	70,048	57,169	47,161	1,093,110
	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**	308,454	98,076	61,512	15,494	28,144	31,482	543,162
R1200	**Other expenses**							-
R1300	**Total expenses**							543,162

EO Group (All values in £'000)

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			Belgium (BE)	France (FR)	Netherlands (NL)	United States of America (US)	Switzerland (CH)	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	11,770	19,956	3,848	1,862	1,467	1,354	40,257
R1420	Reinsurers' share	896	1,518	293	142	112	103	3,064
R1500	Net	10,874	18,438	3,555	1,720	1,355	1,251	37,193
	Premiums earned							
R1510	Gross	11,770	19,956	3,848	1,862	1,467	1,354	40,257
R1520	Reinsurers' share	896	1,518	293	142	112	103	3,064
R1600	Net	10,874	18,438	3,555	1,720	1,355	1,251	37,193
	Claims incurred							
R1610	Gross	(21,178)	35,918	1,810	1,579	645	581	19,355
R1620	Reinsurers' share	(20,146)	1,154	1	94	(23)	(41)	(18,961)
R1700	Net	(1,032)	34,764	1,809	1,485	668	622	38,316
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	543	5,131	1,123	52	254	427	7,530
R2500	**Other expenses**							-
R2600	**Total expenses**							**7,530**

EO Group (All values in £'000)

S.23.01.22

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)	1,212,279	1,212,279		-	
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	-		-	-	-
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	651,097	651,097			
R0140	Subordinated liabilities	583,115		-	583,115	-
R0150	Non-available subordinated liabilities at group level	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	2,788				2,788
R0170	The amount equal to the value of net deferred tax assets not available at the group level	2,788				2,788
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**	2,788	-	-	-	2,788
R0280	**Total deductions**	2,788	-	-	-	2,788
R0290	**Total basic own funds after deductions**	2,446,491	1,863,376	-	583,115	-
	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**	-			-	-

EO Group (All values in £'000)

S.23.01.22 (continued)
Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds of other financial sectors					
R0410	Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies - Total	-	-	-	-	
R0420	Institutions for occupational retirement provision	-	-	-	-	-
R0430	Non regulated entities carrying out financial activities	-	-	-	-	
R0440	**Total own funds of other financial sectors**	-	-	-	-	-
	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 a 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)	2,446,492	1,863,377	-	583,115	-
R0530	Total available own funds to meet the minimum consolidated group SCR	2,446,492	1,863,377	-	583,115	
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)	2,446,492	1,863,377	-	583,115	-
R0570	Total eligible own funds to meet the minimum consolidated group SCR	2,005,582	1,863,377	-	142,205	
R0590	**Consolidated Group SCR**	1,430,730				
R0610	**Minimum consolidated Group SCR**	711,027				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	171.0%				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	282.1%				
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)**	2,446,492	1,863,377	-	583,115	-
R0670	**SCR for entities included with D&A method**					
R0680	**Group SCR**	1,430,730				
R0690	**Ratio of Eligible own funds to SCR including other financial sectors' own funds and capital requirements**	171.0%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	1,915,666				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	-				
R0730	Other basic own fund items	1,215,067				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	49,501				
R0750	Other non available own funds	-				
R0760	**Reconciliation reserve**	651,098				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	7,317				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	375,421				
R0790	**Total Expected profits included in future premiums (EPIFP)**	382,738				

EO Group (All values in £'000)

S.25.03.22

Solvency Capital Requirement - for groups on Full Internal Models

Row	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Consideration of the future management actions regarding technical provisions and/or deferred taxes
	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	8,106	
2	10400I	Equity risk	24,780	
3	10600I	Property risk	18,470	
4	10700I	Spread risk	319,470	
5	10900I	Currency risk	213,529	
6	11040I	Other market risk (Liquidity risk)	-	
7	19900I	Diversification within market risk	(321,253)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	176,959	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	21,912	
10	29900I	Diversification within counterparty risk	(19,290)	
11	50130I	Premium risk	414,590	
12	50240I	Reserve risk	1,138,244	
13	50300I	Non-life catastrophe risk	224,022	
14	59900I	Diversification within non-life underwriting risk	(436,417)	
15	70190I	Operational risk (excluding group risk)	146,547	
16	70110I	Group risk	88,888	
17	79900I	Diversification within operational risk	(62,853)	
18	8049AI	Net asset value of QBE Corporate	-	
19	8049BI	Debt servicing costs net of loan repayments	42,915	
20	8049CI	Capital supporting financing companies	-	
21	8049DI	Capital adjustments	17,246	
22	80110P	Total pension risk including market and pension benefit risks	79,517	

EO Group (All values in £'000)

S.25.03.22 (continued)

Solvency Capital Requirement - for groups on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	2,095,382
R0060	Diversification	(664,652)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	1,430,730
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	1,430,730
	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	711,027
	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*	-
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	-

QUK (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	-
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)	2,429,663
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	-
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	2,051,871
R0140	*Government Bonds*	509,809
R0150	*Corporate Bonds*	1,522,902
R0160	*Structured notes*	-
R0170	*Collateralised securities*	19,159
R0180	*Collective Investments Undertakings*	352,407
R0190	*Derivatives*	23,819
R0200	*Deposits other than cash equivalents*	1,566
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	2,662
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	2,662
R0270	Reinsurance recoverables from:	529,312
R0280	*Non-life and health similar to non-life*	508,940
R0290	*Non-life excluding health*	506,212
R0300	*Health similar to non-life*	2,729
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	20,372
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	20,372
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	9,798
R0360	Insurance and intermediaries receivables	419,398
R0370	Reinsurance receivables	79,574
R0380	Receivables (trade, not insurance)	159,337
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	132,587
R0420	Any other assets, not elsewhere shown	260
R0500	**Total assets**	**3,762,591**

QUK (All values in £'000)

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	2,298,706
R0520	*Technical provisions - non-life (excluding health)*	2,296,295
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	2,146,027
R0550	*Risk margin*	150,268
R0560	*Technical provisions - health (similar to non-life)*	2,411
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	2,347
R0590	*Risk margin*	64
R0600	Technical provisions - life (excluding index-linked and unit-linked)	57,517
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)*	57,517
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	52,356
R0680	*Risk margin*	5,161
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	45,834
R0790	Derivatives	7,161
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	288,572
R0830	Reinsurance payables	125,175
R0840	Payables (trade, not insurance)	100,887
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	1,146
R0900	**Total liabilities**	**2,924,999**
R1000	**Excess of assets over liabilities**	**837,592**

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	-	145	-	275,868	99,566	6,229	349,464	418,149	55,256	(4,549)	-	-					1,200,128
R0120	Gross - Proportional reinsurance accepted	-	-	-	-	-	59,694	171,189	740	697	-	-	-					232,321
R0130	Gross - Non-proportional reinsurance accepted													16	21,508	363	13,081	34,968
R0140	Reinsurers' share	-	36	-	5,704	6,331	41,900	143,263	30,488	12,700	(845)	-	-	69	658	39	1,318	241,660
R0200	Net	-	109	-	270,164	93,235	24,023	377,390	388,402	43,254	(3,704)	-	-	(53)	20,850	324	11,763	1,225,757
	Premiums earned																	
R0210	Gross - Direct Business	-	146	-	266,319	84,417	9,932	279,482	388,869	48,429	(4,331)	-	-					1,073,263
R0220	Gross - Proportional reinsurance accepted	-	-	-	-	-	40,839	140,761	505	769	-	-	-					182,873
R0230	Gross - Non-proportional reinsurance accepted													16	34,428	374	12,656	47,473
R0240	Reinsurers' share	-	36	-	4,459	3,008	34,586	124,038	27,984	11,431	(845)	-	-	69	673	39	1,112	206,589
R0300	Net	-	110	-	261,860	81,409	16,186	296,205	361,390	37,766	(3,486)	-	-	(53)	33,755	335	11,543	1,097,021
	Claims incurred																	
R0310	Gross - Direct Business	-	(195)	-	159,419	83,263	21,372	125,010	115,861	7,411	(3,821)	(1)	17					508,338
R0320	Gross - Proportional reinsurance accepted	-	-	-	-	-	15,849	92,540	30	421	-	-	-					108,840
R0330	Gross - Non-proportional reinsurance accepted													(1,093)	14,194	674	14,008	27,784
R0340	Reinsurers' share	-	-	-	(2,812)	193	12,779	76,022	(23,399)	(352)	(224)	(1)	226	4	(2,138)	(66)	(1,137)	59,095
R0400	Net	-	(195)	-	162,231	83,071	24,443	141,528	139,290	8,184	(3,597)	-	(209)	(1,097)	16,332	740	15,145	585,866
	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**	-	292	-	68,604	22,158	4,941	80,073	112,045	16,542	199	-	-	(2)	9,378	1,218	3,925	319,373
R1200	**Other expenses**																	-
R1300	**Total expenses**																	319,373

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		Total
		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	
		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	-	-	-	-	-	(32,132)	-	(1)	(32,133)
R1620	Reinsurers' share	-	-	-	-	-	(20,760)	-	-	(20,760)
R1700	Net	-	-	-	-	-	(11,372)	-	(1)	(11,373)
	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			United States of America (US)	United Arab Emirates (AE)	Qatar (QA)	Saudi Arabia (SA)	Canada (CA)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	1,060,835	67,613	15,206	7,902	1,741	1,054	1,154,351
R0120	Gross - Proportional reinsurance accepted	19,509	53,450	20,229	8,009	8,648	11,646	121,491
R0130	Gross - Non-proportional reinsurance accepted	1,258	282	22,089	1,530	2,336	-	27,495
R0140	Reinsurers' share	139,066	33,413	6,130	3,591	2,798	4,501	189,499
R0200	Net	942,536	87,932	51,394	13,850	9,927	8,199	1,113,838
	Premiums earned							
R0210	Gross - Direct Business	958,145	57,594	9,724	6,315	1,387	843	1,034,009
R0220	Gross - Proportional reinsurance accepted	15,805	44,235	13,829	5,706	6,352	10,083	96,009
R0230	Gross - Non-proportional reinsurance accepted	4,960	282	22,910	1,495	2,311	-	31,959
R0240	Reinsurers' share	117,926	29,174	3,991	3,039	2,463	4,303	160,895
R0300	Net	860,984	72,937	42,472	10,477	7,587	6,623	1,001,083
	Claims incurred							
R0310	Gross - Direct Business	454,015	35,548	2,344	726	(1,870)	91	490,854
R0320	Gross - Proportional reinsurance accepted	2,699	56,822	7,452	1,902	5,237	4,070	78,183
R0330	Gross - Non-proportional reinsurance accepted	(11,948)	588	14,743	183	8,441	(71)	11,936
R0340	Reinsurers' share	18,719	25,873	(4,140)	(419)	1,867	1,586	43,486
R0400	Net	426,047	67,085	28,679	3,230	9,941	2,504	537,487
	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**	268,630	11,061	16,106	3,388	2,110	1,537	302,832
R1200	**Other expenses**							-
R1300	**Total expenses**							302,832

QUK (All values in £'000)

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0210
R1400		Home Country	Total Top 5 and home country
		C0220	C0280
	Premiums written		
R1410	Gross	-	-
R1420	Reinsurers' share	-	-
R1500	Net	-	-
	Premiums earned		
R1510	Gross	-	-
R1520	Reinsurers' share	-	-
R1600	Net	-	-
	Claims incurred		
R1610	Gross	(32,132)	(32,134)
R1620	Reinsurers' share	(20,760)	(20,760)
R1700	Net	(11,372)	(11,373)
	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

	Insurance with profit participation	Index-linked and unit-linked			Other life insurance			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)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			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
Technical provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
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																
Gross Best Estimate	-		-	-		-	-	52,485	(129)	52,356		-	-	-	-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-	20,372	-	20,372		-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-	32,113	(129)	31,984		-	-	-	-	-
Risk margin	-	-			-			5,121	40	5,161	-			-	-	-
Amount of the transitional on Technical Provisions																
Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
Risk margin	-	-			-			-	-	-	-			-	-	-
Technical provisions – total	-	-			-			57,606	(89)	57,517	-			-	-	-

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	3	34	-	84,194	57,648	(6,371)	57,717	50,959	7,025	33	3	53	38	(3,654)	73	(12,173)	235,585
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-	-	-	(3,215)	(1,839)	(9,879)	(28,501)	(16,693)	(4,659)	(3)	-	-	-	(80)	-	(444)	(65,314)
R0150	**Net Best Estimate of Premium Provisions**	3	34	-	87,409	59,487	3,508	86,218	67,652	11,684	36	3	53	38	(3,574)	73	(11,729)	300,899
	Claims provisions																	
R0160	Gross	53	721	-	414,148	53,001	56,131	341,479	836,243	30,763	8,990	211	4,227	1,498	146,414	(5,117)	24,026	1,912,789
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	4	99	-	66,629	4,612	34,652	167,056	259,358	7,447	2,858	-	1,714	2,625	15,403	2,147	9,651	574,254
R0250	**Net Best Estimate of Claims Provisions**	49	622	-	347,519	48,389	21,479	174,423	576,885	23,316	6,132	211	2,513	(1,127)	131,011	(7,264)	14,375	1,338,535
R0260	**Total best estimate - gross**	56	755	-	498,342	110,649	49,760	399,196	887,202	37,788	9,023	214	4,280	1,536	142,760	(5,044)	11,853	2,148,374
R0270	**Total best estimate - net**	52	656	-	434,928	107,876	24,987	260,641	644,537	35,000	6,168	214	2,566	(1,089)	127,437	(7,191)	2,646	1,639,434
R0280	**Risk margin**	-	64	-	26,356	6,504	7,533	16,807	73,427	3,851	159	28	325	-	14,229	-	1,050	150,332
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	**Technical provisions - total**	56	819	-	524,698	117,153	57,293	416,003	960,629	41,639	9,182	242	4,605	1,536	156,989	(5,044)	12,903	2,298,706
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	4	99	-	63,414	2,773	24,773	138,555	242,665	2,788	2,855	-	1,714	2,625	15,323	2,147	9,207	508,940
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	52	720	-	461,284	114,380	32,520	277,448	717,964	38,851	6,327	242	2,891	(1,089)	141,666	(7,191)	3,696	1,789,766

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	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											97,514	97,514	97,514
R0160	2013	107,634	194,175	216,327	95,820	62,857	52,609	38,042	11,396	7,286	(890)		(890)	785,256
R0170	2014	52,988	165,107	107,253	54,243	54,977	45,562	26,891	1,562	(15,111)			(15,111)	493,472
R0180	2015	45,461	204,424	103,029	78,201	44,558	44,553	33,852	2,806				2,806	556,884
R0190	2016	46,102	173,937	120,801	45,952	55,386	58,193	27,034					27,034	527,405
R0200	2017	40,642	168,866	78,612	47,754	30,817	40,624						40,624	407,315
R0210	2018	50,602	154,652	82,749	42,891	47,361							47,361	378,255
R0220	2019	40,144	123,794	215,090	80,320								80,320	459,348
R0230	2020	31,863	126,700	64,282									64,282	222,845
R0240	2021	37,681	130,271										130,271	167,952
R0250	2022	73,305											73,305	73,305
R0260												**Total**	**547,516**	**4,169,551**

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											697,006	185,411
R0160	2013	-	-	-	431,100	311,514	228,864	149,087	104,152	88,936	73,664		64,403
R0170	2014	-	-	439,661	349,346	250,809	115,655	47,101	40,222	38,273			33,292
R0180	2015	-	651,466	485,059	358,594	255,659	150,977	104,082	72,037				63,108
R0190	2016	464,232	599,594	458,658	330,865	253,950	129,416	104,797					91,779
R0200	2017	360,810	510,346	340,312	239,343	184,328	172,923						154,530
R0210	2018	395,903	443,454	316,377	257,955	187,377							167,324
R0220	2019	241,610	556,597	309,998	227,813								203,051
R0230	2020	246,769	312,929	262,128									231,630
R0240	2021	281,823	453,336										400,658
R0250	2022	361,343											317,603
R0260												**Total**	**1,912,789**

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	-	-	-	-	-
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	185,127	185,127	-	-	-
R0140	Subordinated liabilities	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	-	-	-	-	-
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**	811,033	811,032	-	-	-
	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	160,000			160,000	-
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**	160,000			160,000	-

QUK (All values in £'000)

S.23.01.01

Own Funds (continued)

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	971,033	811,033	-	160,000	-
R0510	Total available own funds to meet the MCR	811,033	811,033	-	-	-
R0540	Total eligible own funds to meet the SCR	971,033	811,033	-	160,000	-
R0550	Total eligible own funds to meet the MCR	811,033	811,033	-	-	-
R0580	**SCR**	637,119				
R0600	**MCR**	286,703				
R0620	**Ratio of Eligible own funds to SCR**	152.4%				
R0640	**Ratio of Eligible own funds to MCR**	282.9%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	837,592				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	-				
R0730	Other basic own fund items	625,905				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	26,559				
R0760	**Reconciliation reserve**	185,128				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	75				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	117,667				
R0790	**Total Expected profits included in future premiums (EPIFP)**	117,742				

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	Consideration of the future management actions regarding technical provisions and/or deferred
	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	(7,574)	
2	10400I	Equity risk	15,038	
3	10600I	Property risk	9,488	
4	10700I	Spread risk	109,979	
5	10900I	Currency risk	38,312	
6	11040I	Other market risk (Liquidity risk)	-	
7	19900I	Diversification within market risk	(88,170)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	81,094	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	7,292	
10	29900I	Diversification within counterparty risk	(4,782)	
11	50130I	Premium risk	245,149	
12	50240I	Reserve risk	539,678	
13	50300I	Non-life catastrophe risk	99,717	
14	59900I	Diversification within non-life underwriting risk	(225,312)	
15	70190I	Operational risk (excluding group risk)	58,379	
16	70110I	Group risk	28,151	
17	79900I	Diversification within operational risk	(20,560)	
18	8049BI	Debt servicing costs net of loan repayments	-	
19	8049DI	Capital adjustments	-	
20	80110P	Total pension risk including market and pension benefit risks	-	

QUK (All values in £'000)

S.25.03.21 (continued)

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	885,877
R0060	Diversification	(248,758)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	637,119
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	637,119
	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	287,099

		Net (of reinsurance/SPV) best estimate and TP calculated as	**Net (of reinsurance) written premiums in the last 12**
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	52	-
R0030	Income protection insurance and proportional reinsurance	656	243
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	434,928	263,460
R0060	Other motor insurance and proportional reinsurance	107,876	88,995
R0070	Marine, aviation and transport insurance and proportional reinsurance	24,988	23,433
R0080	Fire and other damage to property insurance and proportional reinsurance	260,641	376,918
R0090	General liability insurance and proportional reinsurance	644,538	330,713
R0100	Credit and suretyship insurance and proportional reinsurance	35,001	41,912
R0110	Legal expenses insurance and proportional reinsurance	6,168	58
R0120	Assistance and proportional reinsurance	215	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	2,566	244
R0140	Non-proportional health reinsurance	-	183
R0150	Non-proportional casualty reinsurance	127,437	24,507
R0160	Non-proportional marine, aviation and transport reinsurance	-	560
R0170	Non-proportional property reinsurance	2,646	11,114

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	674

		Net (of reinsurance/SPV) best estimate and TP calculated as	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	0	
R0220	Obligations with profit participation - future discretionary benefits	0	
R0230	Index-linked and unit-linked insurance obligations	0	
R0240	Other life (re)insurance and health (re)insurance obligations	32,113	
R0250	Total capital at risk for all life (re)insurance obligations		0

	Overall MCR calculation	C0070
R0300	Linear MCR	287,774
R0310	SCR	637,119
R0320	MCR cap	286,703
R0330	MCR floor	159,280
R0340	Combined MCR	3,445
R0350	Absolute floor of the MCR	3,445
R0400	**Minimum Capital Requirement**	286,703

QBE Europe (All values in €'000)

S.02.01.02
Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	3,143
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	7,307
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	4,310,711
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*	3,877,243
R0140	*Government Bonds*	789,538
R0150	*Corporate Bonds*	2,894,285
R0160	*Structured notes*	-
R0170	*Collateralised securities*	193,420
R0180	*Collective Investments Undertakings*	363,837
R0190	*Derivatives*	68,325
R0200	*Deposits other than cash equivalents*	1,268
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:	602,098
R0280	*Non-life and health similar to non-life*	603,889
R0290	*Non-life excluding health*	600,331
R0300	*Health similar to non-life*	3,558
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	(1,790)
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	(1,790)
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	155,384
R0360	Insurance and intermediaries receivables	459,765
R0370	Reinsurance receivables	114,754
R0380	Receivables (trade, not insurance)	84,920
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	102,775
R0420	Any other assets, not elsewhere shown	33
R0500	**Total assets**	**5,840,890**

QBE Europe (All values in €'000)

S.02.01.02 (continued)

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	3,656,009
R0520	*Technical provisions - non-life (excluding health)*	3,559,151
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	3,223,287
R0550	*Risk margin*	335,864
R0560	*Technical provisions - health (similar to non-life)*	96,857
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	85,672
R0590	*Risk margin*	11,185
R0600	Technical provisions - life (excluding index-linked and unit-linked)	107,840
R0610	*Technical provisions - health (similar to life)*	52
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	51
R0640	*Risk margin*	1
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	107,788
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	89,355
R0680	*Risk margin*	18,433
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	5,465
R0770	Deposits from reinsurers	42,908
R0780	Deferred tax liabilities	39,530
R0790	Derivatives	34,007
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	88,537
R0830	Reinsurance payables	107,330
R0840	Payables (trade, not insurance)	184,278
R0850	Subordinated liabilities	200,000
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	200,000
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	4,465,905
R1000	**Excess of assets over liabilities**	**1,374,985**

QBE Europe (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	Miscellaneous financial loss	Health	Casualty	Marine, aviation, 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	-	(78)	-	15,903	4,753	95,123	416,557	628,777	33,390	(813)	-	-					1,193,613
R0120	Gross - Proportional reinsurance accepted	4,261	23,875	-	8,714	3,930	26,000	161,788	47,122	15,064	-	-	7					290,763
R0130	Gross - Non-proportional reinsurance accepted													21,784	226,023	5,087	212,740	465,635
R0140	Reinsurers' share	-	1,635	-	323	125	17,842	141,797	96,825	5,362	(156)	-	57	2,088	11,544	488	83,588	361,519
R0200	Net	4,261	22,162	-	24,294	8,558	103,281	436,548	579,074	43,092	(657)	-	(50)	19,696	214,479	4,599	129,152	1,588,491
	Premiums earned																	
R0210	Gross - Direct Business	(10)	(177)	-	17,645	5,737	86,440	402,451	553,568	28,507	(809)	-	-					1,093,352
R0220	Gross - Proportional reinsurance accepted	2,240	22,847	-	8,218	3,916	23,135	159,143	45,512	15,442	-	-	8					280,462
R0230	Gross - Non-proportional reinsurance accepted													22,121	194,448	4,589	216,260	437,418
R0240	Reinsurers' share	-	1,655	-	209	85	13,578	129,189	81,046	5,512	(156)	-	54	2,205	11,034	503	86,243	331,157
R0300	Net	2,230	21,015	-	25,654	9,568	95,997	432,405	518,034	38,437	(653)	-	(46)	19,916	183,414	4,086	130,017	1,480,075
	Claims incurred																	
R0310	Gross - Direct Business	3	(74)	-	8,383	3,451	135,595	307,770	341,895	78,585	1,285	-	2					876,896
R0320	Gross - Proportional reinsurance accepted	181	16,879	-	5,198	2,925	7,090	94,409	21,793	5,525	-	-	1,444					155,443
R0330	Gross - Non-proportional reinsurance accepted													11,199	150,539	2,065	251,203	415,006
R0340	Reinsurers' share	-	198	-	(1,446)	4	49,572	142,708	68,900	45,582	318	-	(11)	1,020	37,340	44	60,670	404,898
R0400	Net	184	16,607	-	15,027	6,372	93,113	259,471	294,788	38,528	967	-	1,457	10,179	113,199	2,021	190,533	1,042,447
	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**	1,269	4,451	-	8,710	4,150	28,544	154,770	166,181	14,402	(9)	-	11	3,971	42,960	1,054	37,334	467,798
R1200	**Other expenses**																	-
R1300	**Total expenses**																	**467,798**

QBE Europe (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		Total
		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	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	-	-	-	-	-	-	(96)	54,984	54,888
R1420	Reinsurers' share	-	-	-	-	-	-	-	4,184	4,184
R1500	Net	-	-	-	-	-	-	(96)	50,800	50,705
	Premiums earned									
R1510	Gross	-	-	-	-	-	-	(95)	54,984	54,888
R1520	Reinsurers' share	-	-	-	-	-	-	-	4,184	4,184
R1600	Net	-	-	-	-	-	-	(95)	50,800	50,705
	Claims incurred									
R1610	Gross	-	-	-	-	-	27,189	(70)	50,039	77,157
R1620	Reinsurers' share	-	-	-	-	-	771	-	1,670	2,441
R1700	Net	-	-	-	-	-	26,418	(70)	48,369	74,716
	Changes in other technical provisions									
R1710	Gross	-	-	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-	-	-
R1900	**Expenses incurred**	-	-	-	-	-	-	(128)	10,878	10,750
R2500	**Other expenses**									-
R2600	**Total expenses**									10,750

QBE Europe (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)	United Kingdom (GB)	Spain (ES)	Germany (DE)	Italy (IT)	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	181,083	323,110	170,152	125,022	80,948	68,615	948,930
R0120	Gross - Proportional reinsurance accepted	44,866	16,130	8,150	17,023	6,726	6,943	99,840
R0130	Gross - Non-proportional reinsurance accepted	31,073	90,181	53,116	6,639	48,713	9,054	238,777
R0140	Reinsurers' share	64,522	45,764	52,850	29,765	27,928	13,789	234,618
R0200	Net	192,500	383,657	178,568	118,919	108,459	70,823	1,052,929
	Premiums earned							
R0210	Gross - Direct Business	169,897	261,243	164,225	117,914	78,819	65,161	857,260
R0220	Gross - Proportional reinsurance accepted	44,030	15,665	7,921	16,328	6,578	6,694	97,217
R0230	Gross - Non-proportional reinsurance accepted	31,195	90,867	42,959	6,548	47,844	9,188	228,601
R0240	Reinsurers' share	54,862	45,087	47,486	25,710	27,225	12,567	212,936
R0300	Net	190,260	322,688	167,619	115,080	106,016	68,476	970,142
	Claims incurred							
R0310	Gross - Direct Business	195,387	175,875	107,039	91,546	68,691	37,687	676,226
R0320	Gross - Proportional reinsurance accepted	34,594	11,317	5,647	10,232	1,000	2,071	64,862
R0330	Gross - Non-proportional reinsurance accepted	48,056	130,726	37,529	4,352	43,140	6,276	270,078
R0340	Reinsurers' share	87,163	52,699	28,729	39,845	57,651	14,609	280,696
R0400	Net	190,874	265,219	121,486	66,285	55,180	31,425	730,470
	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**	72,102	114,875	46,679	32,851	36,724	26,802	330,033
R1200	**Other expenses**							-
R1300	**Total expenses**							**330,033**

QBE Europe (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) - non-life obligations					Total Top 5 and home country
R1400			United Kingdom (GB)	France (FR)	Ntherlands (NL)	US (US)	Switzerland (CH)	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	23,391	13,795	4,511	2,182	1,719	1,587	47,186
R1420	Reinsurers' share	1,780	1,050	343	166	132	121	3,590
R1500	Net	21,611	12,745	4,168	2,016	1,587	1,466	43,596
	Premiums earned							
R1510	Gross	23,391	13,795	4,511	2,182	1,719	1,587	47,186
R1520	Reinsurers' share	1,781	1,050	343	166	131	121	3,590
R1600	Net	21,610	12,745	4,168	2,016	1,588	1,466	43,596
	Claims incurred							
R1610	Gross	42,101	12,840	2,121	1,851	756	681	60,350
R1620	Reinsurers' share	1,352	721	1	110	(27)	(48)	2,109
R1700	Net	40,749	12,119	2,120	1,741	783	729	58,241
	Changes in other technical provisions							
R1710	Gross	-	-	-	-	-	-	-
R1720	Reinsurers' share	-	-	-	-	-	-	-
R1800	Net	-	-	-	-	-	-	-
R1900	**Expenses incurred**	6,014	637	1,317	60	298	500	8,825
R2500	**Other expenses**							-
R2600	**Total expenses**							**8,825**

QBE Europe (All values in €'000)

S.12.01.02
Life and Health SLT Technical Provisions

	Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			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)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			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
Technical provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
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																
Gross Best Estimate	-		-	-		-	-	-	89,355	89,355		-	-	-	51	51
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	-		-	-		-	-	-	(1,790)	(1,790)		-	-	-	-	-
Best estimate minus recoverables from reinsurance/SPV and Finite Re	-		-	-		-	-	-	91,146	91,146		-	-	-	51	51
Risk margin	-	-			-			-	18,433	18,433	-			-	1	1
Amount of the transitional on Technical Provisions																
Technical Provisions calculated as a whole	-	-			-			-	-	-	-			-	-	-
Best estimate	-		-	-		-	-	-	-	-		-	-	-	-	-
Risk margin	-	-			-			-	-	-	-			-	-	-
Technical provisions - total	-	-			-			-	107,788	107,788	-			-	52	52

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	401	(1,175)	-	2,154	3,948	883	(942)	196,510	22,413	308	-	-	(8,277)	(66,236)	(2,350)	(48,758)	98,878
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	-	(939)	-	227	94	(14,223)	(54,846)	(47,215)	(1,938)	-	-	2,056	(21)	(4,331)	(471)	(48,552)	(170,158)
R0150	**Net Best Estimate of Premium Provisions**	401	(236)	-	1,927	3,854	15,106	53,904	243,725	24,351	308	-	(2,056)	(8,256)	(61,905)	(1,879)	(206)	269,036
	Claims provisions																	
R0160	Gross	(1,042)	44,037	-	81,636	4,021	166,665	610,642	1,037,649	88,634	2,228	-	1,224	51,728	702,610	25,208	394,843	3,210,081
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty	-	2,612	-	5,432	70	61,608	218,708	223,374	49,446	(3,223)	-	4,761	1,905	78,102	2,762	128,489	774,046
R0250	**Net Best Estimate of Claims Provisions**	(1,042)	41,425	-	76,204	3,951	105,057	391,934	814,275	39,188	5,451	-	(3,537)	49,823	624,508	22,446	266,354	2,436,035
R0260	**Total best estimate - gross**	(641)	42,863	-	83,789	7,969	167,547	609,700	1,234,159	111,047	2,535	-	1,224	43,450	636,373	22,857	346,086	3,308,960
R0270	**Total best estimate - net**	(641)	41,189	-	78,131	7,805	120,163	445,838	1,058,000	63,539	5,759	-	(5,593)	41,567	562,603	20,567	266,148	2,705,071
R0280	**Risk margin**	85	3,732	-	9,167	1,237	13,420	26,271	106,357	6,034	913	-	-	7,369	152,590	4,494	15,381	347,049
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0300	Best estimate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0310	Risk margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R0320	**Technical provisions - total**	(556)	46,594	-	92,955	9,207	180,966	635,971	1,340,515	117,082	3,448	-	1,225	50,819	788,963	27,351	361,466	3,656,009
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	-	1,673	-	5,659	164	47,383	163,862	176,158	47,508	(3,223)	-	6,818	1,884	73,771	2,291	79,937	603,889
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	(556)	44,921	-	87,296	9,043	133,583	472,109	1,164,357	69,574	6,671	-	(5,593)	48,935	715,192	25,060	281,529	3,052,120

QBE Europe (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	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
		Development year											In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											54,454	54,454	54,454
R0160	2013	39,286	104,622	76,555	58,875	15,076	8,131	8,201	10,661	4,749	9,573		9,573	335,729
R0170	2014	38,173	104,796	49,528	20,227	10,223	12,288	7,965	9,606	11,495			11,495	264,301
R0180	2015	32,270	105,925	51,698	13,919	17,568	20,594	27,225	20,513				20,513	289,712
R0190	2016	34,180	104,072	55,362	48,665	27,076	25,370	32,946					32,946	327,671
R0200	2017	41,139	86,525	73,452	42,572	17,559	35,245						35,245	296,492
R0210	2018	15,161	127,059	94,535	73,865	34,204							34,204	344,824
R0220	2019	45,524	162,036	151,739	65,479								65,479	424,778
R0230	2020	39,918	127,177	102,441									102,441	269,536
R0240	2021	68,316	259,799										259,799	328,115
R0250	2022	45,607											45,607	45,607
R0260												Total	671,756	2,981,219

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
		Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											886,399	376,605
R0160	2013	-	-	-	-	-	-	91,846	84,808	77,684	73,910		63,413
R0170	2014	-	-	-	-	-	94,322	109,064	100,651	89,108			76,669
R0180	2015	-	-	-	-	161,226	207,877	127,685	112,570				96,917
R0190	2016	-	-	-	167,827	218,566	202,621	197,285					169,077
R0200	2017	-	-	184,363	206,260	191,399	156,076						134,944
R0210	2018	-	290,072	305,204	238,111	201,424							172,180
R0220	2019	370,161	487,482	392,096	338,964								298,105
R0230	2020	409,854	512,099	464,481									410,965
R0240	2021	630,811	777,283										695,834
R0250	2022	822,984											715,372
R0260												Total	3,210,081

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)	1,129,062	1,129,062		-	
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	216,923	216,923			
R0140	Subordinated liabilities	200,000		-	200,000	-
R0160	An amount equal to the value of net deferred tax assets	3,143				3,143
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**	1,549,127	1,345,985	-	200,000	3,143
	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**	-			-	-

QBE Europe (All values in €'000)

S.23.01.01 (continued)

Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Available and eligible own funds	C0010	C0020	C0030	C0040	C0050
R0500	Total available own funds to meet the SCR	1,549,127	1,345,985	-	200,000	3,143
R0510	Total available own funds to meet the MCR	1,545,985	1,345,985	-	200,000	-
R0540	Total eligible own funds to meet the SCR	1,549,127	1,345,985	-	200,000	3,143
R0550	Total eligible own funds to meet the MCR	1,441,636	1,345,985	-	95,651	-
R0580	**SCR**	1,062,792				
R0600	**MCR**	478,256				
R0620	**Ratio of Eligible own funds to SCR**	145.8%				
R0640	**Ratio of Eligible own funds to MCR**	301.4%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	1,374,985				
R0710	Own shares (held directly and indirectly)	-				
R0720	Foreseeable dividends, distributions and charges	-				
R0730	Other basic own fund items	1,132,204				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	25,858				
R0760	**Reconciliation reserve**	216,923				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business	8,162				
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	290,515				
R0790	**Total Expected profits included in future premiums (EPIFP)**	298,677				

QBE Europe (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	Consideration of the future management actions regarding technical provisions and/or deferred taxes
	C0010	C0020	C0030	C0060
1	10300I	Interest rate risk	57,473	
2	10400I	Equity risk	11,957	
3	10600I	Property risk	13,962	
4	10700I	Spread risk	244,426	
5	10900I	Currency risk	110,943	
6	11040I	Other market risk (Liquidity risk)	-	
7	19900I	Diversification within market risk	(162,803)	
8	20100I	Type 1 counterpart default risk (Reinsurance credit risk)	122,312	
9	20200I	Type 2 counterparty default risk (Premium credit risk)	18,902	
10	29900I	Diversification within counterparty risk	(16,705)	
11	50130I	Premium risk	280,707	
12	50240I	Reserve risk	863,245	
13	50300I	Non-life catastrophe risk	180,352	
14	59900I	Diversification within non-life underwriting risk	(328,804)	
15	70190I	Operational risk (excluding group risk)	105,904	
16	70110I	Group risk	72,215	
17	79900I	Diversification within operational risk	(49,891)	
18	8049BI	Debt servicing costs net of loan repayments	-	
19	8049DI	Capital adjustments	23,120	
20	80110P	Total pension risk including market and pension benefit risks	3,561	

QBE Europe (All values in €'000)

S.25.03.21 (continued)

Solvency Capital Requirement - for undertakings on Full Internal Models

	Calculation of Solvency Capital Requirement	C0100
R0110	Total undiversified components	1,550,875
R0060	Diversification	(488,083)
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	-
R0200	**Solvency capital requirement excluding capital add-on**	1,062,792
R0210	Capital add-ons already set	-
R0220	**Solvency capital requirement**	1,062,792

	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 Europe (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 obli	C0010
R0010	MCRNL Result	532,836

		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	-	797
R0030	Income protection insurance and proportional reinsurance	41,189	20,778
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	78,130	22,758
R0060	Other motor insurance and proportional reinsurance	7,806	8,757
R0070	Marine, aviation and transport insurance and proportional reinsurance	120,163	87,245
R0080	Fire and other damage to property insurance and proportional reinsurance	445,837	428,613
R0090	General liability insurance and proportional reinsurance	1,058,000	578,329
R0100	Credit and suretyship insurance and proportional reinsurance	63,539	41,397
R0110	Legal expenses insurance and proportional reinsurance	5,758	15
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	41,566	13,601
R0150	Non-proportional casualty reinsurance	562,603	170,981
R0160	Non-proportional marine, aviation and transport reinsurance	20,566	1,831
R0170	Non-proportional property reinsurance	266,148	121,758

	Linear formula component for life insurance and reinsurance obligati	C0040
R0200	MCRL Result	30,768

		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	31,197	
R0250	Total capital at risk for all life (re)insurance obligations		41,217,849

	Overall MCR calculation	C0070
R0300	Linear MCR	563,604
R0310	SCR	1,062,732
R0320	MCR cap	478,256
R0330	MCR floor	265,638
R0340	Combined MCR	478,256
R0350	Absolute floor of the MCR	4,000
R0400	**Minimum Capital Requirement**	478,256

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