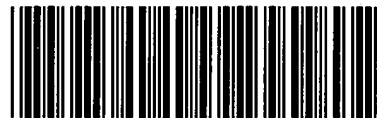

QBE European Operations plc

Annual Report

31 December 2022

Registered Number 02641728

WEDNESDAY



AC66BPHK

A10

21/06/2023

#42

COMPANIES HOUSE

QBE EUROPEAN OPERATIONS PLC

ANNUAL REPORT

for the year ended 31 December 2022

Contents	Page
Directors and officers	2
Strategic report	3
Directors' report	15
Independent auditors' report to the Members of QBE European Operations plc	18
Statement of comprehensive income	21
Statement of changes in equity	22
Statement of financial position	23
Notes to the financial statements	24

QBE EUROPEAN OPERATIONS PLC

DIRECTORS AND OFFICERS

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

J R Harris	
N J D Terry	
IS Pal	Appointed 13 July 2022
RC Stone	Appointed 7 September 2022
Sir N K Skeoch *	Appointed 29 March 2023

Former Directors who served during the year and prior to signing of the financial statements

C T Killourhy	Resigned 7 September 2022
T C W Ingram *	Resigned 31 March 2023

* Independent non-executive Director

Company Secretary

A J Smith

Registered office

30 Fenchurch Street
London
EC3M 3BD

Registered number 02641728

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

STRATEGIC REPORT

The Directors of QBE European Operations plc ('the Company'), present their Strategic Report and audited financial statements for the Company for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is that of a holding and investment company. The Company is the holding company for the European operations division ('QBE EO') of QBE Insurance Group Limited ('QBE Group'). The Company will continue this activity for the foreseeable future. The Company's subsidiary undertakings underwrite insurance and reinsurance; and perform associated business activities to support the underwriting operations. As the holding company for the European operations of QBE Group, the Company is regulated by the Prudential Regulatory Authority ('PRA') under the Solvency II framework.

The Company is limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales with registration number 02641728. The address of the registered office is given on page 2. The Company is managed at the QBE EO level.

The Company is ultimately wholly owned by QBE Group, a global (re)insurance group headquartered in Sydney, Australia and listed on the Australian stock exchange.

Business review

The results of the Company for the year are set out in the statement of comprehensive income on page 21. The total comprehensive income for the year was £253.6m (2021: loss £37.6m). The Company declared and paid interim dividends totalling £270.0m on the ordinary shares during the year (2021: £40.0m). The Directors do not propose the payment of a final dividend (2021: £nil).

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

Whilst COVID-19 and other large claim events, including Russia's invasion of Ukraine, impacted the (re-)insurance subsidiaries of the Company, extensive reinsurance protections have partially mitigated the impact.

The safety and wellbeing of our people, customers, 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 were introduced to ensure staff wellbeing and enhance performance.

In an increasingly competitive marketplace for talent, QBE EO have been focussed on establishing QBE as the employer of choice. Pleasingly, QBE EO was awarded Employer of the Year from a major industry publication.

The capital of the Company comprises its net assets and totals £2,465.6m at year end (2021: £2,482.0m).

Strategy

The strategy of the Company and the subsidiary undertakings owned by the Company (together 'QBE EO') has been developed in conjunction with the wider QBE Group strategy. The key focus areas across QBE EO include:

Key focus area	Description
Inflation	Inflation has proven a major challenge for the industry in 2022, and question-marks around its persistency remain a key uncertainty in the year ahead. While there are increasing signals suggesting inflation may have peaked, the persistency of inflation remains a key risk. We remain focused on maintaining dynamic feedback loops between claims, pricing and underwriting teams, and ensuring exposure and rating remains commensurate with inflation.
Portfolio optimisation	The portfolio optimisation strategy has been pivotal in leveraging the foundational enhancement undertaken over recent years into a more deliberate and focused enterprise planning process. Growth opportunities in 2023 remain attractive, and we expect to achieve further measured growth across our focus areas. Our approach to volatility has matured over the year, and we continue to improve our tools and data to better integrate volatility analysis into our results review and planning process

QBE EUROPEAN OPERATIONS PLC

STRATEGIC REPORT (continued)

Strategy (continued)

Key focus area	Description
Sustainability	Our desire is for QBE to be a successful sustainable insurer, and we have made pleasing progress around integrating environmental and social considerations into our underwriting culture. To support our transition plan, we remain focused on the ongoing development of the tools needed to improve our underwriting emission measurement depth and quality. We are optimistic and continue to explore transition opportunities that will arise, both relating to nascent industries and technology, and product innovation.
Future fit	We want to foster an innovative and modern underwriting culture, and continually explore ways to modernise, expand our data capability and assess new product lines and opportunities. QBE has an underwriting platform that continues to attract top talent, and is known in our key markets for being innovative and dynamic. The benefit of material positive operating leverage in recent periods has allowed for the opportunity to invest in further data analytics capability and tools to ensure we can maintain and build on our leading reputation.

Key performance indicators

As a holding and investment company, key performance indicators include dividend income received from subsidiary undertakings; any associated impairment or reversals of impairments of investments in group undertakings and net finance costs impacting profit before taxation.

	2022 £m	2021 £m
Income from shares in group undertakings	271.4	-
Review of impairment of investments in group undertakings	-	(1.8)
Net finance costs	(21.8)	(42.5)
Profit / (loss) before taxation	249.6	(44.3)

Dividends were declared to the Company from its subsidiary, QBE Holdings (EO) Ltd in December 2022.

Net finance costs decreased during the year, driven by a decrease in interest paid to fellow group companies following the settlement of intercompany loans payable during the year.

Non-financial key performance indicators

As a holding and investment company, the Company does not employ any staff. The following non-financial key performance indicators represent the activity of the subsidiary undertakings owned by the Company.

	2022	2021
Volunteer days	224	56
Average number of employees	2,103	1,918

Future outlook of the business environment

While some uncertainty surrounds the macroeconomic outlook and the current geopolitical environment for 2023, we remain confident in our outlook for the year ahead, entering 2023 with strong business momentum.

With regards Environmental, Social and Governance ('ESG'), QBE EO has adopted the approach of an orderly and inclusive transition to a net-zero economy. Our current focus is to continue building our capability to measure, attribute and report insurance-associated greenhouse gas emissions. This continual measurement and ongoing client conversations will inform our underwriting considerations over time.

STRATEGIC REPORT (continued)

Future outlook of the business environment (continued)

Through 2023, we will also continue our investments in our colleagues and teams by:

- Evolving policies and practices to support a diverse and inclusive workforce
- Developing our wellbeing offering
- Focusing on training, development and career progression
- Supporting our teams with tools to underpin our commitment to hybrid working.

As announced by QBE Group on 17 February 2023, a number of the subsidiaries of the Company entered into a 100% retrospective reinsurance arrangement covering certain prior year claims reserves within those subsidiaries, equating to approximately 10% of the total net claims reserves held on the balance sheets of the subsidiaries of the Company 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.

QBE EO's vision is to be 'the most consistent and innovative risk partner' and our purpose is 'QBE – enabling a more resilient future', in line with the Vision and Purpose that appropriately reflect the ambitions of the QBE Group and the world in which we live. Our refined Vision and Purpose provide a strong sense of direction for the future. Our priorities across QBE EO include:

Strategic priority	Description
Portfolio optimisation	Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility
Sustainable growth	Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill set across the enterprise
Bring the enterprise together	Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale
Modernise our business	Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people
Our people	Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets
Our culture	Be a purpose-led organisation. Strengthen the alignment, trust and collaboration across the enterprise. Make sure our purpose is visible every day, in all our interactions

Principal risks and uncertainties

The Company and its subsidiaries face a number of principal risks and uncertainties.

The Company's established Enterprise Risk Management 'ERM' Framework describes QBE EO's approach to managing risk effectively, which in turn supports strategy and fundamental principles. QBE EO's Risk Appetite Statements ('RAS') set out the nature and level of risk that the Board are willing to take in pursuit of the organisation's objectives. The RAS are used to support risk-based decision making by clearly defining QBE EO's appetite (what we should do) and tolerance (what we can do) and provide coverage over the risk categories defined below.

A summary of the main risk categories faced by the Company and its subsidiaries, and risk mitigation techniques to identify, assess, evaluate and mitigate these risks are outlined as follows:

Strategic risk

The Company defines strategic risk as the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change.

The Company and its subsidiaries manage strategic risk as follows:

- Through management and monitoring of strategic risks including performance, capital, reputational, Environmental, Social and Governance ('ESG') and emerging risks;
- Considering strategic options in light of the impact on return volatility and capital requirements of the Company; and
- Planning and monitoring capital levels of the Company on an ongoing basis, with reference to economic requirements.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Strategic risk (continued)

During periods of uncertainty such as during the COVID-19 outbreak, as well as Russia's invasion of Ukraine, the Company's subsidiaries increased the frequency of monitoring their capital and liquidity positions. The Company and its subsidiaries also have 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.

Credit risk

The Company defines credit risk as the risk of financial loss where a customer, counterparty, issuer or insurance obligor fails to meet their financial obligations to the Company in accordance with agreed terms. This can be due to the inability or unwillingness of a counterparty to meet financial obligations.

The Company and its subsidiaries manage credit risk as follows:

- Through management and monitoring of credit related risks including investment and treasury credit risk;
- Various forms of credit risk are captured and reported against using the Board-approved credit Risk Appetite Statement, that is 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 of external issuer default and financial strength ratings and QBE Group ratings and updating as appropriate; and
- Regular review of receivables, the collectability of those debts, and the adequacy of associated impairments.

Market risk

The Company 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 and foreign exchange rates.

The Company and its subsidiaries manage market risk as follows:

- Management and monitoring of market related risks including investment market movements (including equity prices, interest rate, credit spreads) and foreign exchange rate movement;
- Actively managing investment assets;
- Maintaining a diversified portfolio;
- Hedging residual non-functional currency net asset exposures;
- Use of derivatives for efficient portfolio management; and
- Monitoring compliance with legal and regulatory requirements, including the Prudent Person Principle.

Liquidity risk

The Company defines liquidity risk as the risk of holding insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors, or only being able to do so at excessive cost.

The Company and its subsidiaries manage liquidity risk using the following:

- Board-approved Risk Appetite Statements that ensures minimum coverage of cash outflows for liabilities in line with the PRA's Supervisory Statement 5/19 – Liquidity risk management for insurers;
- Setting minimum levels of liquid, short term money market securities;
- Matching assets and liabilities in our major currency positions;
- Regular monitoring of the ratio of liquid assets to liabilities is undertaken;
- The production of cash-flow forecasts, supplemented by Early Warning Indicators to proactively identify any changes to the liquidity position or potential funding needs;
- Recourse to a Board-approved Liquidity Contingency Plan, permitting access to sources of further liquid assets in the event of extreme liquidity stress.

Operational risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Exposure to operational risk arises from – internal fraud, external fraud, employment practices and workplace safety, improper business practices, damage to physical assets, business disruption and system failures, execution, delivery and process management.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Operational risk (continued)

The Company and its subsidiaries manage operational risk using the following:

- Actively monitoring our key processes and systems;
- Conducting scenario reviews to identify and quantify potential exposures for mitigation;
- Maintaining effective segregation of duties, access controls, governance and reconciliation procedures;
- Performance of functional Risk and Control Self-Assessments ('RCSA') providing periodic assessment of risks as well as assurance over control design and performance;
- Operational Risk Dashboard monitoring including Operational Risk Appetites, key management focus areas and other risk MI; Operational Key Risk Indicators 'KRIs' are also being monitored; and
- Identification and management of Issues and Incidents with defined remediation plans in place, as appropriate.

The safety and wellbeing of our people, customers and partners and their communities remained our priority during 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.

Compliance risk

The Company defines compliance risk as the risk of legal or regulatory penalties, financial loss or non-financial loss or customer detriment resulting from non-compliance with laws, regulations or conduct standards.

The Company and its subsidiaries manage compliance risk using the following:

- Identifying and monitoring of compliance obligations/risks;
- Embedding of compliance requirements into processes, systems and procedures including through RCSAs;
- Identification and management of Issues and Incidents with defined remediation plans in place, as appropriate;
- Conducting scenario reviews to identify and quantify potential exposures for mitigation;
- Monitoring of internal / external fraud, improper business practices and non-compliance with external requirements;
- Compliance Risk Dashboard monitoring including Compliance Risk Appetite, key management focus areas and other risk MI; Compliance Key Risk Indicators ('KRIs') are also being monitored;
- Closely monitoring rapid changes in the international sanctions regulatory environment, undertaking appropriate screening and due diligence and communicating requirements to the business as required; and
- Maintaining effective segregation of duties, access controls, governance and reconciliation procedures.

Group risk

The Company defines group risk as the risk arising specifically from being part of a wider group, including financial impact and loss of support from the parent company.

The Company and its subsidiaries manage group risk as follows:

- Challenge and oversight from independent non-executive Directors on the Company Board;
- Contractual arrangements in place and actively monitored against for material services provided by other QBE Group divisions and companies;
- Conducting scenario reviews to identify and quantify potential exposures for mitigation;
- Functional RCSAs include Group risks;
- Identification and management of Issues and Incidents with defined remediation plans in place, as appropriate;
- Board's group risk appetite monitoring including intra-group loans, intra-EO loans, Group Outsourced Services SLAs monitoring and Group issues and incidents impacting EO; and
- Involvement of QBE EO individuals within material QBE Group initiatives that could impact the Company.

Climate change

The Company, as holding company for QBE European Operations, and as part of the QBE Group, recognises the material risk that climate change poses to its business and is committed to embedding climate change considerations within its decision making.

STRATEGIC REPORT (continued)

Climate change (continued)

In 2020, the QBE Group became the first Australian-based insurer to become a member of the UN-convened Net-Zero Asset Owner Alliance, committing to achieving net-zero greenhouse gas ('GHG') emissions by 2050 in our investment portfolio. QBE also joined the UN-convened Net-Zero Insurance Alliance ('NZIA') in 2022, committing to transition our underwriting portfolio to net-zero GHG emissions by 2050.

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 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 Company's subsidiaries 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, 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 changes in expected and remote losses to the Company over longer time horizons (for example, in 2022, 2030 and 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 Company's subsidiaries' premium is exposed to industries considered sensitive to climate transition risks, and how this may change over longer time horizons in several transition scenarios. Similarly, we are able to apply scenario analysis to assess the implications of climate risks for the Company's investments, as well as those of its subsidiaries.

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.

Our approach to managing ESG risks, including Climate Change, is guided by QBE Group's strategic purpose to enable a resilient future, and by our sustainability framework and commitments.

In 2021, the Company 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 the Company 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.

Following the implementation of the Roadmap, the Company has continued to build upon the requirements of SS 3/19. In 2022, developments to our approach to managing climate and broader ESG risks included:

- The Board / Executive Management Board ('EMB') received 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 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'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, including a climate related assessment of the Insurance Concentration RAS.

In addition, in the first half of 2022 the Environmental, Social and Governance Management Group ('ESG MG') was established as part of the QBE EO formal governance structure. This forum, whose membership is the same as the EO EMB, was established to ensure an appropriate executive governance and oversight of ESG and Climate Change matters and to support the decision making around QBE EO's strategic response and compliance with impending reporting requirements. All members of the ESG MG are required to own their respective areas of responsibility for reporting on ESG matters and ensure that subject matter experts in their teams are accountable for their part in the disclosure reporting. The ESG MG is co-chaired by the Chief Underwriting Officer, Insurance and the Chief Risk Officer ('CRO'), who both share responsibility for identifying and managing the financial risks arising from climate change as part of their Senior Manager functions.

QBE EUROPEAN OPERATIONS PLC

STRATEGIC REPORT (continued)

Climate change (continued)

Material ESG risks, including those relating to the FRCC, are assessed and reported to the QBE EO Risk and Capital Group, Risk and Capital Committee and EO Boards (including the Board of the Company), via the climate Risk Dashboard and the Own Risk and Solvency Assessment ('ORSA'). This allows the EO Board to review and challenge management of climate change risks.

The QBE Group, including the Company, continues to support the objectives of the Paris Agreement and the Task Force on Climate-related Financial Disclosures recommendations.

QBE Group also prepares a sustainability report which is available from the Group website.

QBE EO remains committed in this area over the medium- to long-term to strengthening our data and scenario analysis and adapting our modelling; pricing; capital management; financial reporting and disclosure, in partnership with QBE Group and external stakeholders.

Greenhouse gas emissions and energy usage

The global greenhouse gas emissions resulting from the activities of the QBE EO group total 4,870 tCO₂e* during 2022 (2021: 1,379 tCO₂e). This is higher than previous years, reflecting the return to office of employees in line with Flex@QBE following COVID-19 pandemic. QBE EO global corporate greenhouse gas ('GHG') emissions for the five years ended 31 December 2022 are summarised in the table below:

Global greenhouse gas emissions	2018	2019*	2020*	2021*	2022*
Scope 1 GHG emissions / tCO ₂ e	297	215	212	194	347
Scope 2 GHG emissions / tCO ₂ e	1,229	1,035	1,106	1,026	983
Scope 3 GHG emissions / tCO ₂ e	4,335	4,279	933	159	3,540
TOTAL / tCO ₂ e	5,861	5,529	2,251	1,379	4,870

* Note: The scope of reporting was expanded from 2019 relative to that for previous years to include energy use associated with 'imported heat' for offices, where QBE does not have management control over the buildings' centralised HVAC systems.

QBE EO's UK and global (excluding UK) energy consumption and associated greenhouse gas emissions are summarised in the table below:

GHG Protocol Scope	QBE European Operations Energy Use and Associated GHG Emissions	2021 UK	2021 Global (excluding UK)	2022 UK	2022 Global (excluding UK)
	Total energy consumption / kWh (Associated with Scope 1 and 2 emission sources and hire cars)	4,745,321	1,301,207	5,144,794	1,375,748
1	Emissions from combustion of gas / tCO ₂ e	89	-	143	-
1	Emissions from combustion of diesel for backup generators / tCO ₂ e	<1	-	<1	-
1	Emissions from use of fuel for leased cars / tCO ₂ e	96	9	93	13
	Scope 1 Emissions / tCO ₂ e	185	9	236	13
2	Emissions from purchased electricity / tCO ₂ e (Location based reporting)	512	103	489	95
2	Emissions from imported heat / tCO ₂ e	265	146	254	146
	Scope 2 Emissions / tCO ₂ e	777	249	743	241
	Total Scope 1 and 2 GHG emissions	962	258	979	254
3	Emissions from business travel in hire cars / tCO ₂ e	4	<1	18	14
	GHG Emission Intensity Emissions associated with the above emission sources, tCO ₂ e/employee/year	0.45	0.47	0.45	0.48

* tCO₂e represents Tonnes of carbon dioxide equivalent

QBE EUROPEAN OPERATIONS PLC

STRATEGIC REPORT (continued)

Greenhouse gas emissions and energy usage (continued)

In addition to the activities and GHG emissions indicated above, QBE EO also reports the following Scope 3 greenhouse gas emissions:

QBE European Operations Scope 3 GHG Emissions	2022 Global	2021 Global
Emissions from business travel by air / tCO ₂ e	3,416	94
Emissions from business travel by rail / tCO ₂ e	41	9
Transmission and distribution of imported electricity / tCO ₂ e	51	52

Methodology employed by QBE in calculating Greenhouse gas emissions

Greenhouse gas emissions are calculated and presented in accordance with the GHG Reporting Protocol – Corporate Standard (2015) and the UK Government’s Environmental Reporting Guidelines, Including streamlined energy and carbon reporting guidance, March 2019.

Greenhouse gas emissions are, where possible, calculated using the UK Government’s conversion factors for calculating greenhouse gas emissions from activity data. These conversion factors account for carbon dioxide, methane and nitrous oxide, rather than just carbon dioxide, and reported as tonnes of carbon dioxide equivalent (‘tCO₂e’). Emission factors for non-UK electricity consumption are sourced from the International Energy Agency (2019).

The 2021 scope of reporting encompasses emissions from 28 QBE EO offices located in the UK, mainland Europe, North America and the Middle East. The 2022 scope of reporting covers 29,515 m² of office space and (Q3 2022) employee count of 2,700.

Energy efficiency actions undertaken by QBE during 2022

During 2022, QBE EO undertook a number of activities to improve energy efficiency, together with ensuring that all directly billed UK based offices are on green energy contracts. QBE EO continues to evaluate the footprint requirements of its UK offices in order to identify any opportunities to further reduce its GHG emissions.

Corporate governance

During 2022, the Company’s corporate governance structure and system of governance continued to evolve, reflecting the Board’s ongoing commitment to ensuring that it remains efficient, relevant and supportive of the strategic aims of the Company. The structure continues to comply with all relevant regulatory and legal requirements. From 1 January 2023, the Company has adopted the Wates Corporate Governance Principles for Large Private Companies (‘Principles’).

During the year, the Committee Terms of Reference were reviewed by the relevant Committees and Boards, with minor enhancements made to reflect ongoing assessment of key responsibilities and the requirements of the Group Governance Framework (‘GGF’) and general housekeeping updates.

In June 2022, the QBE Group, undertook a Board Effectiveness Review encompassing the Divisional Boards, including the Board of the Company. The Review was conducted by a UK based external provider. Comments supporting continuous improvement of effectiveness of the Board arising from the Review were discussed by the Board and a number of minor actions were agreed.

A Board away day was held in May, providing the opportunity for the Boards to focus on strategy (with presentations from senior management, external insights from third parties and a number of interactive sessions focussing on various areas of strategy and key focus areas for 2022 and beyond. Engagement with the EO Non-Executive Directors was further supported through informal meetings with business leaders and management, global conference calls with the Chairs’ of each of the QBE Group Board Committees, as well as virtual meetings between the Chairs of the respective Boards. A QBE Group wide non-executive Directors’ conference was held in October 2022.

The main QBE EO Boards and Board Committees met regularly during the year and there was strong attendance from all members. The Board of the Company met 12 times during 2022.

STRATEGIC REPORT (continued)

The Board of QBE European Operations plc

The Board Charter of the Company states that the role of the Board is to provide leadership; to oversee the design and implementation of QBE EO's strategy and to set a framework of prudent and effective controls which enable risk to be assessed and managed within it. The Board ensures that the necessary financial and human resources are in place for QBE EO to meet its objectives and reviews the performance of management in delivering on QBE EO's strategic aims. The Board sets and instils QBE EO's values and culture in the light of those set by QBE Group and ensure that its obligations to its shareholder and other stakeholders of QBE EO are understood and met.

With effect from 29 March 2023, Sir Keith Skeoch was appointed the Chair of the Board and an independent NED following receipt of regulatory approval. The board was previously chaired by Mr Tim Ingram, who resigned as Chair on 29 March 2023. Mr Tim Ingram resigned as independent NED on 31 March 2023. The role of the Chair of the Board is distinct from that of the Chief Executive Officer ('CEO'), and each role is clearly established. The Board considers that the experience and areas of focus which each Board member brings to the Company results in a strong and balanced leadership team to set and monitor the strategy and values of the Company.

With effect from 1 September 2022, Mr C T Killourhy was appointed Managing Director of QBE Re. Mr C T Killourhy retained the Chief Financial Officer ('CFO') role through to 12 December 2022 when Mr R C Stone was appointed CFO.

In conjunction with QBE Group and supported by the Nomination Committee, succession planning is undertaken in accordance with the talent and culture objective within the strategic priorities of both QBE EO and QBE Group.

Section 172 Companies Act 2006 statement

The Directors are fully aware of their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard amongst other matters to the duties contained therein.

The Directors have acted in accordance with such responsibilities during the year. The Board has identified that its key stakeholders are its employees, shareholders, customers, suppliers, regulators, brokers and other intermediaries, together with communities and the environment.

Being a part of QBE Group, the Company adheres to QBE's purpose and DNA values. QBE's purpose is to enable a more resilient future. QBE is committed to the highest standards of corporate governance as reflected in its DNA. The QBE DNA interlinks seven cultural elements (listed below) that are fundamental to QBE and how QBE needs to operate in the future to succeed, recognising its customers, employees, shareholders and the community. QBE believes that a culture, which rewards transparency, integrity and performance will promote its long-term substantiality and the ongoing success of its business.

The QBE DNA is as follows:

- **customer-focused** – we proactively listen with empathy to guide how we meet customer needs and have an impact (#Outside In)
- **technical experts** – we build and share our expertise, striving for excellence and knowing when to ask for guidance (#Know your stuff)
- **fast-paced** – we move with pace, adapting with our purpose and future in mind (#Ramp It Up)
- **inclusive** – we treat each other with respect and fairness, and value diverse perspectives (#Value All Views)
- **courageous** – we act with integrity and challenge the status quo, feeling safe to speak up and experiment with new ideas (#Do the Right Thing)
- **accountable** – we take ownership and follow through to deliver, managing risks and learning from mistakes (#Own It Now)
- **a team** – we support each other and collaborate widely to achieve common goals, knowing we are stronger together (#Together)

STRATEGIC REPORT (continued)

Section 172 Companies Act 2006 statement (continued)

How the Board engages

QBE employees

- The EO Board receives updates on the results of the annual QBE Group led Voice survey together with action plans that management will take forward;
- There are presentations/webinars on strategy and quarterly performance updates by the Group and Divisional CEOs;
- Each Executive Management Board ('EMB') member (of which five are QBE EO board members) host Town Halls on a quarterly basis. Further engagement opportunities are available through coffee mornings, updates via email, and webcasts;
- The non-executive Directors visit (including virtually via videoconference) regional and overseas offices, and have deep dives and other update sessions with management and staff across the business;
- The CEO has undertaken face to face visits to a number of regional offices in the UK, Europe and Internationally;
- There is keen focus on culture and whistleblowing reports, and updates from internal and external auditors around controls;
- The Chief People Officer Report includes updates on activities to enhance employee engagement and senior leadership capabilities. This includes an overview of our Inclusion & Wellbeing initiatives and the activities of our employee networks; MIX, Circle, Pride, Workability and Open Mind.
- The Executive Management Board proactively encourage and act on employee feedback through regular pulse surveys, people & culture forums and employee networks to help identify opportunities to improve our ways of working, benefits, policies and overall culture. Examples include embedding our approach to hybrid working, Flex@QBE, and a suite of UK benefit and leave enhancements to support employee wellbeing (equalising paternity leave, increasing holiday allowances and extending private medical cover).
- The Managing Director, Insurance Division chairs a quarterly Inclusion Forum with the CEO, Chief Human Resources Officer, Inclusion & Wellbeing team, employee network chairs, people and culture forum reps to discuss, review and challenge thinking and plans in relation to a broad range of inclusion and diversity issues.

Our shareholder

- There is regular interaction with the shareholder on a frequent basis. The shareholder's Board receives on an annual basis a presentation on the business plan for the forthcoming year.
- There is a global NED conference held on a bi-annual basis. Chairs of Board Committees around the globe meet frequently to discuss key matters. The Board meets with the Group CEO to discuss the strategy for group and succession planning.

Our customers

- The EO Board reviews strategy and monitors performance during the year with the aim of meeting customers' needs more effectively/efficiently;
- The EO Board receives competitor updates to understand QBE's competitive performance and its strengths and weaknesses as regards to meeting customer needs;
- Benchmarks QBE's performance in relation to customers using research and survey results; and
- EO Board representation at key industry trade bodies (e.g. Lloyd's Market Association); and
- Supporting the 'Customer@QBE' which delivers QBE's promise of placing customers at the heart of everything we do and comprises three elements: mindset, insight and deliver.

Our brokers and other intermediaries

- The Board receives updates regarding partner relationships, development and engagement;
- Consideration of key strategic partnerships and technology; and
- Understand our approach with partners.

Our regulators (of subsidiaries companies) including the PRA, National Bank of Belgium, FCA, Financial Services and Markets Authority and Lloyd's of London (Lloyd's)

- There is transparent and regular communication with our regulators and Lloyd's which is facilitated through our Compliance Department; and
- Various teams in the business and Board members including non-executive Directors have ongoing engagement with our regulators on a frequent basis, including discussion on specific matters requested. All material regulator engagements are reported to the EO Board.

STRATEGIC REPORT (continued)

Section 172 Companies Act 2006 statement (continued)

How the Board engages (continued)

Our suppliers

- The EO Board receives updates as necessary from management on suppliers (e.g. claim service providers and IT and operational suppliers), and reviews and approves applicable policies and procedures. Key areas of focus for regulators include treating customers fairly, fair pricing, and employee conduct standards and awareness of the regulatory environment they operate in as well as financial risks arising from climate change.

Our communities and the environment

- The EO Board receives updates on the QBE Group wide approach to sustainability and has jointly appointed the Chief Risk Officer and Chief Underwriting Officer – Insurance to be responsible for identifying and managing the financial risks arising from climate change.
- The EO Board receives regular updates on the work underway across the Company to better identify, measure, monitor, manage, and report on our exposure to the risks arising from climate change.
- The EO Board supports the following initiatives across EO operations:
 - The decision by QBE Group to join both the UN-convened Net Zero Asset Owner Alliance, through which we have committed to achieving net-zero GHG emissions by 2050 across our investment portfolio, and the Net Zero Insurance Alliance, through which we have committed to transitioning our underwriting portfolio to net-zero GHG emissions by 2050;
 - As part of the sustainability initiatives across the QBE Group, the 2022 Sustainability Report is published on the QBE website and provides detailed explanation of this (Group-wide) framework and includes case studies and examples, highlighting the active steps that QBE Group is taking to embed sustainability into its business practices;
 - QBE Group's decision to further integrate environmental, social and governance considerations into the QBE Group underwriting standards. The Environmental and Social Risk Framework, published in 2021, outlines our approach to addressing key ESG risks. The framework contains express commitments in relation to energy (thermal coal and oil and gas), controversial weapons, firearms, fishing, biodiversity and protected areas, mining, forestry, and large-scale hydropower;
 - Tax transparency through the annual publication of the QBE Group Tax Transparency Report and the production of a Tax strategy document outlining its UK tax strategy; and
 - Efforts to integrate human rights considerations across the business, as outlined in the QBE Group Human Rights Policy and in our Modern Slavery and Human Trafficking Statements.
- The EO Board recognise that the energy sector has an essential role in supporting the transition to a net-zero emissions economy and the scaling up of existing technology, and in driving the development of new technologies and innovation. To support our customers in their transition to a net-zero economy, the Company has launched a 'Sustainable Energies Unit' with the aim of aligning QBE's underwriting capabilities across construction, operational, casualty and directors and officers lines across hydrogen, ammonia, hydro, solar, fixed and floating wind-power and carbon capture and sequestration projects.
- Premiums4Good is the QBE Group's unique and innovative collaboration between QBE, our customers, partners and shareholders through which we invest a portion of everyday premiums into investments that have additional social or environmental benefits at no extra cost to the customer. Premiums4Good now has US\$1.4 billion invested in 83 securities across our key impact areas, and the Board supports the QBE Group ambition to grow impact investments to US\$2 billion by 2025.
- The EO Board endorses a culture of "giving back to the community" time and skills (e.g. through employee volunteer days and pro bono support).
- The QBE Foundation EO, which supports involvement in the community by promoting employee volunteering, employee matching, and through grant donations to registered charities aligned to the Foundation's focus areas.

For all of the above interactions, the Board seeks to ensure that all stakeholder interests are considered.

QBE EUROPEAN OPERATIONS PLC

STRATEGIC REPORT (continued)

Section 172 Companies Act 2006 statement (continued)

Board Committees

The Boards of the Company, QBE UK Limited ('QUK'), QBE Underwriting Limited ('QUL') and QBE Europe SA/NV, have jointly constituted Board Committees. The Committees all comprise appropriately skilled members and are supported by attendees as necessary. QBE EO's key Committees comprise: Audit Committee, People & Remuneration Committee, Nomination Committee and Risk and Capital Committee.

In addition, the Executive Management Board constituted by the Board of the Company acts as a Management Committee of the Company as well as for QUK and QUL.

Shareholder communications

As an internal holding company, QBE European Operations plc's ultimate shareholder is QBE Group.

Business continuity management

An established business continuity management framework is in place to ensure the Company is able to respond effectively to incidents that threaten business continuity and is designed to ensure that the impact of any major disruption is minimised.

The framework includes a set of crisis and specialist team plans, department-level business continuity plans and technology recovery plans. It is supported by a range of activities, including staff awareness and testing.

This Strategic report was approved by the Board of Directors on 5 April 2023 and signed on its behalf by:

DocuSigned by:
Rob Stone
829F35F241994CE...

R C Stone
Director

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors and officers

Details of the Directors and officers of the Company are set out on page 2.

Strategic report

The strategic report, which includes details of the Company's principal activities, business review, position and future developments (including significant post balance sheet date transactions), performance and KPI's, risk management framework, climate change, governance structure and Section 172 Statement, is set out on pages 3 to 14.

Dividends

Interim dividends totalling £270m were declared and paid during the year (2021: £40m). No final dividend has been proposed (2021: £nil).

Company	2022 Final	2021 Final	2022 Interim	2021 Interim	2022 Total	2021 Total
Dividend per share	£nil	£nil	34p	5p	34p	5p

Directors' indemnities

A qualifying third-party indemnity provision (as defined in section 234 of the Companies Act 2006) was in force during the course of the financial year ended 31 December 2022 and up to the date of approval of the financial statements for the benefit of all past and present Directors of the Company. This provision remains in force for the benefit of the Directors and provides indemnity protection in relation to certain losses, expenses and liabilities which they may incur in the actual or purported execution and/or discharge of their duties.

Going concern

The directors have reasonable expectations, having made appropriate enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors 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 12 months from the date on which the financial statements are authorised for issue. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal audit

An internal audit function provides assurance to the Audit Committee as to the effectiveness of internal systems and controls, makes recommendations for improvement and monitors progress towards completion via management action plans. Internal audit also provides feedback on the risk management process.

Employees

The Company does not employ any staff (2021: nil). QBE Management Services (UK) Limited and QBE Europe SA/NV, fellow group undertakings, jointly employ staff providing services to the Company during the year and up to the date of signing. The policies for employees are set at a QBE EO wide level and include the following:

Employees – disabled persons

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within QBE EO continues and the appropriate training is arranged. It is the policy of QBE EO that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

DIRECTORS' REPORT (continued)

Employees (continued)

Employees – employee involvement

Consultation with employees or their representatives has continued at all levels with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. All employees are aware of the financial performance of their business units and of QBE Group as a whole and are rewarded according to the results of both through share schemes and performance-related bonus schemes. Employee representatives are consulted to ensure employee views are considered in decision-making likely to affect their interests.

Further details on employee engagement are detailed in the strategic report on page 12.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholder to assess the Company's performance, business model and strategy.

Statement of disclosure of information to auditors

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

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

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

QBE EUROPEAN OPERATIONS PLC

DIRECTORS' REPORT (continued)

On behalf of the Board:

DocuSigned by:
Rob Stone
829F35F241994CE...

R C Stone
Director

QBE European Operations plc
Registered Number 02641728
London
5 April 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE EUROPEAN OPERATIONS PLC

Report on the audit of the financial statements

Opinion

In our opinion, QBE European Operations Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: statement of financial position as at 31 December 2022; the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements 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.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements 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 based on these responsibilities.

QBE EUROPEAN OPERATIONS PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE EUROPEAN OPERATIONS PLC (continued)

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 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 economic decisions of users taken on the basis of these financial statements.

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 and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk of management override of controls. Audit procedures performed by the engagement team included:

- inspecting relevant meeting minutes, including those of the Board, Risk & Capital Committee and Audit Committee, and correspondence with regulatory authorities, including the Prudential Regulation Authority and the Financial Conduct Authority;
- discussions with the Board, management, compliance function and internal audit function, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- evaluating and testing of the operating effectiveness of management's controls designed to prevent or detect misstatement to the Annual Report;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE EUROPEAN OPERATIONS PLC (continued)

- testing and challenging where appropriate the assumption and judgements made by the management;
- identifying and testing journal entries where identified in accordance with our risk assessment; 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 financial statements. 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 of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 April 2023

QBE EUROPEAN OPERATIONS PLC

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Income from shares in group undertakings	5	271.4	-
Other interest receivable and similar income	6	4.1	100.9
Amounts written off investments	8	-	(1.8)
Interest payable and similar expenses	7	(25.9)	(143.4)
Profit / (loss) before taxation		249.6	(44.3)
Tax credit	10	4.0	6.7
Profit / (loss) for the financial year		253.6	(37.6)
Other comprehensive income, net of tax		-	-
Total comprehensive income / (loss) for the year		253.6	(37.6)

The results above are derived from continuing operations.

The notes on pages 24 to 39 form an integral part of these financial statements

QBE EUROPEAN OPERATIONS PLC

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

2022	Called up share capital £m	Tier 1 notes £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1 January	1,212.3	-	15.8	1,253.9	2,482.0
Profit for the financial year	-	-	-	253.6	253.6
Total comprehensive income for the year	-	-	-	253.6	253.6
Dividend paid	-	-	-	(270.0)	(270.0)
Total transactions with owners, recognised directly in equity	-	-	-	(270.0)	(270.0)
At 31 December	1,212.3	-	15.8	1,237.5	2,465.6

2021	Called up share capital £m	Tier 1 notes £m	Capital redemption reserve £m	Profit and loss account £m	Total equity £m
At 1 January	996.1	232.0	-	1,331.5	2,559.6
Loss for the financial year	-	-	-	(37.6)	(37.6)
Total comprehensive loss for the year	-	-	-	(37.6)	(37.6)
Dividend paid	-	-	-	(40.0)	(40.0)
Conversion of Tier 1 notes to share capital	216.2	(232.0)	15.8	-	-
Total transactions with owners, recognised directly in equity	216.2	(232.0)	15.8	(40.0)	(40.0)
At 31 December	1,212.3	-	15.8	1,253.9	2,482.0

The notes on pages 24 to 39 form an integral part of these financial statements


QBE EUROPEAN OPERATIONS PLC

STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Note	2022 £m	2021 £m
Non-current assets			
Shares in group undertakings	12	2,955.7	2,955.7
Other financial investments	13	11.4	37.7
		2,967.1	2,993.4
Current assets			
Other financial investments	13	16.0	32.3
Other receivables	16	4.3	7.3
Amounts owed by group undertakings	14	69.6	83.2
Derivative financial instruments	17	-	0.5
Cash and cash equivalents		6.8	7.5
		96.7	130.8
Total assets		3,063.8	3,124.2
Creditors: amounts falling due within one year			
Amounts owed to group undertakings	18	(18.2)	(62.2)
		(18.2)	(62.2)
Net current assets		78.5	68.6
Total assets less current liabilities		3,045.6	3,062.0
Creditors: amounts falling due after more than one year			
Amounts owed to group undertakings	18	(580.0)	(580.0)
Net assets		2,465.6	2,482.0
Called up share capital	20	1,212.3	1,212.3
Capital redemption reserve		15.8	15.8
Profit and loss account		1,237.5	1,253.9
Total equity		2,465.6	2,482.0

These financial statements on pages 21 to 39 were approved and authorised for issue by the Board of Directors on 5 April 2023 and signed on its behalf by:

DocuSigned by:

829F35F241994CE...

R C Stone
Director

QBE European Operations plc
Registered Number: 02641728 (England & Wales)
Registered office: 30 Fenchurch Street, London EC3M 3BD

The notes on pages 24 to 39 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The financial statements incorporate the assets, liabilities, and results of the Company, and are drawn up to 31 December each year.

(a) Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework”.

These financial statements are prepared on the going concern basis, under the historical cost convention, except for financial assets at fair value through profit and loss, and in accordance with the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. In evaluating the application of the going concern basis, the Directors have considered business plans, solvency, liquidity and capital resources as at date of approval of the financial statements. In addition, the Directors have considered the impact of the most recent ORSA and outputs from the Solvency II internal model. Having completed this assessment, the Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for a period of not less than 12 months from the date on which the financial statements are authorised for issue, and that there is no material uncertainty in relation to going concern at 31 December 2022. The accounting policies set out below, and applicable accounting standards in the United Kingdom have been applied consistently throughout the year.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council and has adopted Financial Reporting Standard 101 “Reduced Disclosure Framework”. These financial statements are therefore prepared in accordance with FRS 101 and the Companies Act 2006 as applicable to companies using FRS 101.

These financial statements are separate financial statements. In accordance with Section 401 of the Companies Act 2006, the Company is exempt from preparing group financial statements. QBE Insurance Group Limited, incorporated in Australia, prepares consolidated financial statements for the year ended 31 December 2022, in which the Company is included. The consolidated financial statements for QBE Insurance Group Limited, the ultimate parent company, are publicly available.

(b) Disclosure exemptions

The Company’s financial results are included in the consolidated financial statements of QBE Insurance Group Limited. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of:

IAS 7: Presentation of cash flow statement

IAS 8: Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective

IAS 24: Disclosure of key management personnel compensation

IAS 24: Related party transactions entered into with other wholly owned entities included in the QBE Insurance Group Limited group financial statements.

Equivalent disclosures have been given in the consolidated financial statements of QBE Insurance Group Limited. The consolidated financial statements of QBE Insurance Group Limited are available to the public and can be obtained as set out in note 22.

(c) Income from shares in group undertakings

Dividend income is recognised when the right to receive payment is established.

(d) Other interest receivable and payable

Interest income and expense is recognised on an accruals basis. Finance income and expense includes realised and unrealised gains or losses on financial assets designated as fair value through profit and loss which are reported on a combined basis as fair value gains or losses on financial assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

1. Accounting policies (continued)

(e) Dividends

Interim dividends are recognised when paid and final dividends are recognised as a liability when they are approved by the members.

(f) Foreign currency transactions

The functional currency of the Company is UK pound Sterling (£). The Company presents its financial statements in millions of pounds Sterling.

Transactions denominated in foreign currencies are translated into pound sterling at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies are translated into pound sterling at the rates of exchange prevailing at the balance sheet date, with the exception of non-monetary items, which are maintained at historic rates. Unclosed foreign exchange derivatives are marked to market at the year-end date.

Exchange gains or losses are recognised in the statement of comprehensive income, including gains and losses on foreign exchange derivatives. Exchange gains or losses arising on transactions recognised directly in equity are recognised directly in reserves in the Statement of changes in equity.

(g) Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value using valuation techniques for which all significant inputs are based on observable market data.

(h) Taxation

The charge for taxation is based on the result for the year adjusted for disallowable items. Deferred tax 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. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(i) Cash and cash equivalents

Cash comprises cash at bank for use by the Company in the management of its short-term commitments.

(j) Investments

i) Shares in group undertakings

Shares in group undertakings are included in the Company's balance sheet at cost less any impairment, based on the Directors having prudent regard for their likely realisable value. Dividends from group undertakings are taken into account when the right to receive payment is established, for interim dividends, when they are paid and, for final dividends, when they are approved by shareholder.

ii) Other financial investments

Investments include short term money, government bonds and corporate bonds. These are managed on a fair value basis in accordance with the Company's investment strategy. The Company has elected to measure all financial investments at fair value through profit and loss.

Listed investments are stated at fair value on current bid prices quoted by the relevant exchanges. In the absence of an active market, current or recent bid prices for similar instruments may be used to estimate fair value. Other unlisted investments are valued at Directors' estimate of the current fair value, where prices are sourced from the investment manager who may use a combination of observable and comparable market prices where available and carried book value where none exist. Investments are derecognised when the right to receive future cash flows from the assets has expired, or has been transferred, and the Company has transferred substantively all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

1. Accounting policies (continued)

(k) Other receivables

Other receivables comprise amounts receivable in the normal course of business and include loans with fellow Group undertakings. Other receivables are initially recognised at transaction price, and where applicable are subsequently measured at amortised cost using the effective interest rate method. Other receivables are derecognised when the contractual rights to receive cashflows from the financial asset expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. The Company assesses, at the end of each reporting period, whether there is objective evidence that trade and other receivables are impaired.

The remainder of the Company's receivables are assessed for impairment based on expected credit losses. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and expected loss given default. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for other receivables, the impacts of which are not expected to be material.

(l) Other payables

Other payables comprise amounts due in the normal course of business and include loans with fellow Group undertakings. Other payables are initially recognised at transaction price, and where applicable are subsequently measured at amortised cost using the effective interest rate method.

(m) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(n) Tier 1 notes

Tier 1 notes were classified according to the substance of the instrument's contractual obligations, rather than the legal form. The Tier 1 notes have been classified as an equity instrument due to the substance of the rights pertaining to these notes, specifically the interest payments being at the discretion of the issuer and the Company has no contractual obligation to deliver cash or other financial instruments to the note holders.

(o) Capital redemption reserve

The Capital redemption reserve is attributable to the conversion of Tier 1 notes to share capital.

(p) Profit and loss account

The profit and loss reserve represents the cumulative historic profits and losses, net of dividends paid.

2. Critical accounting estimates and judgments

Impairment of trade and other receivables and amounts owed by group undertakings

The Company makes an estimate of the recoverable value of its trade and other receivables and amounts owed by group undertakings. When assessing impairment, the Company considers factors including the credit rating of the counterparty to the financial asset and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, where applicable, to trade receivables and revenue contract assets, which uses a lifetime expected loss allowance. For intercompany loans and receivables that are not also trade receivables or revenue contract assets, the Company assesses the impairment based on the type of intercompany loans and receivables (see note 14).

For intercompany loans and receivables repayable on demand, expected credit losses are based on the assumption that the repayment is demanded at the reporting date. For intercompany loans and receivables that have low credit risk and are not repayable on demand, the Company recognises 12-month expected credit losses. The Company also uses historical data to estimate the eventual recovery rates that would apply to different credit ratings within the expected credit losses calculation.

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

2. Critical accounting estimates and judgments (continued)

Impairment of shares in group undertakings

Shares in group undertakings are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of these shares exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the shares are written down accordingly.

3. Employees

The Company does not employ any staff (2021: nil). QBE Management Services (UK) Limited and QBE Europe SA/NV jointly employ staff providing services to the Company during the year and up to the date of signing. No recharge has been made to the Company for the services provided by these staff (2021: nil).

4. Directors' emoluments

The emoluments of the Directors are paid by QBE Management Services (UK) Limited for their services to QBE EO as a whole. No incremental emoluments were received by the Directors or charged to the Company in respect of the services provided by these Directors for the year ended 31 December 2022 (2021: nil).

5. Income from shares in group undertakings

	2022 £m	2021 £m
Dividends received from subsidiary undertakings – QBE Holdings (EO) Ltd	271.4	-

6. Other interest receivable and similar income

	2022 £m	2021 £m
Interest income from group undertakings	0.9	2.3
Interest income – others	-	5.1
Realised gains on investments	1.8	0.9
Unrealised gains on investments	-	48.0
Realised foreign exchange gains	0.4	-
Unrealised foreign exchange gains	1.0	44.6
	4.1	100.9

Interest income from group undertakings relates to loans receivable from certain wholly owned subsidiaries of the QBE Group:

- (i) Interest income includes £0.2m (2021: £1.3m) in relation to a loan agreement of £250m issued on 16 November 2020 to a fellow group undertaking QBE Holdings (EO) Limited, which incurs interest at a rate of 1.25% above 12-month LIBOR. The facility allows for short term drawings of up to 360 days. An amendment was made effective 11 November 2021 and extended the maturity date to 11 November 2022. The loan was fully repaid on 3 March 2022.
- (ii) Interest income includes £0.7m (2021: £0.4m) in relation to loan facility of £250m issued on 16 November 2020 to a fellow group undertaking QBE Corporate Limited, which incurs interest at a rate of 1.25% above 12-month LIBOR. As at 31 December 2022, £41.7m (2021: £nil) was drawn from the available facility.
- (iii) Interest income includes £0.03m (2021: £0.03m) in relation to a loan agreement of £1.7m with a fellow group undertaking QBE Finance IV UK Limited. An amendment was made effective 26 May 2022 revising the interest reference rate from LIBOR to SONIA, with a new maturity date of 26 May 2023. The amended interest reference rate for the loan is 1.53% above SONIA (2021: 1.25% above 12-month LIBOR). An amendment was made effective 26 May 2021 and extended the maturity date to 26 May 2022. As at 31 December 2022, £1.7m (2021: £1.7m) was drawn from the available facility.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

6. Other interest receivable and similar income (continued)

- (iv) 2021 interest income of £0.3m relates to a loan agreement of £61.1m issued on 22 April 2020 to a fellow group undertaking QBE Holdings (EO) Limited, which incurred interest at a rate of 0.90% above 12-month LIBOR. The loan was fully repaid on 16 April 2021.
- (v) 2021 interest income of £0.3m relates to a loan agreement of £45m issued on 15 June 2020 to a fellow group undertaking QBE Holdings (EO) Limited, which incurred interest at a rate of 1.25% above 12-month LIBOR. The loan was fully repaid on 16 April 2021.

7. Interest payable and similar expenses

	2022	2021
	£m	£m
Interest expense to group undertakings	21.2	40.8
Financing and other costs	-	0.1
Realised loss on investments	2.8	55.8
Realised foreign exchange losses	-	35.0
Unrealised loss on investments	0.7	0.9
Unrealised foreign exchange losses	1.2	10.8
	25.9	143.4

Interest expense to group undertakings relates to loans payable to certain wholly owned subsidiaries of the QBE Group:

- (i) Interest expense of £0.03m (2021: £0.1m) relates to a loan agreement of £1.7m payable to a fellow group undertaking QBE Finance Holdings (EO) Limited, which incurred interest at 1.53% above SONIA (2021: 1.25% above 12-month LIBOR). An amendment was made effective 26 May 2022 and extended the maturity date to 26 May 2023.
- (ii) Interest expense of £0.1m (2021: £0.3m) relates to a loan facility of £250m, payable to a fellow group undertaking QBE Corporate Limited, which incurs interest at a rate of 1.25% above 12-month LIBOR. An amendment was made effective 11 November 2021 and extended the maturity date to 11 November 2022. The loan was fully repaid on 3 March 2022.
- (iii) Interest expense of £20.3m (2021: £18.4m) relates to a subordinated loan facility of £580m issued in February 2021 by a fellow group undertaking QBE Strategic Capital (Europe) Limited, which incurs interest at 3.50% p.a. As at 31 December 2022, £580m (2021: £580m) was drawn from the available facility. This loan is repayable on 12 February 2031.

2021 interest expense of £0.1m related to a loan facility of US\$700m issued in November 2020 by a fellow group undertaking QBE Strategic Capital (Europe) Limited, which incurred interest at 1.25% above 12-month LIBOR. The loan was fully repaid on 29 June 2021.

- (iv) 2021 interest expense of £14.3m related to subordinated callable notes totalling US\$ 1,000m, previously payable to a fellow group undertaking QBE Capital Funding III Limited, which incurred interest at a fixed rate of 7.2525%. Repayment of interest previously took place every 24 May and 24 November. The notes were redeemed on 16 February 2021 and 8 March 2021.
- (v) 2021 interest expense of £6.4m related to subordinated callable notes totalling £325m, previously payable to a fellow group undertaking QBE Capital Funding IV Limited, which incurred interest at a fixed rate of 7.5048%. Repayment of interest previously took place every 24 May and 24 November. The notes were redeemed on 16 February 2021 and 8 March 2021.

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

8. Amounts written off investments

	2022 £m	2021 £m
Greenhill International Insurance Holdings Ltd	-	1.8
	-	1.8

9. Auditors' remuneration

Remuneration receivable by the Company's auditors is borne by QBE Management Services (UK) Limited as disclosed in the table below.

	2022 £m	2021 £m
Remuneration receivable by the Company's auditors for:		
The auditing of these financial statements	0.2	0.1
The auditing of the Company's subsidiaries	2.1	1.8
Audit-related assurance services	0.8	0.9
Other non-audit services not covered above	-	0.1

Non-audit fees were paid to the auditors in respect of the Company during the year and these amounted to £1.1m (2021: £1.0m) and related predominantly to regulatory and Lloyd's reporting.

10. Tax credit

	2022 £m	2021 £m
Current tax:		
UK corporation tax	4.2	6.8
Adjustments in respect of prior years	(0.2)	(0.1)
Total current tax credit	4.0	6.7
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax credit	-	-
Total tax credit	4.0	6.7

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

10. Tax credit (continued)

	2022 £m	2021 £m
Profit / (loss) before taxation	249.6	(44.3)
(Profit) / loss before taxation multiplied by standard rate of UK corporation tax of 19.00% (2021: 19.00%).	(47.4)	8.4
Effects of:		
Income from shares in group undertakings	51.6	-
Impairment of shares in group undertakings	-	(0.3)
Other permanent differences	-	(1.3)
Change in tax rate	-	-
Adjustments in respect of prior years	(0.2)	(0.1)
Total tax credit	4.0	6.7

11. Financial assets and liabilities

All assets and liabilities of the Company, with the exception of investments in subsidiaries, are financial assets and liabilities. The Directors consider the carrying value of the financial assets and liabilities to be approximately equal to their fair value.

12. Shares in group undertakings

	2022 Net book value £m	2021 Net book value £m
At 1 January	2,955.7	2,955.7
Capital Contribution		
Greenhill International Insurance Holdings Ltd	-	1.8
Impairments		
Greenhill International Insurance Holdings Ltd	-	(1.8)
At 31 December	2,955.7	2,955.7

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

12. Shares in group undertakings (continued)

The Directors believe that the carrying value of shares in group undertakings is supported by their underlying recoverable amount.

At 31 December 2022 and 31 December 2021, the Company had the following subsidiaries:

Held by Company	Registered address and country of incorporation	Principal activity	2022		2021	
			Cost	Net book Value	Cost	Net book value
			£m	£m	£m	£m
Greenhill International Insurance Holdings Limited	30 Fenchurch Street, London, EC3M 3BD	Holding company	2.7	-	2.7	-
QBE Holdings (EO) Limited	30 Fenchurch Street, London, EC3M 3BD	Holding company	3,226.8	2,945.7	3,226.8	2,945.7
QBE Management Services (UK) Limited	30 Fenchurch Street, London, EC3M 3BD	Service company	10.0	10.0	10.0	10.0
Standfast Corporate Underwriters Limited	30 Fenchurch Street, London, EC3M 3BD	Dormant company	-	-	-	-
			3,239.5	2,955.7	3,239.5	2,955.7

The Company has a 100.00% holding in all of the above group undertakings.

13. Other financial investments

	2022		2021	
	Non-current £m	Current £m	Non-current £m	Current £m
Fixed interest rate				
Short-term money	-	8.1	-	4.6
Government bonds	1.5	2.3	2.9	0.2
Corporate bonds	8.3	5.4	30.2	27.5
	9.8	15.8	33.1	32.3
Floating interest rate				
Corporate bonds	1.4	0.2	4.4	-
Government bonds	0.2	-	0.2	-
	1.6	0.2	4.6	-
	11.4	16.0	37.7	32.3

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

13. Other financial investments (continued)

The following table presents the Company's other financial investments measured at fair value at 31 December.

	2022		
	Level 1	Level 2	Total
	£m	£m	£m
Short-term money	-	8.1	8.1
Government bonds – fixed interest rate	2.0	1.8	3.8
Government bonds – floating interest rate	-	13.7	13.7
Corporate bonds – fixed interest rate	-	0.2	0.2
Corporate bonds – floating interest rate	-	1.6	1.6
	2.0	25.4	27.4

	2021		
	Level 1	Level 2	Total
	£m	£m	£m
Short-term money	-	4.6	4.6
Government bonds – fixed interest rate	0.8	2.3	3.1
Government bonds – floating interest rate	-	0.2	0.2
Corporate bonds – fixed interest rate	-	57.7	57.7
Corporate bonds – floating interest rate	-	4.4	4.4
	0.8	69.2	70.0

Level 1 Valuation is based on quoted prices in active markets for the same instruments.

Level 2 Valuation is based on quoted market prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data, for example, consensus pricing using broker quotes and valuation models with observable input.

Bond instruments are priced by external data providers where quoted prices are available or by the investment manager who may use a combination of observable market prices or comparable prices where available.

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

14. Amounts owed by group undertakings

Amounts owed by group undertakings - Due within one year 2022	Principal £m	Interest £m	Non- loan £m	Total £m
QBE Holdings (EO) Limited (i)	-	-	-	-
QBE Corporate Limited (ii)	41.7	0.7	20.1	62.5
QBE UK Finance IV Limited (iii)	1.7	0.1	-	1.8
Other amounts owned by group undertakings	-	-	5.3	5.3
	43.4	0.8	25.4	69.6

Amounts owed by group undertakings - Due within one year 2021	Principal £m	Interest £m	Non- loan £m	Total £m
QBE Holdings (EO) Limited (i)	55.7	0.1	-	55.8
QBE Corporate Limited (ii)	-	-	12.8	12.8
QBE UK Finance IV Limited (iii)	1.7	0.1	-	1.8
Other amounts owned by group undertakings	-	-	12.8	12.8
	57.4	0.2	25.6	83.2

The value of the expected credit loss in relation to the above loans is not material as at the balance sheet date (2021 immaterial).

- (i) In November 2020, the Company entered into a loan facility agreement of £250m with a fellow group undertaking QBE Holdings (EO) Limited. The facility allows for short term drawings of up to 360 days. In December 2020, £54.1m was drawn from the available facility which incurs interest at a rate of 1.25% above 12-month LIBOR. In April 2021, a second draw down of £107.9m was made. Partial repayments on the loan of £4.6m and £96.3m were made in June 2021 and August 2021, respectively. The remaining principal of £7m and accrued interest of £0.5m from the second draw down, in combination with the principal of £54.1m and accrued interest of £0.6m, was rolled over with the maturity date extended to 6 November 2022 in November 2021. Another partial repayment of the principal of £6.5m was made in December 2021. The loan was fully repaid on 3 March 2022. As at 31 December 2022, the principal outstanding on the loan was £nil (2021: £55.7m) plus accrued interest of £nil (2021: £0.1m).
- (ii) In November 2020, the Company entered into a loan facility agreement of £250m with a fellow group undertaking QBE Corporate Limited. The facility allows for short term drawings of up to 360 days. In November 2020, £60.0m was drawn from the available facility which incurs interest at a rate of 1.25% above 12-month LIBOR. The loan was fully repaid on 29 June 2021. An amendment was made effective 4 April 2022 revising the interest reference rate from LIBOR to SONIA. On 31 May 2022, £41m was drawn down from the facility which incurs interest at a rate of 1.53% above SONIA. As at 31 December 2022, the principal outstanding on the loan was £41.7m (2021: £nil) plus accrued interest of £0.7m (2021: £nil).
- (iii) In January 2021 the Company entered into a loan agreement with fellow group undertaking QBE UK Finance (IV) Limited, which incurred interest at a rate of 1.25% above 12 months LIBOR. The loan has a maturity date of 26 May 2022. An amendment was made effective 26 May 2022 revising the interest reference rate from LIBOR to SONIA, with a new maturity date of 26 May 2023. The amended interest reference rate for the loan is 1.53% above SONIA. As at 31 December 2022, the principal outstanding on the loan was £1.7m (2021: £1.7m) plus accrued interest of £0.1m (2021: £0.1m).

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

15. Financial risk management

The activities of the Company expose it to financial risks such as market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(i) Market risk

Currency risk

The Company is exposed to foreign currency risk in respect of its foreign currency exposures and forward foreign exchange derivatives are used to protect the currency positions.

The risk management process covering forward foreign exchange derivatives involves close senior management scrutiny, including regular Board and other management reporting. All forward foreign exchange derivatives are subject to delegated authority levels provided to management, and levels of exposure are reviewed on an ongoing basis.

The table below shows the impact on profit after tax as a result of movements in foreign exchange rates. The basis for this sensitivity analysis is the residual foreign currency exposures at the balance sheet date.

	Movement in variable %	2022	Equity	2021	Equity
		Profit / (loss) £m		Profit / (loss) £m	
USD	+10.00%	0.2	-	0.4	-
	-10.00%	(0.2)	-	(0.4)	-

The above is shown net of tax at the standard rate of 19.00% (2021: 19.00%).

Interest rate risk

2022	Floating interest rate £m	Fixed interest rate maturing in				Total £m
		1 year or less £m	1 to 2 years £m	2 to 3 years £m	Over 3 years £m	
Interest bearing securities	8.7	15.8	2.2	2.3	5.3	34.3

2021	Floating interest rate £m	Fixed interest rate maturing in				Total £m
		1 year or less £m	1 to 2 years £m	2 to 3 years £m	Over 3 years £m	
Interest bearing securities	12.2	32.3	11.6	7.0	14.5	77.6

The Company's sensitivity to movements in interest rates in relation to the value of fixed interest securities is shown in the table below. This sensitivity analysis is presented gross of any inter-dependencies between financial assets and liabilities:

	2022	2022	2021	2021
	Movement in variable %	Profit / (loss) and equity £m	Movement in variable %	Profit / (loss) and equity £m
Interest rate movement - fixed interest Securities	+1.0	(0.3)	+0.5	(0.6)
Interest rate movement - fixed interest Securities	-1.0	0.3	-0.5	0.5
Interest rate movement - fixed interest Securities	+2.0	(0.6)		
Interest rate movement - fixed interest Securities	-2.0	0.6		

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

15. Financial risk management (continued)

(i) Market risk (continued)

Interest rate risk (continued)

QBE's LIBOR transition plan identified areas with exposure to LIBOR retirement in December 2021. For each area, business impact and risk assessments have been carried out, pre-transition plans have been scoped and implemented and initial testing of alternative reference rates has occurred. The Company has successfully transitioned all the external and internal facilities that required transition at the end of 2021, with transition plans/arrangements in place for remaining facilities including exposures in active secondary markets. These reference rates will be updated when the respective loans mature and are renewed. References to LIBOR in contracts have also been successfully replaced with alternative reference rates.

(ii) Credit risk

The amounts owed by group undertakings are wholly owned subsidiaries of QBE Group and the Directors of the Company are satisfied that the exposure to credit risk has been mitigated to a tolerable level.

	2022 Neither past due nor impaired £m	2021 Neither past due nor impaired £m
Cash and cash equivalents	6.8	7.5
Investments – other financial investments	27.4	70.0
Derivative financial instruments	-	0.5
Amounts owed by group undertakings	69.6	83.2
	103.8	161.2

Credit risk exposures are monitored regularly and 82.37% (2021: 80.00%) of cash and cash equivalents and external investments are with counterparties who have an S&P rating of A or better. The Company does not expect any investment counterparties to fail to meet their obligations given their strong credit ratings. The Company only uses derivatives in highly liquid markets.

(iii) Liquidity risk

The Directors consider that the Company is not exposed to significant liquidity risk.

The table below summarises the maturity profile of all financial liabilities based on the remaining contractual obligations.

	2022 Within 1 year £m	2022 Over 1 year £m	2021 Within 1 year £m	2021 Over 1 year £m
Amounts owed to group undertakings	18.2	580.0	62.2	580.0

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

16. Other receivables

	2022 £m	2021 £m
Accrued interest	0.1	0.5
Corporation tax receivable	4.2	6.8
	4.3	7.3

There are no provisions for impairment as at the balance sheet date (2021: £nil).

17. Derivative financial instruments

	2022 £m	2021 £m
Derivative financial instruments – assets	-	0.5
Derivative financial instruments – liabilities	-	-
	-	0.5

The Company uses forward foreign exchange derivatives in order to hedge its exposure to foreign currencies. These are valued using the underlying foreign exchange rates at the year end. Derivatives outstanding at the balance date include foreign exchange contracts to sell £8.1m (2021: buy £6.8m).

The forward foreign exchange derivatives outstanding at the year-end expire by 2 November 2023 (2021: 25 April 2022).

During the year, a loss of £0.05m (2021: loss £3m) relating to such contracts was recognised. This is included within net realised foreign exchange gains in note 6 and unrealised foreign exchange losses in note 7.

18. Amounts owed to group undertakings

Amounts owed to group undertakings	Principal	Interest	Non-loan	Total	Due within one year	Due after more than one year	Total
2022	£m	£m	£m	£m	£m	£m	£m
QBE Strategic Capital (Europe) Limited (i)	580.0	3.1	0.7	583.8	3.8	580.0	583.8
QBE Finance Holdings (EO) Limited (ii)	1.7	0.3	-	2.0	2.0	-	2.0
Greenhill Baia Underwriting GmbH (iii)	3.2	-	-	3.2	3.2	-	3.2
QBE Corporate Limited (iv)	-	-	-	-	-	-	-
Other amounts owed to group undertakings	-	-	9.2	9.2	9.2	-	9.2
	584.9	3.4	9.9	598.2	18.2	580.0	598.2

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

18. Amounts owed to group undertakings (continued)

Amounts owed to group undertakings	Principal	Interest	Non-loan	Total	Due within one year	Due after more than one year	Total
	£m	£m	£m	£m	£m	£m	£m
2021							
QBE Strategic Capital (Europe) Limited (i)	580.0	3.1	-	583.1	3.1	580.0	583.1
QBE Finance Holdings (EO) Limited (ii)	1.7	0.3	-	2.0	2.0	-	2.0
Greenhill Baia Underwriting GmbH (v)	2.7	0.3	-	3.0	3.0	-	3.0
QBE Corporate Limited (iv)	42.0	0.1	-	42.1	42.1	-	42.1
Other amounts owed to group undertakings	-	-	12.0	12.0	12.0	-	12.0
	626.4	3.8	12.0	642.2	62.2	580.0	642.2

- (i) In February 2021, the Company entered into a subordinated loan facility agreement with QBE Strategic Capital (Europe) Limited of £580m. The facility has a maturity date of 12 February 2031 and incurs interest at 3.50% per annum. Repayment of interest takes place every 1 May and 1 November. As at 31 December 2022 the principal outstanding on the loans with QBE Strategic Capital (Europe) Limited was £580m (2021: £580m) plus accrued interest of £3.1m (2021: £3.1m).
- (ii) In January 2021, Company entered into a loan agreement for £1.7m with a fellow group undertaking QBE Finance Holdings (EO) Limited, which incurred interest 1.25% over 12-month LIBOR. A further amendment was made effective 26 May 2022 revising the interest reference rate from LIBOR to SONIA. The amended interest reference rate for the loan is 1.53% above SONIA. The outstanding value is £1.7m (2021: £1.7m) plus accrued interest of £0.3m (2021: £0.3m).
- (iii) The Company holds a loan agreement for EUR 3.2m with a fellow group undertaking Greenhill Baia Underwriting GmbH, which incurs interest at a rate of 1.10% above 3 months Euribor rate. The outstanding value in Pounds Sterling is £3.2m (2021: £2.7m) plus accrued interest of £0.03m (2021: £0.3m). The loan is repayable on demand.
- (iv) In November 2020, the Company entered into a loan facility agreement of £250m with a fellow group undertaking QBE Corporate Limited. In June 2021, £42.0m was drawn by QBE European Operations from the available facility which incurs interest at a rate of 1.25% above 12-month LIBOR. The loan was fully repaid on 3 March 2022. As at 31 December 2022, the principal outstanding on the loan was £nil (2021: £42.0m) plus accrued interest of £nil (2021: £0.1m).

QBE EUROPEAN OPERATIONS PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

19. Contingent liabilities

The Company has contingent liabilities in respect of letters of financial support provided to certain wholly owned subsidiaries to enable those subsidiaries to meet their obligations. The Company has issued such letters in recent previous years and has not been required to honour this financial support, therefore the estimate of the financial impact of the contingent liability is immaterial.

In addition, the Company has contingent liabilities in respect of guarantees issued to the trustees of certain defined benefit pension schemes operated by certain wholly owned subsidiaries. These pension schemes are typically well funded on an Actuarial basis, and where required contribution plans are place, therefore the contingent liability is estimated to be immaterial.

20. Called up share capital

	2022 Number of shares Millions	2022 £m	2021 Number of shares Millions	2021 £m
A Ordinary Shares of 38p each	782.1	297.2	782.1	297.2
B Ordinary Shares of 38p each	2,408.0	915.1	2,408.0	915.1
	3,190.1	1,212.3	3,190.1	1,212.3

Ordinary shares in the Company entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Ordinary shareholders rank after all creditors and are entitled to any residual proceeds.

There are no differences in rights and rank between the holders of "A" Ordinary Shares and holders of "B" Ordinary Shares.

21. Dividends

	2022 £m	2021 £m
Ordinary dividends declared and charged to equity during the year:		
Interim 2021 – 5 pence per share, cash on 9 December 2021	-	40.0
Interim 2022 – 15 pence per share, cash on 3 March 2022	120.0	-
Interim 2022 – 19 pence per share, cash on 30 December 2022	150.0	-
	270.0	40.0

22. Parent undertakings

The Company's ultimate parent undertaking and controlling entity is QBE Insurance Group Limited, which is incorporated in Australia. This is the largest and smallest group of undertakings into which the Company's financial statements are consolidated. The immediate parent undertaking is QBE Insurance Holdings Pty Limited which is incorporated in Australia. The consolidated financial statements for QBE Insurance Group Limited are available from the Company's registered office at 30 Fenchurch Street, London EC3M 3BD.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2022

23. Subsequent events

As announced by QBE Group on 17 February 2023, the subsidiaries of the Company entered into a 100% retrospective reinsurance arrangement covering certain prior year claims reserves within the Company, equating to approximately 10% of the total net claims reserves held on the balance sheets of the subsidiaries of the Company 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.