QBE Re (Europe) Limited

Annual Report

31 December 2016

Registered Number 1378853

QBE RE (EUROPE) LIMITED

ANNUAL REPORT
for the year ended 31 December 2016

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DIRECTORS AND OFFICERS

Directors

W-F Au *	
T C W Ingram *	
M G McCaig *	
J W Parry	
R V Pryce	
S W Sinclair *	
N J D Terry	Appointed 19 December 2016
D J Winkett	

* non-executive Director

Former Director who served during part of the year

P A Dodridge	Resigned 19 December 2016

Company secretary

E Felton Smith

Registered office

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

Independent auditors

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

STRATEGIC REPORT

Principal activity

The principal activity of QBE Re (Europe) Limited (the Company) is the transaction of reinsurance business. The Company will continue this activity through the development of its existing lines of business, while actively seeking new opportunities for expansion and profitable growth.

The Company is a limited company registered in England and Wales with registration number 1378853. The address of the registered office is given on page 2. The Company is a wholly owned subsidiary of QBE European Operations plc (EO plc), which is the holding company for the European Operations division (QBE EO) of QBE Insurance Group Limited (QBE Group). The Company is managed at the QBE EO division level.

Business review and future developments

The results of the Company for the year are set out in the profit and loss account on pages 12 to 14. The profit after tax for the year was €77,452k (2015 €77,297k). The Company declared and paid interim dividends totalling €19,000k on the ordinary shares during the year (2015 €nil). The Directors do not recommend the payment of a final dividend (2015 €nil).

The Company continues to write International Property and Casualty business from its Dublin-based branch; European non-life multiline reinsurance and worldwide life business from its Brussels-based branch, and North American Property, International Property and US Casualty business from its Bermuda-based branch.

Key performance indicators

		2016	2015
Gross written premium	€m	413.3	351.8
Gross earned premium	€m	379.3	347.3
Net earned premium	€m	324.8	301.2
Claims ratio*	%	69.3	38.4
Commission ratio	%	20.3	17.3
Expense ratio	%	9.9	11.7
Combined operating ratio*	%	99.5	67.4

* Claims ratio and combined operating ratio are calculated before change in equalisation provision

Premium growth during 2016 was underpinned by new business activity, with the successful execution of growth strategies in the worldwide life business.

In line with the rest of the industry, the Company experienced an increase in large risk and catastrophe claims, particularly compared to 2015 which benefitted from relatively benign catastrophe activity.

On the 27 February 2017, the Ministry of Justice announced a change in the discount rate which is applied to certain lump sum bodily injury claims. The pre-tax impact of this adjusting post balance sheet event is a loss of approximately €40,515k and this is reported within the 2016 financial statements and claims ratio.

Strategy

The strategic ambition of QBE EO, of which the Company forms a part, is described within the business review section of the Strategic report within EO plc's consolidated annual report.

Future outlook of the business environment

Notwithstanding the competitive landscape and impact of political uncertainty, the Company has delivered a strong result and, along with operational improvements, moves into 2017 with positive momentum.

Our commitment to underwriting excellence and preserving profit margins remains central to success. Regardless of market conditions we will not waiver from this principle as it is now more important than ever.

STRATEGIC REPORT (continued)

Future outlook of the business environment (continued)

Following the European Union referendum in June 2016, and the increasingly likely outcome that the Company can no longer effectively access the European single market from the UK, planning is well advanced to restructure the Company's business.

Principal risks and uncertainties

Risks that could affect the Company's ability to achieve its objectives are identified on a continuous basis through business unit risk and control workshops and the emerging risk process.

The main risks are regularly reported and discussed at the QBE EO Risk and Capital Committee (RCC) through the Own Risk and Solvency Assessment (ORSA). A summary of the main risk categories and risk mitigation techniques is outlined below.

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 manages strategic risk as follows:

- 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 regulatory, rating agency and economic requirements.

Insurance risk

The Company defines insurance risk as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.
Our exposure to insurance risk arises from:

- Underwriting/pricing;
- Insurance concentrations; and
- Reserving.

The Company manages insurance risk as follows:

- Analysing historical pricing and claims experience;
- Setting a tolerance to concentration risk;
- Monitoring and reviewing underwriting performance; and
- Conducting both an in-house and external actuarial review of our claims provisions, independent of our underwriting teams.

Credit risk

The Company defines credit risk as the risk of not recovering money owed to the Company by third parties, as well as the loss in value of assets due to deterioration in credit quality. The Company's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors.

The Company manages credit risk as follows:

- Regular review of exposure limits and credit quality levels for approved counterparties in relation to deposits and investments; and
- Maximising the amount of reinsurance placed with highly rated and regarded counterparties, and limiting the concentration of exposures.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

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 QBE Group.

The Company manages group risk as follows:
- Challenge and oversight of independent non-executive Directors on the Company Board.
- Contractual arrangements in place for material services provided by other QBE Group divisions and companies.
- The QBE Group services framework which governs the procurement, monitoring and review of services provided to the Company by the wider QBE Group.
- Involvement of QBE EO individuals within all material QBE Group initiatives.

Market risk

The Company defines market risk of adverse impacts on earnings resulting from changes in market factors. Market factors include but are not limited to: interest rates, credit spreads, foreign exchange rates, equity prices and commodity derivatives.

The Company manages market risk as follows:
- Actively managing investment assets;
- Perform asset and liability management to actively manage our exposure to yield curve fluctuations;
- Maintaining a diversified portfolio; and
- Hedging residual non-functional currency net asset exposures.

Liquidity risk

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

The Company manages liquidity risk using the following:
- Setting minimum levels of liquid, short term money market securities;
- Stress testing of liquidity relative to major catastrophe events; and
- Matching assets and liabilities in our major currency positions.

Operational risk

The Company defines operational risk as the risk of financial 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, improper business practice, technology and infrastructure failures and business and transaction processing.

The Company manages operational risk using the following:
- Actively monitoring our key processes and systems;
- Conducting scenario reviews to identify and quantify potential exposures for mitigation; and
- Maintaining effective segregation of duties, access controls, authorisation and reconciliation procedures.

STRATEGIC REPORT (continued)

Solvency II and capital adequacy

The Company has been applying the Prudential Regulation Authority (PRA) approved internal capital model from 1 January 2016. The internal model is an integrated framework to support its objectives by managing risk and capital across the business. The internal model has broad scope including: capital modelling; risk identification; mitigation; assessment and monitoring, and is used in the day to day operation of the Company.

The internal model is used to help assess our risk and calculate the appropriate level of risk-based capital to allocate to risks to which we are exposed. The assessment of risk-based capital enables us to make decisions that involve quantitative risk reward trade-offs. The allocation of risk-based capital helps ensure that the level of risk we take is commensurate with the required returns and is within the approved risk appetite and tolerance.

In December 2016 the Board approved a Capital Adequacy Framework designed to ensure that the Company operates within a target range of capital, which exceeds the regulatory solvency capital requirements.

Corporate governance

The Company's corporate governance structure has continued to evolve during 2016, reflecting the Boards' 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, including the Lloyd's governance standards. As a member of the QBE Group, the Company is not bound by the UK Corporate Governance Code. However, as a matter of best practice, the Company's Board seeks to comply with the Code, where practical and relevant.

Key changes to the corporate governance structure during the year were:
(i) The establishment of a Compliance Management Group to support the RCC in providing co-ordinated oversight and monitoring of the Company's adherence to its Compliance Framework in meeting its legal and regulatory responsibilities;

(ii) The establishment of a Brexit Steering Group to provide oversight, direction and guidance to support the Boards in responding to the United Kingdom's exit from the European Union;

(iii) The disbanding of the Solvency II Steering Group (previously a sub-group of the RCC), the Company having received approval from the PRA to the use of the Internal Model in December 2015 and subsequent work in respect of other Solvency II related matters having been concluded or, where relevant, being now undertaken within other areas of the formal corporate governance structure; and

(iv) The formalisation of the Risk & Capital Group ('RCG') as a formal sub-group of the RCC. The RCG was established in 2015 to provide executive support, and filter information flow, to the RCC. Given its importance in the structure, in February 2016 it was determined that the RCG should become a formal sub-group of the RCC.

During the year, Committee Terms of Reference and Board Charters were all reviewed by the relevant Committees and Boards, with minor enhancements being made to reflect ongoing assessment of key responsibilities of the Committees and matters reserved to the Boards.

In accordance with applicable governance standards, in June and July 2016 the Board undertook a Board Effectiveness Review, facilitated by a bespoke software which allowed tailored questionnaires to be completed anonymously by Board and Committee members in respect of the Boards, each of the Committees and independent Director performance. The results of the questionnaires were followed up by the Chairman of the Board in individual meetings with Directors and at Committee meetings by Committee Chairs. A series of minor recommendations to support continuous improvement of effectiveness arising from the review were discussed and agreed by the Boards.

A Board away day was held in May, providing the opportunity for the Boards to focus on strategy (with presentations from senior management) and to meet more informally. We further supported non-executive Director engagement through informal meetings exclusively for QBE EO non-executive Directors and meetings with non-executive Directors from the QBE Group Board.

The main Company's Board and Board Committees met regularly during the year with strong attendance from all members. The Board of the Company met 8 times during 2016.

STRATEGIC REPORT (continued)

The Board of QBE Re (Europe) Limited

The Company's Board charter states that the role of the Board is to provide leadership; to oversee the design and implementation of the Company'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 resources are in place for the Company to meet its objectives and reviews the performance of management in delivering on the Company's strategic aims. The Board should set and instil the Company'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 Re (Europe) Limited are understood and met.

The Board is chaired by Tim Ingram and comprises four executive Directors and four independent non-executive Directors. During the year, Philip Dodridge resigned as an executive Director of the Company and Nigel Terry was appointed as an executive Director of the Company.

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

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

QBE Re (Europe) Limited has four non-executive Directors, including the Chairman of the Company, all of whom are members of the Audit Committee. All the non-executive Directors are considered to be independent of management and free from any relationship that could materially interfere with the exercise of the independent judgement.

Board Committees

The Boards of QBE European Operations plc and the three key regulated companies in QBE EO, including the Company, 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
- Executive Management Board
- Investment Committee
- Remuneration and Nomination Committee
- Risk and Capital Committee

Business continuity management

A business continuity management framework ensures that the Company is resilient and able to respond effectively to incidents that threaten business continuity, including any material failures in significant outsourcing arrangements. It is designed to ensure that the impact of any major disruption is minimised.

The framework includes a set of emergency management 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 May 2017 and signed on its behalf by:

D.J. Winkett

D J WINKETT

Director

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

Strategic report

The strategic report, which includes details on the Company's principal activities, development, performance and KPI's, risk management framework and governance structure, is set out on pages 3 to 7.

Dividends

Interim dividends totalling €19,000k were declared and paid during the year (2015 €nil). No final dividend has been proposed (2015 €nil).

Company	2016 Final	2015 Final	2016 Interim	2015 Interim	2016 Total	2015 Total
Dividend per share	€nil	€nil	€0.95	€nil	€0.95	€nil

Overseas branches

The Company has overseas branches in Belgium, Bermuda and Ireland.

Currency

The presentation currency of these financial statements is the Euro (€).

The functional currency of the Company and its Belgian branch is the Euro. The functional currency of the Irish and Bermudian branches is the US dollar. At the year end the Euro to US dollar exchange rate was 1.052 (2015 1.087).

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 2016 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.

Internal audit

An internal audit department 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 provide feedback on the risk management process.

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.

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 and economic 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.

DIRECTORS' REPORT (continued)

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 Financial Reporting Standard 101 "Reduced Disclosure Framework". 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 Financial Reporting Standard 101 "Reduced Disclosure Framework" has 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.

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.

By order of the Board:

D.J. Winkett

D J WINKETT
Director
QBE Re (Europe) Limited
Registered Number 1378853
London
5 May 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE RE (EUROPE) LIMITED

Report on the financial statements

Our opinion

In our opinion, QBE Re (Europe) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account and the Statement of Other Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QBE RE (EUROPE) LIMITED (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 May 2017

PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT - GENERAL BUSINESS

for the year ended 31 December 2016

	Note	2016 €'000	2016 €'000	2015 €'000	2015 €'000
Continuing operations					
Earned premiums, net of reinsurance					
Gross premiums written	4	376,936		328,853	
Outward reinsurance premiums		(46,892)		(52,138)	
Net premiums written		330,044		276,715	
Change in the gross provision for unearned premiums		(33,949)		(4,469)	
Change in the provision for unearned premiums, reinsurers' share		(5,114)		7,790	
Change in the net provision for unearned premiums		(39,063)		3,321	
Earned premiums, net of reinsurance			290,981		280,036
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(167,630)		(158,896)	
Reinsurers' share		24,402		21,660	
Net claims paid		(143,228)		(137,236)	
Change in the provision for claims					
Gross amount		(45,858)		38,264	
Reinsurers' share		(11,536)		(3,703)	
Change in the net provision for claims		(57,394)		34,561	
Claims incurred, net of reinsurance			(200,622)		(102,675)
Net operating expenses	5		(90,258)		(82,072)
Change in the equalisation provision	6		48,688		(11,025)
Balance on the technical account for general business			48,789		84,264

The notes set out on pages 19 to 45 form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT - LONG-TERM BUSINESS

for the year ended 31 December 2016

	Note	2016 €'000	€'000	2015 €'000	€'000
Continuing operations					
Earned premiums, net of reinsurance					
Gross premiums written	4	36,353		22,959	
Outward reinsurance premiums		(2,528)		(1,812)	
Net premiums written		33,825		21,147	
Investment income		385		1,238	
			34,210		22,385
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(18,580)		(15,889)	
Reinsurers' share		136		54	
Net claims paid		(18,444)		(15,835)	
Change in provision for claims, net of reinsurance					
Long-term business provision, net of reinsurance					
Gross amount		(7,779)		2,990	
Reinsurers' share		1,609		(168)	
Change in the net provision for claims		(6,170)		2,822	
			(24,614)		(13,013)
Net operating expenses	5		(7,632)		(5,451)
Investment expenses and charges			(771)		(439)
Unrealised losses on investments			585		(288)
Balance on the technical account for long-term business			1,778		3,194

The notes set out on pages 19 to 45 form an integral part of these financial statements

PROFIT AND LOSS ACCOUNT - NON-TECHNICAL ACCOUNT

for the year ended 31 December 2016

	Note	2016 €'000	Restated 2015 €'000
Balance on the general business technical account		48,789	84,264
Balance on the long-term business technical account		1,778	3,194
Investment income	8(a)	29,665	22,856
Unrealised gains / (losses) on investments		9,670	(5,657)
Investment expenses and charges	8(b)	(12,369)	(5,438)
Allocated investment return transferred to the long-term business technical account		(199)	(511)
Profit on ordinary activities before tax	9	77,334	98,708
Tax on profit on ordinary activities	10	118	(21,411)
Profit for the financial year		77,452	77,297

The results above are derived from continuing operations.

Neither gains nor losses arising on the holding or disposal of investments; nor the effect of fair value accounting for financial instruments are required to be included in a note of historical profit and losses. There are no other differences between the profit on ordinary activities after tax or the profit for the financial year stated above and their historical cost equivalents.

The notes set out on pages 19 to 45 form an integral part of these financial statements

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Profit for the financial year		77,452	77,297
Items that may be reclassified to profit or loss:			
Currency translation differences		5,103	2,400
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain recognised on medical scheme	11(c)	(66)	47
Actuarial gain / (loss) recognised on pension scheme	11(a)	627	(202)
Corporation tax relief associated with actuarial movements on medical and pension schemes	11(a)	(213)	52
Other comprehensive income for the year, net of tax		5,451	2,297
Total comprehensive income for the year		82,903	79,594

The notes set out on pages 19 to 45 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

2016	Called up share capital €'000	Share premium account €'000	Profit and loss account €'000	Other reserves €'000	Total shareholders' funds €'000
At 1 January	24,205	487,201	87,699	2,201	601,306
Dividends paid	-	-	(19,000)	-	(19,000)
Profit for the financial year	-	-	77,452	-	77,452
Currency translation differences	-	-	-	5,103	5,103
Actuarial loss recognised in the defined benefit schemes	-	-	348	-	348
At 31 December	24,205	487,201	146,499	7,304	665,209

2015	Called up share capital €'000	Share premium account €'000	Profit and loss account €'000	Other reserves €'000	Total shareholders' funds €'000
At 1 January	24,205	487,201	10,504	(199)	521,711
Dividends paid	-	-	-	-	-
Profit for the financial year	-	-	77,297	-	77,297
Currency translation differences	-	-	-	2,400	2,400
Actuarial loss recognised in the defined benefit schemes	-	-	(102)	-	(102)
At 31 December	24,205	487,201	87,699	2,201	601,306

The notes set out on pages 19 to 45 form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2016

Assets	Note	2016 €'000	Restated 2015 €'000
Investments			
Other financial investments	13	1,567,965	1,549,871
Deposits with ceding undertakings		135,863	136,398
Derivative financial instruments	14	1,900	1,770
		1,705,728	1,688,039
Reinsurers' share of technical provisions			
Provision for unearned premiums	15	2,355	8,186
Long-term business provision	15	2,091	597
Claims outstanding	15	108,246	121,963
		112,692	130,746
Debtors			
Debtors arising out of reinsurance operations	20	240,424	187,456
Deferred tax	21	7,484	2,902
Other debtors	22	30,170	4,666
		278,078	195,024
Other assets			
Tangible assets	23	291	368
Cash at bank and in hand		27,686	9,804
		27,977	10,172
Prepayments and accrued income			
Accrued interest		3,743	4,570
Deferred acquisition costs		9,858	11,673
		13,601	16,243
Total assets		2,138,076	2,040,224

The notes set out on pages 19 to 45 form an integral part of these financial statements

BALANCE SHEET
As at 31 December 2016

Liabilities	Note	2016 €'000	Restated 2015 €'000
Capital and reserves			
Called up share capital	24	24,205	24,205
Share premium account		487,201	487,201
Other reserves		7,304	2,201
Profit and loss account		146,499	87,699
Total shareholders' funds		665,209	601,306
Technical provisions			
Provision for unearned premiums	15	80,711	45,429
Long-term business provision	15	51,563	45,831
Claims outstanding	15	1,202,239	1,166,745
Equalisation provision	6	-	48,688
		1,334,513	1,306,693
Deposits retained from reinsurers		27,774	20,182
Creditors			
Creditors arising out of reinsurance operations		74,428	72,822
Derivative financial instruments	14	6,847	4,709
Other creditors including taxation and social security	25	17,944	22,702
		99,219	100,233
Accruals and deferred income		3,495	3,274
Pension deficit	11	7,866	8,536
Total liabilities		2,138,076	2,040,224

These financial statements on pages 12 to 45 were approved by the Board of Directors on 5 May 2017 and signed on its behalf by:

D J WINKETT
Director

QBE Re (Europe) Limited
Registered Number: 1378853 (England & Wales)
Registered office: Plantation Place, 30 Fenchurch Street, London - EC3M 3BD

The notes set out on pages 19 to 45 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

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.

(a) Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework". The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements are prepared on the going concern basis and in accordance with the provisions of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) relating to insurance companies, and applicable accounting standards in the United Kingdom.

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 2016, in which the Company is included. The consolidated financial statements for QBE Insurance Group Limited, the ultimate parent company, are publicly available.

Having assessed the proportion of the long-term business relative to the overall premium written by the Company and the provisions in SI 2008/410, the financial results and position arising from long-term business have been disclosed separately to the general business.

Following implementation of Solvency II reporting on 1 January 2016, the Company has released the equalisation provision previously recorded on the balance sheet.

(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:

IAS 7: Presentation of a 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 group financial statements of QBE Insurance Group Limited. The group financial statements of QBE Insurance Group Limited are available to the public and can be obtained as set out in note 32.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

1. Accounting policies (continued)

(c) Basis of accounting for insurance

The result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned portion of premiums, net of reinsurance as described below:

(i) Premiums written

Premium comprises amounts charged to policyholders, excluding taxes collected on behalf of third parties. The earned portion of premium received and receivable, including unclosed business, is recognised as revenue. Premium on unclosed business is brought to account based upon the pattern of booking of renewals and new business. Unclosed business is insurance written close to the year end for which the date of attachment of risk is prior to the year end, and where an estimate is made due to insufficient information being available.

Long term business premiums, including those for inwards reinsurance business, are accounted for when due for payment.

(ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns.

(iii) Acquisition costs

Acquisition costs (which include commission costs) are the costs associated with obtaining and recording insurance contracts. Acquisition costs are capitalised when they relate to the acquisition of new business or the renewal of existing business and are referred to as deferred acquisition costs. These costs are amortised on the same basis as the earning pattern of the premium, over the period of the insurance contract to which they relate. At the reporting date, deferred acquisition costs represent the capitalised costs that relate to the unearned premium. Acquisition costs are deferred in recognition of their future benefit and are measured at the lower of cost and recoverable amount.

(iv) Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(v) Claims provisions and related reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries.

Outstanding claims and reinsurance recoveries are estimated by reviewing individual claims and making allowance for claims incurred but not reported, using experience and trends adjusted for foreseeable events.

Case estimates are set by experienced claims technicians, applying their skill and specialist knowledge to the circumstances of individual claims. The ultimate cost of outstanding claims, including claims incurred but not reported, is estimated by the Company's actuaries who apply recognised actuarial techniques considered appropriate for each portfolio, such as chain ladder and Bornhuetter-Ferguson methods. These methods take into account, among other things, statistical analysis of the development of the value and frequency of past claims and the results of analyses undertaken at the point of underwriting. Techniques considered appropriate for specific portfolios include contract by contract analysis, segmentation by subclass, and stochastic analysis. Classes of business are analysed at a level of detail appropriate to their materiality. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or decrease when compared with the cost of previously settled claims, for

1. Accounting policies (continued)

(c) Basis of accounting for insurance (continued)

(v) Claims provisions and related reinsurance recoveries (continued)

example, one-off occurrences and changes in mix of business, policy conditions or the legal environment. The best estimate of reserves for the Company is produced and reviewed by a combination of internal and external actuarial review and is then assessed by QBE management with input from underwriting and claims experts.

As provisions for claims outstanding are based on information that is currently available, the eventual outcome may vary from the original assessment depending on the nature of information received or developments in future periods. For certain classes of business including liability and other long tail classes written by the Company, claims may not be apparent for many years after the event giving rise to the claim has happened. These classes will typically display greater variation between initial estimates and outcomes. Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account for the year in which these claims are re-estimated or settled.

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

In accordance with accounting regulations, discounting of outstanding claims is permitted in certain circumstances. For the Company this includes discounting of outstanding reserves in respect of liabilities relating to periodical payment orders.

(vi) Unexpired risks provision

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together.

(vii) Equalisation provision

During 2015 and prior years, amounts were set aside as equalisation provisions in accordance with the Prudential Regulatory Authority (PRA) Handbook for the purpose of mitigating exceptionally high loss ratios in future years. Following adoption of Solvency II reporting on 1 January 2016 this provision was released as it is no longer required as part of the regulatory framework.

(viii) Outwards reinsurance

Outwards reinsurance premiums written relate to business ceded during the year, including an estimate of any adjustment premiums payable, together with any differences between estimates in the prior years and that actually ceded. Outwards premiums are recognised as earned over the period of the policy having regard to the incidence of risk. Policies that respond with reference to the attachment point are earned in line with the related inwards written premiums. Policies that respond in relation to the date of loss are earned on a time apportionment basis unless there is a marked unevenness in the incidence of risk over the period of cover, when a basis that reflects the profile of risk is used. The unexpired proportion of the outwards premiums at the balance sheet date is carried forward as reinsurers' share of unearned premiums provision.

(ix) Long-term business

Business classified as long-term business consists of reinsurance of risk premium business, which is annual business with a sum payable on death of the policyholder, endowment assurances and annuities. Reinsurance of risk premium business is the majority of the business, and is written on an annual basis. Long-term business is shown in its separate technical account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

1. Accounting policies (continued)

(d) Expenses

Acquisition costs, general overheads and other expenses are charged as incurred to the profit and loss technical account, net of the change in deferred acquisition costs. Investment expenses are charged to the profit and loss non-technical account.

The management and administration of the Company is carried out by QBE Management Services (UK) Limited and QBE Management (Ireland) Limited, fellow group undertakings, which also provide these services to other QBE EO companies. Administrative expenses, where recharged by QBE Management Services (UK) Limited and QBE Management (Ireland) Limited to the Company, and those incurred directly by the Company's branches are taken into account on an accruals basis. These expenses include the costs of staff, who in the UK are employed by QBE Management Services (UK) Limited and in Ireland by QBE Management (Ireland) Limited.

QBE Management Services (UK) Limited and QBE Management (Ireland) Limited operate both defined benefit and defined contribution pension schemes, the expense of which is included in the recharges.

The Company operates a defined contribution pension scheme for certain employees in Belgium. The pension entitlement of employees is secured through contributions by the Company to a separately administered pension fund. Payments are charged as expense as they fall due.

The Company also operates a defined benefit pension scheme. The costs of the defined benefit pension scheme are determined using the projected unit credit method. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses in the year they arise. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation reduced by the fair value of scheme's assets.

A surplus is only recognised if it is either recoverable from reductions in future contributions, or if agreement is in place to recover it from the scheme.

(e) Tangible assets

Tangible assets are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost less estimated residual values in equal amounts over the estimated useful lives of the tangible assets. The estimated lives are as follows:

Office equipment	from three to five years
Computer equipment	from three to five years

A review for impairment of a tangible asset is carried out if events or changes in circumstances indicate that the carrying amount of the tangible asset may not be recoverable. The recoverable amount is the higher of its fair value less costs to sell and its value in use. If the carrying value exceeds the recoverable amount the carrying value is reduced by writing the difference to the profit and loss account in that period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

1. Accounting policies (continued)

(f) Taxation

The charge for taxation is based on the result for the year adjusted for disallowable items. Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet rate. 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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, as appropriate.

(g) Investments

Investments are designated as fair value through profit and loss on initial recognition. They are initially recorded at fair value, being the cost of acquisition excluding transaction costs, and are subsequently measured at fair value at each reporting date. Financial assets are managed on a fair value basis in accordance with the Company's documented investment strategy.

Listed investments are stated at fair value based on current bid prices quoted by the relevant exchanges. Unlisted investments are carried at Directors' estimate of current fair value.

Other investments are stated at prices quoted by various recognised sources.

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 determined using generally accepted valuation techniques, including the use of forward exchange rates for the valuation of forward foreign exchange contracts.

Financial assets 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.

(h) Investment income

Interest income is recognised on an accruals basis. Dividends are recognised when the right to receive payment is established. Investment income includes realised and unrealised gains or losses on financial assets that are reported on a combined basis as fair value gains or losses on financial assets.

A transfer is made from the non-technical account to the technical account of the return on investments supporting the long term insurance technical provisions.

(i) Financial liabilities

Creditors are initially recognised at fair value, net of directly attributable transaction costs, and are subsequently stated at amortised cost through the profit and loss account using the effective interest method, with the exception of derivatives. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently stated at fair value determined using generally accepted valuation techniques, including the use of forward exchange rates for the valuation of forward foreign exchange contracts.

(j) Operating leases

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

1. Accounting policies (continued)

(k) Foreign currency

The functional currency of the Company and its Belgian branch is the Euro (€). The functional currency of the Irish and Bermudian branches is the US dollar. The Company presents its financial statements in thousands of Euros.

Foreign currency transactions are translated into functional currencies at the rates of exchange on the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date.

Exchange gains or losses are initially recognised in the profit and loss non-technical account as part of investment income, including gains and losses on foreign exchange derivatives.

The results and financial positions of the Irish and Bermudian branches are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date; and
- Income and expenses are translated at the average rate of exchange during the year.

All resulting exchange gains or losses are recognised through the Statement Of Changes in Equity as a separate component of equity.

2. Critical accounting estimates and judgments

The Company makes estimates and judgments in respect of the reported amounts of certain assets and liabilities. These estimates and judgments are determined by qualified and experienced employees with reference to historical data and reasoned expectations of future events, and are continually updated. Actual results may differ from these estimates.

The following are the critical judgements that the Company have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Outstanding claims provisions

The Company's net outstanding claims provision comprises:

- the gross estimate of expected future claims payments;
- amounts recoverable from reinsurers based on the gross estimate;

Gross estimate

The provision for expected future payments includes claims reported but not yet paid; claims incurred but not reported (IBNR); claims incurred but not enough reported (IBNER); and estimated claims handling costs, being the direct and indirect expenses incurred in the settlement of claims.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claims is generally available. Liability and other long tail classes of business, where claims settlement may not happen for many years after the event giving rise to the claim, typically display greater variability between initial estimates and final settlement due to delays in reporting claims, uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short tail classes are typically reported and settled sooner after the claim event, giving rise to more certainty. The estimation techniques and assumptions used in determining the gross estimate are described below.

The Company's process for establishing the gross estimate involves extensive consultation with internal and external actuaries, claim managers, underwriters and other senior management. This process includes regular in-house claims review meetings attended by senior divisional and management and detailed review by external actuaries at least annually. The determination of the amounts that the Company will ultimately pay for claims arising under reinsurance contracts involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

2. Critical accounting estimates and judgments (continued)

- changes in patterns of claims incidence, reporting and payment;
- volatility in the estimation of future costs for long tail classes due to the longer period of time that elapses before a definitive determination of the ultimate claims cost can be made;
- incidence of catastrophic events close to the balance sheet date;
- changes in the legal environment, including the interpretation of liability laws and the quantum of damages; and
- social and economic trends, for example price and wage inflation and interest rates.

The potential impact of changes in key assumptions used in the determination of the gross estimate on the Company's profit or loss are summarised in note 17.

Gross estimates for each class of business are determined by reference to a variety of estimation techniques, generally based on a statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected estimates are based on a judgmental consideration of the results of each method and qualitative information, for example, the class of business, the maturity of the portfolio and the expected term to settlement of the class. Projections are based on both historical experience and external benchmarks where relevant.

Estimates are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts recoverable from reinsurers based on the gross estimate.

Assets arising from contracts with reinsurers

Assets arising from reinsurance recoveries under contracts with the Company's reinsurers are determined using the same methods described above. In addition, the recoverability of these assets is assessed at each balance date to ensure that the balances properly reflect the amounts that will ultimately be received, taking into account counterparty credit risk and the contractual terms of the reinsurance contract. Counterparty credit risk in relation to reinsurance assets is considered in note 19 in conjunction with other assets.

3. Capital

The total amount of capital of the Company is €665,209k (2015 €601,306k) consisting of its net assets.

The Company has been applying a PRA approved internal capital model for regulatory capital reporting with effect from 1 January 2016. This replaces the previous Solvency I PRA regulatory capital reporting completed by the Company during 2015.

The Company has defined its internal model as an integrated framework to support its objectives by managing risk and capital across the business. The internal model has broad scope including: capital modelling; risk identification; mitigation; assessment and monitoring, and is used in the day to day operation of the Company.

We use the internal model to help assess our risk and calculate the appropriate level of risk-based capital to allocate to risks to which we are exposed. The assessment of risk-based capital enables us to make decisions that involve quantitative risk reward trade-offs. The allocation of risk-based capital helps ensure that the level of risk we take is commensurate with the required returns and is within the approved risk appetite and tolerance.

The Company was in compliance with all externally imposed capital requirements throughout the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

4. Segmental analysis

The Company operates in one segment, reinsurance acceptances, only.

Analysis by geographic area

	Gross premiums written		Profit before tax		Net assets	
	2016	2015	2016	2015	2016	2015
	€'000	€'000	€'000	€'000	€'000	€'000
United Kingdom	-	-	-	-	207,670	226,683
Ireland	130,714	135,328	70,290	56,922	100,739	29,677
Belgium	270,715	208,463	1,614	39,693	349,061	342,832
Bermuda	11,860	8,021	5,430	2,094	7,739	2,114
	413,289	351,812	77,334	98,709	665,209	601,306

Gross premium by destination

	Gross premiums written	
	2016	2015
	€'000	€'000
United Kingdom	16,586	15,990
Other EU member states	225,314	201,306
The Americas and Caribbean	107,481	71,708
Asia	38,340	42,645
Other	25,568	20,163
	413,289	351,812

5. Net operating expenses

	2016	2015
	€'000	€'000
Acquisition costs	83,036	71,336
Change in deferred acquisition costs	2,078	200
Administrative expenses	14,720	17,953
Gross operating expenses	99,834	89,489
Reinsurance commissions and profit participation	(1,944)	(1,966)
Net operating expenses	97,890	87,523

6. Equalisation provision

	2016 €'000	2015 €'000
At 1 January	48,688	37,663
Transfer during the year	-	11,025
Released during the year	(48,688)	-
At 31 December	-	48,688

Following implementation of Solvency II reporting on 1 January 2016, the Company has released the equalisation provision previously recorded on the balance sheet.

As explained in accounting policy 1(c)(vii), an equalisation provision was established in the Company financial statements in 2015 and prior financial years. Following adoption of Solvency II reporting from 1 January 2016, this provision was released. The release of this provision during 2016 resulted in an increase to shareholder's funds of £48,688k (2015 decrease by £11,025k). The release of the provision also resulted in an increase in the technical account and profit on ordinary activities before tax by £48,688k (2015 decrease of £11,025k).

7. Employees

The Company does not employ any staff in the UK or Ireland. All UK staff are employed by QBE Management Services (UK) Limited. All Irish staff are employed by QBE Management (Ireland) Limited. The Company is recharged for the services provided by these staff.

The Company holds contracts of employment with those staff employed by the Belgian and Bermudian branches.

Total employee costs for the year, including those recharged from QBE Partner Services (Europe) LLP and QBE Management (Ireland) Limited were:

	2016 €'000	2015 €'000
Wages and salaries	16,128	14,400
Social security costs	2,954	2,779
Other pension costs	1,664	1,748
	20,746	18,927

Employee costs that have been recharged include amounts in respect of share based payments granted by the ultimate parent company. Full details of these share based payments are included in the financial statements of QBE Management Services (UK) Limited and QBE Management (Ireland) Limited as these are the companies that employ the staff.

It is not practicable to allocate employee numbers for the above recharged costs, so these have been disclosed in aggregate in the statutory financial statements of QBE Management Services (UK) Limited and QBE Management (Ireland) Limited.

The average monthly staff numbers directly employed by the Belgium and Bermudian branch of the Company for the year was:

	2016 Number	2015 Number
Underwriting	12	13
Claims	4	7
Administration	72	69
	88	89

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

8. Investment income, expenses and charges

(a) Investment income

	2016 €'000	Restated 2015 €'000
Dividend income	3,847	3,361
Income from other investments	15,531	16,847
Realised gains on investments	154	748
Foreign exchange gains	10,133	1,900
	29,665	22,856

8. Investment income, expenses and charges (continued)

(b) Investment expenses and charges

	2016 €'000	Restated 2015 €'000
Investment management expenses	4,623	2,549
Realised losses on investments	7,746	2,889
	12,369	5,438

9. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging:

	2016 €'000	2015 €'000
Auditors' remuneration in respect of audit services	156	166
Auditors' remuneration in respect of other services supplied pursuant to legislation	76	63
Payments on operating leases	498	496
Depreciation charge for the year	199	128

Fees paid to the auditors for the supply of other services are borne by other group companies and are disclosed in total in the QBE European Operations plc consolidated financial statements. There are no non audit fees in respect to QBE Re (Europe) Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

10. Tax on profit on ordinary activities

	2016 €'000	2015 €'000
Analysis of charge in year		
Current tax:		
UK corporation tax	47	5
Adjustments to tax in respect of prior year	5	104
Foreign tax	4,625	21,345
Total current tax	4,677	21,454
Deferred tax:		
Origination and reversal of timing differences	(4,795)	(43)
Total deferred tax	(4,795)	(43)
Tax (benefit) / charge on profit on ordinary activities	(118)	21,411

Factors affecting tax charge for the year

The tax for the year is lower than (2015 higher) the standard rate of corporation tax in the UK, 20.00% (2015 20.25%). The differences are explained below:

	2016 €'000	2015 €'000
Profit on ordinary activities before tax	77,334	98,709
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 20.00% (2015 20.25%)	15,467	19,989
Effects of:		
Differences in tax rates outside UK	(7,002)	1,027
Income exempt from tax	(242)	(245)
Permanent differences	(10,789)	(1,740)
Expenses not deductible for tax purposes	2,443	2,276
Adjustments to tax in respect of prior year	5	104
Current tax (benefit) / charge for the year	(118)	21,411

Factors affecting current and future tax charges

A reduction to the UK corporation tax rate was announced in the July 2016 Budget which reduces the rate to 17% effective 1 April 2020. This change was enacted on 15 September 2016 and is therefore recognised in these financial statements for the relevant deferred tax balances. The appropriate tax rate has been used, depending on when the timing/temporary differences are expected to be reversed.

The Belgian and Irish corporation tax rates of 33.99% and 12.5% respectively have also been recognised on the relevant branch deferred tax balances.

There were no additional developments affecting the UK corporation tax rate in July 2016 budget.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

11. Pension schemes

A proportion of the management and administration of the Company is carried out by QBE Management Services (UK) Limited and QBE Management (Ireland) Limited, fellow group undertakings. QBE Management Services (UK) Limited and QBE Management (Ireland) Limited operate defined contribution pension schemes and defined benefit pension schemes for their employees. Details of the pension scheme arrangements are disclosed in the financial statements of QBE Management Services (UK) Limited and QBE Management (Ireland) Limited along with the total amount of pension contributions paid.

The Company's employees in the Belgian branch are covered by pension scheme arrangements as follows:

(a) Defined benefit scheme

The Company's Belgian branch operates a defined benefit pension scheme (Secura NV scheme). The Secura NV scheme became part of the Company in 2012.

The pension contributions relating to the scheme are assessed in accordance with the advice of independent qualified actuaries so as to spread the cost over the service lives of employees.

The actuarial valuation was reviewed and updated by independent external actuaries as at 31 December 2016 for the purposes of inclusion in these financial statements.

The principal actuarial assumptions used at the year end were:

	2016 %	2015 %
Expected return on plan assets	1.8	1.8
Discount rate	1.8	1.8
Inflation	1.7	1.7

On retirement, the scheme pays out a lump sum based on the final salary of the employee. As a result, rate of increase of pensions and life expectancy are not assumptions needed in the valuation of the scheme.

The valuation of the scheme's liabilities has been determined using the projected unit method.

In addition, an assumption is made as to the life expectancy of members of the scheme. In conjunction with the scheme actuaries, the mortality tables used to calculate the liabilities are the Belgian mortality table MR and FR with an age correction of minus 3 years.

The scheme assets do not include any of the Company's own financial instruments or any property occupied by, or other assets used by the Company. The pension scheme is invested in a collective fund managed by KBC Group NV.

	Market value 2016 €'000	Market value 2015 €'000
Collective fund	11,461	10,589
Total market value of assets	11,461	10,589

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

11. Pension schemes (continued)

(a) Defined benefit scheme (continued)

The overall expected long term rate of return on fund assets is based on historical and future expectations of returns for each of the major asset classes as well as the expected and actual allocation of scheme assets to these major classes.

	2016 €'000	2015 €'000
Analysis of the amount credited to other finance income:		
Expected return on scheme assets	190	169
Interest on scheme liabilities	(327)	(302)
Net charge	(137)	(133)

	2016 €'000	2015 €'000
Analysis of the amount recognised in the statement of other comprehensive income (OCI):		
Actuarial gain / (losses)	880	(202)
Deferred tax (charges) / credit on actuarial losses	(213)	52
Gain / (loss) recognised in the OCI after tax	667	(150)

The cumulative amount of actuarial gains and losses recognised in the statement of other comprehensive income is a pre tax loss of €2,283k (2015 loss €3,163k).

There is no history of assets and liabilities or history of experience gains and losses before 2012, as the defined benefit pension scheme was transferred to the Company as of the start of 2012.

	2016 €'000	2015 €'000	2014 €'000
Wholly funded defined benefit obligation at 1 January	(18,607)	(17,078)	(15,188)
Service cost	(691)	(696)	(697)
Interest cost	(328)	(302)	(469)
Actuarial losses	(383)	(603)	(811)
Contributions	111	72	87
Benefits paid	1,415	-	-
Wholly funded defined benefit obligation at 31 December	(18,483)	(18,607)	(17,078)
Fair value of scheme assets at 1 January	10,589	9,385	7,536
Expected return on scheme assets	190	169	244
Actuarial gain on scheme assets	1,264	401	950
Benefits and expenses paid	(111)	(72)	(87)
Employer contributions	944	706	742
Arising from the transfer in of merged entities	-	-	-
Distribution	(1,415)	-	-
Fair value of scheme assets at 31 December	11,461	10,589	9,385
Deficit in the balance sheet at 31 December	(7,022)	(8,018)	(7,693)

In 2017 the Company plans to make contributions totalling €619k to the scheme.

11. Pension schemes (continued)

(b) Defined contribution schemes

For those employees who are not members of the defined benefit scheme, the Belgian branch operates a defined contribution scheme. The pension entitlement of employees is secured through contributions to separately administered pension funds as appropriate. There are no outstanding pension accruals or prepayments for these schemes as at 31 December 2016 (2015 €nil). The charge for the year was €253k (2015 €908k).

The Company has no significant exposure to any other post-retirement benefits obligations.

(c) Medical scheme

The Company is committed to pay medical expenses of certain former employees on retirement. This is accounted for in the same way as the defined benefit pension scheme. The pension deficit in the balance sheet at 31 December 2016 was €591k (2015 €518k).

12. Directors' emoluments

The following aggregate emoluments were paid to Directors of this Company, including by QBE Management Services (UK) Limited, in respect of services as Directors of this Company for the year:

	2016 €'000	2015 €'000
Aggregate emoluments (excluding pension contributions)	1,078	1,843
Compensation for loss of office	-	14
Company pension contributions to defined benefit scheme	-	88
Company pension contributions to money purchase scheme	68	100
	1,146	2,045

	Number	Number
Number of Directors who are members of a defined benefit scheme	-	2
Number of Directors who are members of a money purchase scheme	5	8

	€'000	€'000
Highest paid director:		
Aggregate emoluments	857	1,070
Company pension contribution to money purchase scheme	57	64

13. Investments

(a) Shares in group undertakings

Held by Company	Registered office	Class of share	Holding in company	Principal activity
QBE Services (Europe) Limited	Plantation Place, 30 Fenchurch Street, London, EC3M 3BD United Kingdom	Ordinary	50%	Service company incorporated on 12 December 2014

QBE Services (Europe) Limited is a service company that was incorporated on 12 December 2014 and is 50% owned by QBE Insurance (Europe) Limited and 50% owned by QBE Re (Europe) Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

13. Investments (continued)

(b) Other financial investments

	2016 Fair value €'000	2016 Cost €'000	2015 Fair value €'000	2015 Cost €'000
Shares and other variable yield securities and units in unit trusts:				
Shares - listed	18,058	17,611	16,979	17,687
Shares - unlisted	16,307	19,542	22,095	19,542
Other variable yield securities and units in unit trusts - unlisted	113,784	102,565	103,069	97,920
Debt securities and other fixed income - listed	1,395,352	1,385,046	1,397,726	1,394,098
Infrastructure loans	24,461	24,126	10,000	10,000
Deposits with credit institutions	3	3	2	2
	1,567,965	1,548,893	1,549,871	1,539,249

(c) Valuation hierarchy

The table below shows the financial instruments carried at fair value using a fair value hierarchy that reflects the significance of inputs into the determination of fair value as follows. The table excludes the deposits with credit institutions.

2016	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Shares – listed	18,058	-	-	18,058
Shares – unlisted	-	-	16,307	16,307
Debt securities and other fixed income - listed	160,094	1,235,258	-	1,395,352
Derivative financial instruments - assets	-	1,900	-	1,900
Other variable yield securities and units in unit trusts - unlisted	-	113,784	-	113,784
Infrastructure loans	-	9,949	14,512	24,461
	178,152	1,360,891	30,819	1,569,862

2015	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Shares – listed	16,979	-	-	16,979
Shares – unlisted	-	-	22,095	22,095
Debt securities and other fixed income - listed	68,184	1,329,542	-	1,397,726
Derivative financial instruments - assets	-	1,770	-	1,770
Other variable yield securities and units in unit trusts - unlisted	-	103,069	-	103,069
Infrastructure loans	-	-	10,000	10,000
	85,163	1,434,381	32,095	1,551,639

The investments included in Level 3 have one or more inputs that are not based on observable market data. The following table presents the movements of Level 3 investments during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

13. Investments (continued)

	2016 €'000	2015 €'000
Balance at 1 January	32,095	49,237
Purchases	4,365	-
Unrealised gains in profit and loss	(5,410)	430
Redemptions	(231)	(17,572)
Balance at 31 December	30,819	32,095

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. For unlisted property, fair valued is determined by using the current unit price as advised by the responsible entity, trustee or equivalent of the investment management scheme.

Level 3 Valuation techniques are applied in which any one or more significant input is not based on observable market data. The fair value of infrastructure loan prices are sourced from the investment manager who may use a combination of observable market prices or comparable market prices where available and carried book value where none exist.

14. Derivative financial instruments

Fair value	2016 €'000	Restated 2015 €'000
Foreign currency derivatives		
Derivative financial instrument – assets	1,900	1,770
Derivative financial instrument – liabilities	(6,847)	(4,709)

Foreign currency derivatives

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. Contractual amounts included foreign exchange contracts to buy the net equivalent of €112,384k (2015 €233,593k).

The forward foreign exchange derivatives outstanding at the year end expired by 25 January 2017 (2015 27 January 2016).

During the year a loss of €4,682k (2015 €18,703k loss) relating to forward foreign exchange derivatives was recognised. This is included in the net foreign exchange gain of €10,133k (2015 €1,900k gain) in the profit and loss non-technical account.

Fixed income derivatives

The Company entered into fixed income derivative future contacts to provide a partial hedge for the fixed income portfolios within the Company against a rise in short term interest rates.

During the year, a loss of €126k (2015 €87k loss) was included in the profit and loss non-technical account relating to these derivatives.

There are no contractual amounts for fixed income derivatives outstanding at the balance sheet date (2015 €nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

15. Technical provisions

2016

Gross	Provision for unearned premium €'000	Claims outstanding €'000	Net €'000
At 1 January	45,429	1,212,576	1,258,005
Movement per technical account	33,949	53,637	87,586
Foreign exchange	1,333	(12,411)	(11,078)
At 31 December	80,711	1,253,802	1,334,513
Reinsurance			
At 1 January	8,186	122,560	130,746
Movement per technical account	(5,114)	(9,927)	(15,041)
Foreign exchange	(717)	(2,296)	(3,013)
At 31 December	2,355	110,337	112,692

2015

Gross	Provision for unearned premium €'000	Claims outstanding €'000	Net €'000
At 1 January	35,987	1,231,800	1,267,787
Movement per technical account	4,469	(41,254)	(36,785)
Foreign exchange	4,973	22,030	27,003
At 31 December	45,429	1,212,576	1,258,005
Reinsurance			
At 1 January	1	122,988	122,989
Movement per technical account	7,790	(3,871)	3,919
Foreign exchange	395	3,443	3,838
At 31 December	8,186	122,560	130,746

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

16. Outstanding claims – claims development

2016	2012 and prior €'000	2013 €'000	2014 €'000	2015 €'000	2016 €'000	Total €'000
At end of year		204,774	207,455	176,582	213,241	
One year later		212,209	207,041	199,304		
Two years later		208,126	201,565			
Three years later		203,200				
Current estimate of net cumulative claims cost		203,200	201,565	199,304	213,241	
Cumulative net claims payments to date		(107,570)	(103,871)	(69,667)	(28,548)	
Net outstanding claims	635,811	95,630	97,694	129,637	184,693	1,143,465

At the start of 2012 the net outstanding claims liabilities of two wholly owned QBE Group companies were transferred into the Company by way of a portfolio transfer. For financial reporting purposes the net outstanding claim liabilities that were transferred are disclosed in the 2012 underwriting year.

The Company writes business in currencies other than Euro. The translation of outstanding claims denominated in foreign currencies gives rise to foreign exchange movements which have no direct bearing on the development of the underlying claims. To eliminate this distortion, all estimates of net cumulative claims cost and cumulative payments for the 4 most recent reporting years denominated in currencies other than Euro have been retranslated to Euro using exchange rates at the end of the current financial year.

17. Impact of changes of key variables on the outstanding claims provision

The impact of changes in key variables used in the calculation of the outstanding claims provision is summarised in the table below. Each change has been calculated in isolation from the other changes and assuming that there is no change to any of the other variables.

	Sensitivity %	Profit / (loss) 2016 €'000	Profit / (loss) 2015 €'000
Net claims outstanding	+5	45,739	43,464
	-5	(45,739)	(43,464)
Euro to US dollar exchange rate	+10	5,279	5,839
	-10	(5,279)	(5,839)
Euro to Pound sterling exchange rate	+10	8,909	8,616
	-10	(8,909)	(8,616)

The above is shown net of taxation at the standard rate of 20.00% (2015 20.25%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

18. Maturity profile of net outstanding claims

2016	1 year or less €'000	1 to 2 years €'000	2 to 3 years €'000	3 to 4 years €'000	4 to 5 years €'000	Over 5 years €'000	Total €'000
2016	212,535	125,050	91,559	77,758	66,531	570,032	1,143,465
2015	221,321	115,633	89,408	76,376	67,418	519,860	1,090,016

19. Financial risk management

The activities of the Company expose it to financial risks such as market risk, credit risk and liquidity risk. The Company's risk management framework recognised the unpredictability of financial markets and sought to mitigate potential adverse effects on the financial performance of the Company.

The key objectives of the Company's asset and liability management strategy was to ensure sufficient liquidity was maintained at all times to meet the Company's obligations, including its settlement of insurance liabilities and, within these parameters, to optimise investment returns for the Company.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices).

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 involved close senior management scrutiny. All forward foreign exchange derivatives were subject to delegated authority levels provided to management, and levels of exposure were reviewed on an ongoing basis.

The table below shows the impact on profit / (loss) and equity of changes in the value of the Company's financial instruments because of movements in foreign exchange rates.

		2016		2015	
	Movement in variable %	Profit / (loss) €'000	Equity €'000	Profit / (loss) €'000	Equity €'000
US dollar	+10	(114)	(8,793)	-	(2,535)
	–10	114	8,793	-	2,535
UK pound sterling	+10	(178)	(178)	(303)	(303)
	–10	178	178	303	303

The above is shown net of taxation at the standard rate of 20.00% (2015 20.25%).

The Company managed its exposure to foreign currencies based on the balance sheet by currency, which included insurance assets and liabilities.

19. Financial risk management (continued)

(a) Market risk (continued)

Interest rate risk

The Company was exposed to interest rate risk arising on interest bearing assets. Assets with floating interest rates exposed the Company to cash flow interest rate risk. Fixed interest rate assets exposed the Company to fair value interest rate risk. The Company's strategy was to invest in high quality, liquid fixed interest securities and cash and to actively manage duration. The investment portfolios were actively managed to achieve a balance between cash flow interest rate risk and fair value interest rate risk bearing in mind the need to meet the liquidity requirements of the business.

The Company's exposure to interest rate risk for each significant class of interest bearing financial assets and liabilities is as follows:

2016		Fixed interest rate maturing in				
	Floating Interest rate €'000	1 year or less €'000	1 to 2 years €'000	2 to 3 years €'000	Over 3 years €'000	Total €'000
Interest bearing financial assets	766,215	185,405	23,362	77,166	413,733	1,465,881

2015		Fixed interest rate maturing in				
	Floating interest rate €'000	1 year or less €'000	1 to 2 years €'000	2 to 3 years €'000	Over 3 years €'000	Total €'000
Interest bearing financial assets	707,005	-	410,737	81,846	217,937	1,417,525

The Company's sensitivity to movements in interest rates in relation to the value of fixed interest securities is shown in the table below.

	Movement in variable %	2016 Profit / (loss) €'000	2015 Profit / (loss) €'000
Interest rate movement – fixed interest securities	+0.5	(11,076)	(5,517)
	-0.5	7,508	2,831

The above is shown net of taxation at the standard rate of 20.00% (2015 20.25%).

Equity price risk

Equity price risk is the risk that the fair value of an equity financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual equity instrument or its issuer, or factors affecting all similar equity instruments traded on the market.

	Movement in variable %	2016 Profit / (loss) €'000	2015 Profit / (loss) €'000
Euro Stoxx	+20	4,927	5,628
	-20	(4,927)	(5,628)
Emerging Market Equities	+20	80	2,089
	-20	(80)	(2,089)

The above is shown net of taxation at the standard rate of 20.00% (2015 20.25%).

19. Financial risk management (continued)

Property price risk

Property price risk is the risk that the fair value of property will fluctuate because of changes in property market prices. The Company is exposed to property price risk indirectly through investments in unlisted property trusts in key developed markets.

	Movement in variable %	2016 Profit / (loss) €'000	2015 Profit / (loss) €'000
Property price – United States	+10	4,954	2,389
	-10	(4,954)	(2,389)
Property price – Europe	+10	2,639	4,787
	-10	(2,639)	(4,787)

The above is shown net of taxation at the standard rate of 20.00% (2015 20.25%).

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation.

Credit risk exposures are calculated regularly and 96.2% (2015 99.3%) of total fixed interest and cash investments are with counterparties having a Moody's 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.

The reinsurers' share of claims outstanding is also exposed to credit risk. As at 31 December 2016, 25.5% (2015 19.5%) of the reinsurers' share of claims outstanding was with fellow group undertakings and 86.6% (2015 72.2%) of the remaining balance was with reinsurers with a standard rating of A or greater.

The Company holds letters of credit as security to mitigate credit risk exposure to reinsurers. At the balance sheet date the Company held €29,909k as collateral against credit risk (2015 €28,418k).

The following table provides information regarding the carrying value of the Company's financial assets. All amounts were neither past due nor impaired.

	2016 Neither past due nor impaired €'000	Restated 2015 Neither past due nor impaired €'000
Interest bearing investments	1,465,881	1,417,525
Other financial investments	129,770	142,143
Derivative financial instruments - assets	1,900	1,770
Other debtors	5,521	4,636
Debtors arising out of reinsurance operations	240,424	187,456

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

19. Financial risk management (continued)

(c) Liquidity risk

In addition to the treasury cash held for working capital requirements, a minimum percentage of the Company's total financial assets is held in liquid, short-term money market securities to ensure there were sufficient liquid funds available to meet current obligations.

At 31 December 2016, the average duration of cash and fixed interest securities was 1.86 years (2015 1.00 years).

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

	2016 Within 1 year €'000	Restated 2015 Within 1 year €'000
Amounts due to group undertakings	-	(3,089)
Derivative financial instruments - liabilities	(6,847)	(4,709)

The Company has no significant concentration of liquidity risk.

20. Debtors arising out of reinsurance operations

	2016 €'000	Restated 2015 €'000
Amounts due within 12 months		
Premium receivable	27,872	96,857
Provision premium receivable	(1,023)	(1,268)
Amounts due from reinsurance	9,700	15,776
Unallocated cash - reinsurance	(36)	65
Provision reinsurance receivables	(1,490)	(1,482)
Unclosed gross written premium	203,039	70,326
Unclosed reinsurance written commission	2,362	301
	240,424	180,575
Amounts due after more 12 months		
Amounts due from reinsurance	-	6,881
Total debtors arising out of reinsurance operations	240,424	187,456

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2016

21. Deferred tax

	2016 €'000	2015 €'000
Deferred tax		
Deferred tax asset at start of year	2,902	2,804
Deferred tax charge in profit and loss account (note 10)	4,795	43
Other movements	-	3
Movement in provision – equity (note 11(a))	(213)	52
Deferred tax asset	7,484	2,902
Comprising:		
Pension – profit & loss movement	(93)	123
Pension – equity movement	2,566	2,779
Other timing differences	5,011	-
Undiscounted deferred tax asset	7,484	2,902

22. Other debtors

	2016 €'000	Restated 2015 €'000
Amounts due from group undertakings	-	117
Unsettled investment trade debtors	24,650	30
Corporation tax	5,520	519
Other receivables	-	4,000
	30,170	4,666

€nil of other debtors is due after more than one year (2015 €nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

23. Tangible assets

	Office equipment €'000	Computer equipment €'000	Total €'000
Cost			
As at 1 January 2016	792	627	1,419
Additions	-	122	122
Disposals	(1)	(109)	(110)
At 31 December 2016	791	640	1,431
Accumulated depreciation			
As at 1 January 2016	(490)	(561)	(1,051)
Depreciation charge	(114)	(85)	(199)
Disposals	1	109	110
At 31 December 2016	(603)	(537)	(1,140)
Net book value at 31 December 2016	188	103	291
Net book value at 31 December 2015	302	66	368

24. Called up share capital

	2016 €'000	2015 €'000
Called up, allotted and fully paid		
20,082,852 (2015 20,082,852) ordinary shares of £1 each	24,205	24,205

25. Other creditors including taxation and social security

	2016 €'000	Restated 2015 €'000
Amounts due to group undertakings	279	3,089
Unsettled investment trade creditors	17,665	17,977
Corporation tax	-	1,636
	17,944	22,702

26. Operating lease commitments

Annual commitments of the Company under operating leases are as follows:

	2016 €'000	2015 €'000
Land and buildings		
Leases which expire:		
Within one year	59	72
Between one and five years	439	424
	498	496

27. Charges on assets

The Company had outstanding liabilities covered by the deposit of cash and investments in respect of undrawn letters of credit as per the following table, with Euro equivalents translated at the relevant balance sheet date:

	2016		2015	
	Local currency '000	€'000	Local currency '000	€'000
Australian dollar	5,989	4,105	5,804	3,892
US dollar	17,721	16,850	19,290	17,752
Euro	403	403	403	403
Canadian dollar	309	219	309	206
Pound sterling	600	704	600	814

Additionally, there are charges over the investment portfolio of €300,000k (2015 €287,632k) in the Belgian branch, pledged in favour of different cedant companies as a guarantee covering the outstanding claims reserves from certain inward treaties the branch has entered into.

28. Presentation of prior year comparatives

The Company has changed the presentation of unrealised gains and losses on foreign exchange derivatives to present the derivative financial instrument assets and liabilities at a counterparty level, where right of set-off exists. In the prior year derivative financial instrument assets and liabilities were presented at a contract level.

The impact of this change to the balance sheet is:

	Restated presentation €'000	Previous presentation €'000
Derivative financial instruments - assets	1,770	2,827
Derivative financial instruments - liabilities	(4,709)	(5,766)

There has been no impact to the profit and loss account or the value of net assets from this change in presentation.

The Company has changed the presentation of interest expense associated with foreign exchange derivatives to present this expense within investment expenses and charges. In the prior year this expense was presented within investment income.

The impact of this change to the Profit and Loss Account – Non-Technical Account is:

	Restated presentation €'000	Previous presentation €'000
Investment income	22,856	20,996
Investment expenses and charges	(5,438)	(3,578)

There has been no impact to the profit and loss account or the value of net assets from this change in presentation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

28. Presentation of prior year comparatives (continued)

The Company has also changed the presentation of unsettled investment purchases and sales to present these balances within other debtors and other creditors. In the prior year these balances were presented within accruals and deferred income and accrued interest.

The impact of this change to the balance sheet is:

	Restated presentation €'000	Previous presentation €'000
Other debtors	4,666	4,636
Accrued interest	4,570	4,600
Other creditors including taxation and social security	22,702	4,725
Accruals and deferred income	3,274	21,251

There has been no impact to the profit and loss account or the value of net assets from this change in presentation.

29. Available capital resources

In accordance with PRA regulatory requirements in place during 2015, the Company separately reported the capital resources between long-term and general business of the Company. Following adoption of Solvency II reporting with effect from 1 January 2016, the Company no longer reports separate capital resource balances.

2015	Long-term business €'000	General business €'000	Total €'000
Shareholder's funds	16,340	584,966	601,306
Adjustments onto regulatory basis:			
Adjustments to assets	-	(19,837)	(19,837)
Total available capital resources	16,340	565,129	581,469

30. Movements in capital resources for long-term business

In accordance with PRA regulatory requirements in place during 2015, the Company separately reported the movements in capital resources attributable to the long-term business of the Company. Following adoption of Solvency II reporting with effect from 1 January 2016, the Company no longer reports the movement in capital resources for the long-term business.

	2015 €'000
Balance at 1 January	16,688
New business and other factors	(348)
Movement in the year in capital resources for long-term business	16,340

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2016

31. Capital resource sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities. It is also sensitive to assumptions and experience relating to mortality and morbidity and, to a lesser extent, expenses and persistency. The most significant sensitivities arise from the following three risks:

- mortality risk in relation to annuity business, which would arise if the mortality of annuitants improved more rapidly than the assumptions used for reserving;
- market risk in relation to annuity business, which would arise if the return from the fixed interest investments supporting this business were lower than that assumed for reserving; and
- mortality risk in relation to term assurance business, which would arise if mortality of the lives insured were heavier than that assumed, possibly because of an epidemic or catastrophe.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it. In this way, liabilities would be increased to anticipate the future impact of the worse experience with immediate impact on the capital position.

32. 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 group of undertakings into which the Company's financial statements are consolidated. The smallest group of undertakings into which the Company's financial statements are consolidated is headed by QBE European Operations plc, which is incorporated in the United Kingdom.

The Company's immediate parent company is QBE Holdings (EO) Limited, which is incorporated in the United Kingdom. QBE Holdings (EO) Limited is a wholly owned subsidiary of QBE European Operations plc.

The consolidated financial statements for QBE Insurance Group Limited and QBE European Operations plc are available from the Company's registered office at Plantation Place, 30 Fenchurch Street, London, EC3M 3BD.