Solvency and Financial Conditions Report ('SFCR') for the year ended 31.12.2016

Contents

1. Introduction

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in Chapter XII of the Delegated Acts. The subjects addressed are based on article 51 to 56 of the Solvency II directive and article 292 up to 298 of de Delegated Acts. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates.

All amounts in this report are presented in thousands of euros (€000), being the functional currency of Atlantic Insurance.

2. Business and performance

2.1. Business

2.1.1 Name and legal form

Atlantic Insurance Company Public Ltd ("the Company"; "Atlantic") was incorporated in Cyprus in 1983. Atlantic is a public company and its shares are listed in the Cyprus Stock Exchange since October 2000.

The address of the registered office is:

15 Esperidon Street, Strovolos,

Nicosia

2001 Cyprus

This Solvency and Financial Condition Report ("SFCR") covers Atlantic Insurance on a solo basis.

2.1.2 Name of the Supervisory Authority

The Supervisory Authority which is responsible for the financial supervision of the undertaking can be contacted at:

Superintendent of Insurance
Postal Address: P.O. Box 23364, 1682 Nicosia
Tel.: 22602990
Fax: 22302938
E-mail: insurance@mof.gov.cy

2.1.3 Name of external auditors

The independent auditors of the Company are:

Joannides + Co Limited
Certified Public Accountants and Registered Auditors
13 Ayiou Prokopiou Street
CY-2406 Engomi,
Nicosia

2.1.4 Holders of qualifying holdings in the undertaking

The persons, to the knowledge of the Company, who were direct and indirect holders of qualifying holdings in the Company at any time during the reporting period and at the end of the financial year were:

	%
Emilios Pyrishis[1]	33,77
AstroBank Ltd	19,91
Andreas Frangoullis[2]	20,28
Maro Marathovouniotou[3]	5,96

(1) The holding of Emilios Pyrishis includes his direct share of 20,37% and his indirect holding arising from the shares owned by his mother Nina Pyrishi (2,36%) and his brother George Pyrishis (11,04%).

(2) The holding of Andreas Frangoullis includes his direct share (20,01%) and his indirect holding arising from the shares owned by his wife Elli Frangoulli (0,10%), his children Christos, Orthodoxos and Vasilis (0,09%), his mother Vasilou Frangoulli (0,03%) and his brother Filippos Frangoullis (0,05%).

(3) The holding of Maro Marathovounioti includes her direct share (1,44%) and her indirect holding arising from the shares owned by her daughter Athena Nicolaidou (1,60%), her son Alexis Marathovouniotis (1,43%) and her son Andreas Marathovouniotis (1,49%).

2.1.5 Legal structure of the group

Atlantic Insurance does not belong to any insurance group and does not have any ultimate controlling parent company.

The Company has the following subsidiary companies which are all private limited liability companies registered in Cyprus:

Company	**Principal activities**	**Share**	**NBV**
		%	**€'000**
Lyssi Investments Ltd	Car hire	100,0	**86**
Lion Insurance Agency Ltd	General insurance agent	100,0	**141**
Atlantic Consultancy Services Ltd	Financial and consultancy services	75,1	**672**
Atlantic Securities Limited 88,01% subsidiary undertaking of Atlantic Consultancy Services Limited	Brokerage and investment services		
			899

2.1.6 Material lines of business and geographical areas

Material lines of business
The principal activity of the Company is the undertaking of general insurance business. For Solvency II ("SII") purposes, the Company's business includes insurance obligations that fall into the following defined Solvency II lines of business:

- Medical expense insurance
- Motor vehicle liability insurance
- Other motor insurance
- Marine, aviation and transport insurance
- Fire and other damage to property insurance
- General liability insurance
- Credit and suretyship insurance
- Assistance
- Miscellaneous financial loss

These SII lines of business are used when reporting the premium, claims, expenses and technical provisions in the SII QRTs.

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

Geographical areas

The Company conducts its insurance business only in the Republic of Cyprus.

The Company operates through its headquarters that are located in Nicosia and its branches which are located in the cities of Larnaka, Limassol and Paphos.

2.1.7 Significant business events during the reporting period

There were no significant events which occurred over the reporting period and which had had a material impact on the undertaking.

2.2. Performance

2.2.1 Underwriting performance

	2016	2015	%
	€	€	
Gross written premiums	21.969.790	22.899.789	-4,1%
Net earned premiums	16.482.721	16.454.574	0,2%
Other insurance income	754.695	771.272	-2,1%
	17.237.416	**17.225.846**	**0,1%**
Expenses			
Claims incurred	7.875.695	7.741.423	1,7%
Commissions payable	972.067	973.943	-0,2%
Administration expenses	4.198.227	4.269.212	-1,7%
	13.045.988	**12.984.578**	0,5%
Profit from operations	**4.191.427**	**4.241.268**	**-1,2%**
Net finance income	450.024	610.541	-26,3%
Investment income	417.424	253.623	64,6%
Investment gains	516.697	83.172	521,2%
Loss on property revaluation	(318.920)	-	
Provision for diminution of subsidiary	(265.120)	-	
Profit before tax	**4.991.533**	**5.188.604**	**-3,8%**
Tax	(619.124)	(641.820)	-3,5%
Profit for the year	**4.372.409**	**4.546.785**	**-3,8%**

Profit from insurance operations fell slightly by 1,2% to €4,19mln (2015: €4,24mln) as a result of the 1,7% increase in incurred claims. Operating margin was 25,4% compared with 25,8% in 2015.

The 4,1% reduction in gross written premiums was due to a reduction in fronting policies. Gross premiums excluding fronting fees recorded a small increase of 0,5%. Net written premiums amounted to €16,57mln versus €16,50mln in 2015, recording an increase of 0,5%.After the adjustments for unearned premiums, net earned amounted to €16,48mln at similar levels with the previous year.

Claims from policyholders increased by 1,7% and amounted to €7,88mln (2015: €7,74mln). The net claims loss ratio on net earned premiums rose to 47,78% from 47,05% in the previous year. The claims ratio of motor and liability insurance classes increased while the claims ratio of the other insurance classes fell.

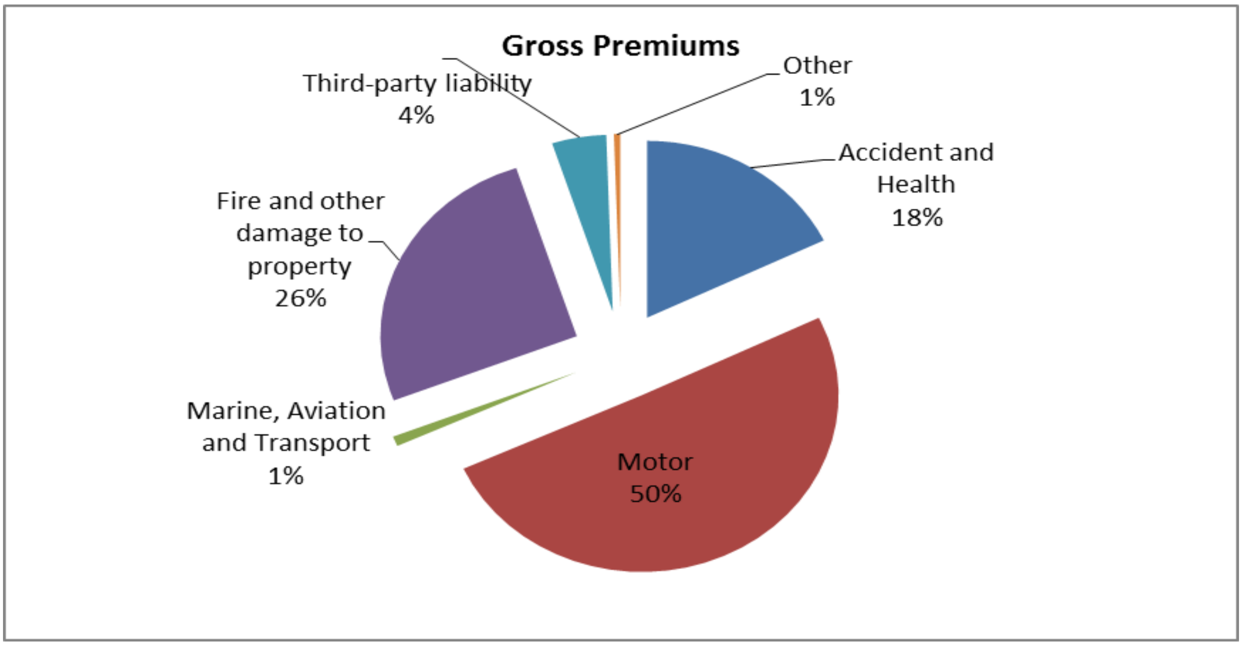
Profitability indicators	**2016**	**2015**
Net loss ratio	47,78%	47,05%
Underwriting margin	25,43%	25,78%
Investment return	5,47%	2,90%
Net profit margin	26,53%	27,63%
Earnings per share	11,18	11,63
Dividend per share	9,25	8,50

Administrative expenses fell by 2,9% to €4,58mln from €4,72mln in 2015. The decrease is mainly attributable to the reduction in the provisions for bad debts from €0,51mln to €0,32mln and the reduction in municipal taxes, vehicle expenses, electricity and computer expenses. On the other hand intangibles amortisation, professional services, rents and discounts recorded an increase.

The analysis of premiums, claims and net loss ratio by line of business is presented below.

Line of Business	**Gross written premiums**	**Net earned premiums**	**Net claims**	**Net loss ratio**
Accident and Health	3.909.219	3.478.227	2.262.418	**65,0%**
Motor, Third Party Liability	8.322.998	7.942.583	3.890.999	**49,0%**
Motor, Other classes	2.745.274	2.644.342	1.282.879	**48,5%**
Marine, Aviation and Transport	199.532	79.617	-8.560	**-10,8%**
Fire and other damage to property	5.695.557	1.454.324	135.971	**9,3%**
Third-party liability	982.739	859.736	311.666	**36,3%**
Credit and suretyship	95.207	16.595	0	**0,0%**
Miscellaneous non-life insurance	19.264	7.297	322	**4,4%**
Total	**21.969.790**	**16.482.722**	**7.875.695**	**47,8%**

Motor premiums account for 50,4% of the total gross premiums. Property premiums and medical premiums (excluding accident) account for 26,0% and 15,0% respectively. The net loss ratio of all lines of business is below the industry average. All of the Company's lines of business recorded satisfactory profitability.



2.2.2 Investment performance

Atlantic's investment policy is aimed at striking a balance between generating returns and preventing risks. Protecting the solvency position is an important factor in this context.

Investment income

	2016	2015
	€	€
Dividends	333.564	171.980
Rents received	83.860	81.643
Interest on bonds	251.703	167.764
Investment gains	516.697	377.604
Fair value gains/(losses) through equity	192.143	-55.346
Loss on property revaluation	-318.920	-294.433
	1.059.047	**449.212**

Investment return	**5,47%**	**2,90%**
On investment properties	-4,04%	-3,47%
On transferable securities	9,57%	7,07%

The company's investment portfolio achieved a very satisfactory performance with total investment income amounting to €1,06mln against €0,45mln in 2015. The improvement was due to the favourable market conditions but also to the positive investment decisions of the Company.

The overall investment return was 5,47% compared to 2,90% in 2015. The ongoing decline in local property prices had a negative impact on the results as indicated by the negative return of -4,04% of the Company's local investment properties.

On the other hand Atlantic's investment portfolio in transferable securities recorded an impressive return of 9,57% compared to 7,07% in 2015.

Interest on deposits

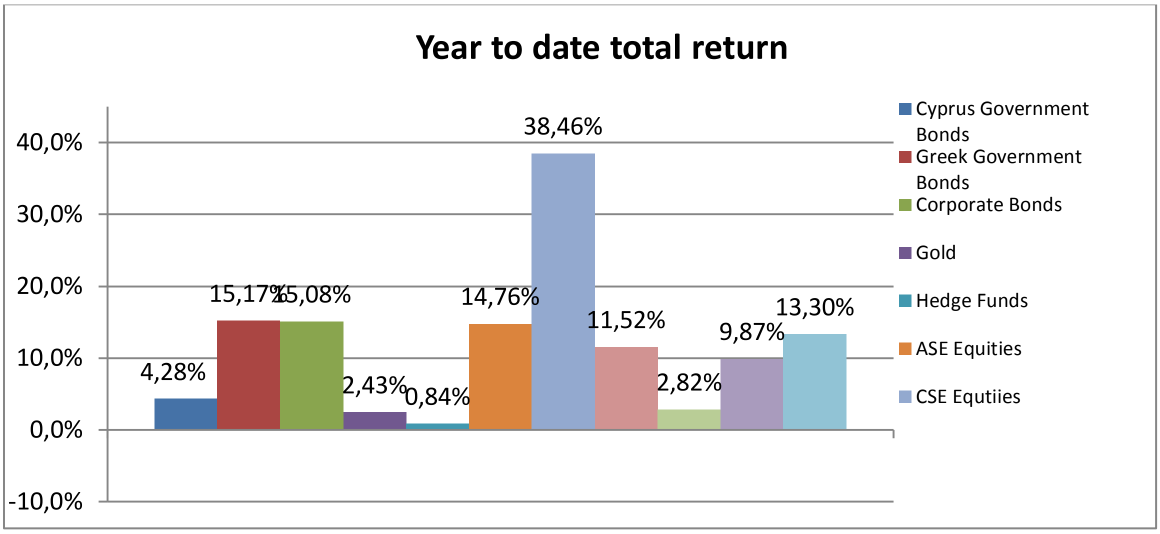
	2016	2015
	€	€
Interest on Bank deposits	322.988	389.834
Exchange losses / (gains)	-96.274	94.996
	226.714	**484.830**

Return on bank deposits -ex forex	**1,68%**	**1,94%**
Return on bank deposits	1,18%	2,42%

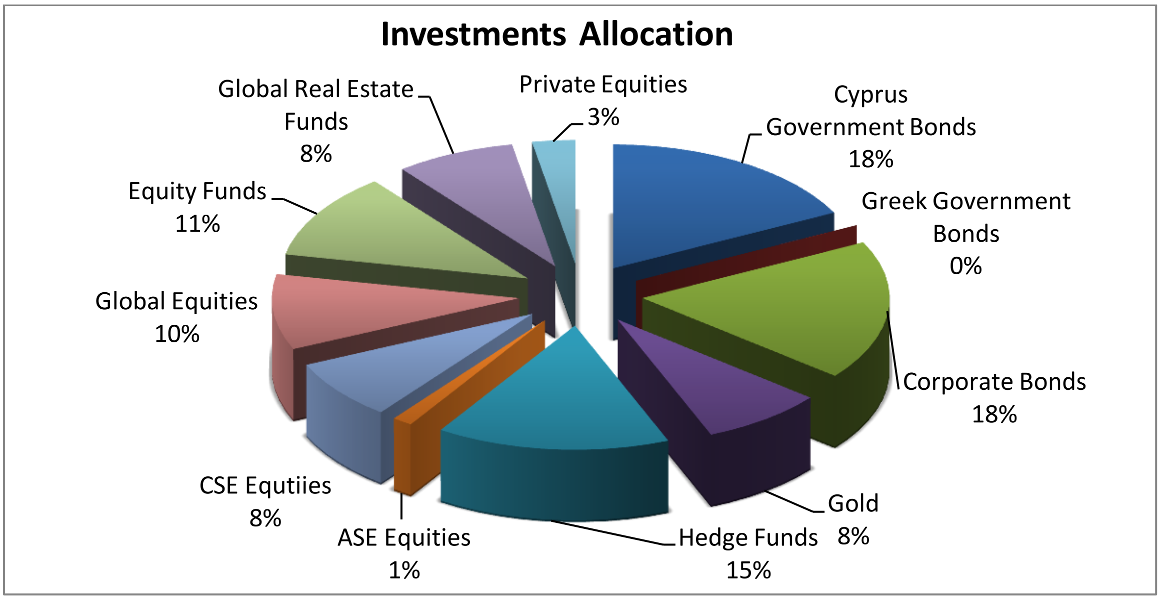
The continuing drop in interest deposit rates led to a reduction of the average return on the Company's bank deposits to 1,68% against 1,94% in 2015.

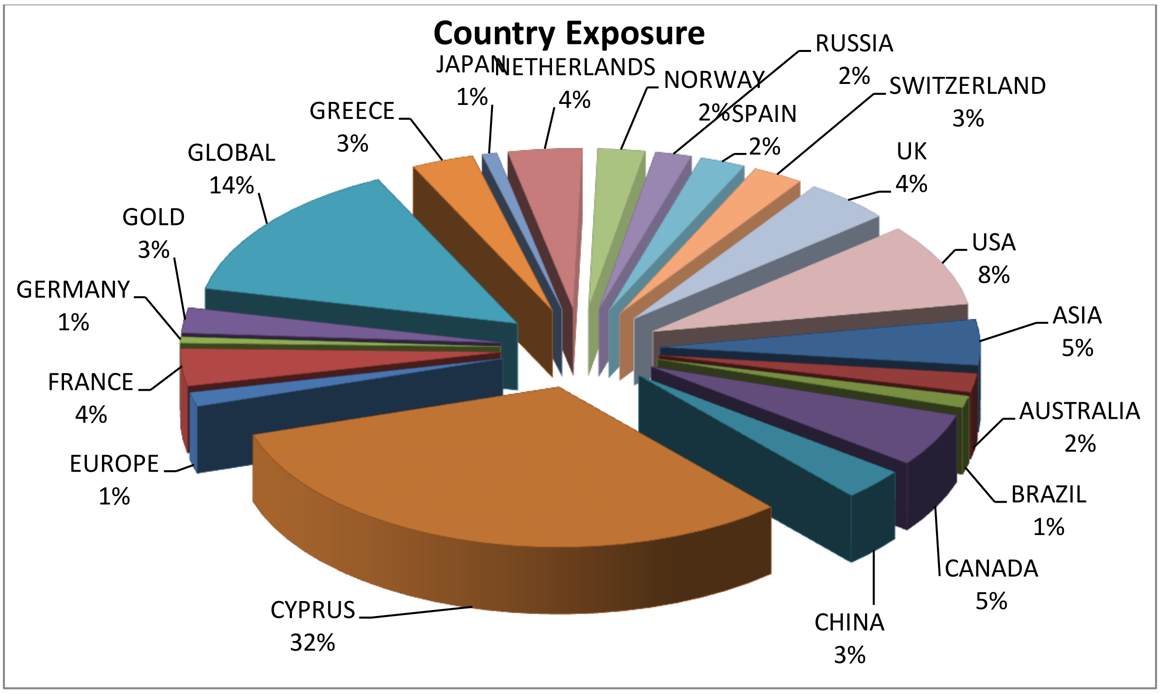
The income from bank deposits was adversely affected by the foreign exchange losses of €96 k (2015: gains of €95k) which arose from bank deposits in foreign currency.

The chart below shows the investment performance of the different asset categories of the company's investment portfolio.



The value of the Company's transferable securities portfolio reached €16,35mln at the end of 2016 compared to €10,69mln at the beginning of the year. The net increase in investments is in line with the Investment Committee's asset allocation recommendation and the BOD decision for a gradual increase of investments as a result of the low bank deposit rates.





Information about investments in securitisation

Atlantic has no investments in securitization.

2.2.3 Other material income and expenses

During the year the carrying amount of the investment in the subsidiary undertaking Atlantic Consultancy Services Ltd was reduced to €672 k due to a provision of €265 k for permanent diminution in the value of the investment. The provision did not have any impact in the consolidated financial statements.

2.2.4 Any other material information

No other information is applicable.

3. System of Governance

3.1. General Information

Basic strategic objective

The management's strategy has always focused on creating value for its shareholders. The management will continue to focus on its succesful business model and the adoption of policies which aim to further enhance reduction of costs and inefficiencies, effective claims handling, prudent risk management and maintaining high profitability indicators and a strong financial position.

Corporate Governance

The Company is committed to implementing a sound governance framework through which objectives are set and the means of attaining these objectives and monitoring performance is determined. For many years the Board of Directors has partly adopted the Code of Corporate Governance (‘Code’) issued by the Cyprus Stock Exchange since the Company is listed in the Alternative Market of the Cyprus Stock Exchange hence the adoption of the Code is voluntary and not compulsory. The report of the Board on the **Corporate Governance Code** which describes the degree of the Company’s compliance and provides explanation of areas of non-conformity with the principles and articles of the Code is shown on pages 8 to 18 of the consolidated financial statements and is available on the Company’s website www.atlantic.com.cy.

The Board of Directors

The BoD is the ultimate authority for the management of the Company and it maintains responsibility for its prudent management. The BoD organizes and directs the affairs of the Company in a manner that seeks to protect its policyholders’ funds, maximize the value of the Company for the benefit of its shareholders, while complying with regulatory requirements and relevant governance standards.

Composition of the Board

The main objective for the determination of the composition of the Board is to ensure that the appropriate level of skill and competence required for the prudent management of the company is achieved.The composition of the Board includes **non-executive** as well as independent directors to ensure the objective external guidance and supervision.

The current composition of the Board is :

Name	Role
Emilios Pyrishis	Chairman and Managing Director
Andreas Pirishis	Vice-Chairman -Executive Director
Andreas Frangoullis	Executive Director
Triantafyllos Lysimachou	Non-Executive Director
Panayiotis Mallis	Non-Executive Director-Independent
George Pyrishis	Non-Executive Director
Nina Pyrishi	Executive Director
Charalambos Alexandrou	Non-Executive Director
Marios Savvides	Alternate Director of Mr Lysimachou-Non-Executive

The Board consists of 4 Executive Directors and 4 Non-Executive Directors, one of whom is independent.

Role and responsibilities

The Board of Directors oversees the performance of the Executive Management on behalf of the shareholders. During the execution of its overall supervision the Board inspects and evaluates the strategic and business plan of the company, its solvency, as well as the approach of the management in addressing major risks and challenges.

The main role and responsibilities of the Board include:

- Long term strategy and business plan
- Expansion in new areas, mergers and acquisitions
- Capital structure and dividend policy
- Securing a sound internal control system and risk management
- Ensure that the solvency capital requirements are maintained at all times
- Approval of material contracts and transactions which do not fall within the ordinary activities of the Company
- Corporate governance assessment
- Approval of major policies including policies required by the Solvency II regulations

Board Committees

The BoD established the following four Board Committees, for the more effective organization of the Company:

Audit Committee

Name	Role
Panayiotis Mallis	**Chairman**
(Independent Non-Executive Director)	
Charalambos Alexandrou	**Member**
(Non-Executive Director)	

Risk Management Committee (RMC)

Name	Role
Marios Savvides	Chairman
(Non-Executive Director)	
Emilios Pyrishis	Member
(Managing Director)	
Charalambos Alexandrou	Member
(Non-Executive Director)	

Appointment Committee

Name	Role
Triantafyllos Lysimachou (Marios Savvides) **(Non-Executive Director)**	Chairman
Panayiotis Mallis **(Non-Executive Director)**	Member
George Pyrishis **(Non-Executive Director)**	Member

Investment Committee

Name	Role
Emilios Pyrishis-Chairman	Executive director
Marios Savvides	Non-executive director
Charalambos Alexandrou	Non-executive director
Loukis Ioannou	C.F.O

With a view to a more effective functioning of the Committee the Chairman invites at the meeting certain professional investment advisors and / or persons with extensive experience in the field.

Committee	Main function
Risk Management Committee	Monitor and control of the Company's risk exposures and ensure that these exposures are within the tolerance limits set by the Board.
Audit Committee	Ensures the functioning of an effective internal control system, reviews the reports and the work performed by the Internal Audit and approves the main accounting principles and assumptions used in the preparation of financial statements.
Investment Committee	Formulates recommendations regarding the investment strategy and monitors its implementation.
Appointment Committee	Review of the composition and balance of the Board and its committees. Assists the Board in finding suitable persons for appointment as Board members.

In compliance with the CSE regulations, the Board of Directors has also appointed the following senior officers:

Reporting Officer

- Panayiotis Mallis- Independent Non-Executive director

The reporting officer addresses any concerns and problems of shareholders which have not been resolved through other communication procedures.

Compliance Officer with the Corporate Governance Code of the CSE

- Andreas Pirishis – Vice-Chairman / Executive director

The compliance officer has the responsibility of monitoring the implementation of the Code of Corporate Governance and prepares, with the assistance of the Audit Committee, the Board of Directors ' report on corporate governance.

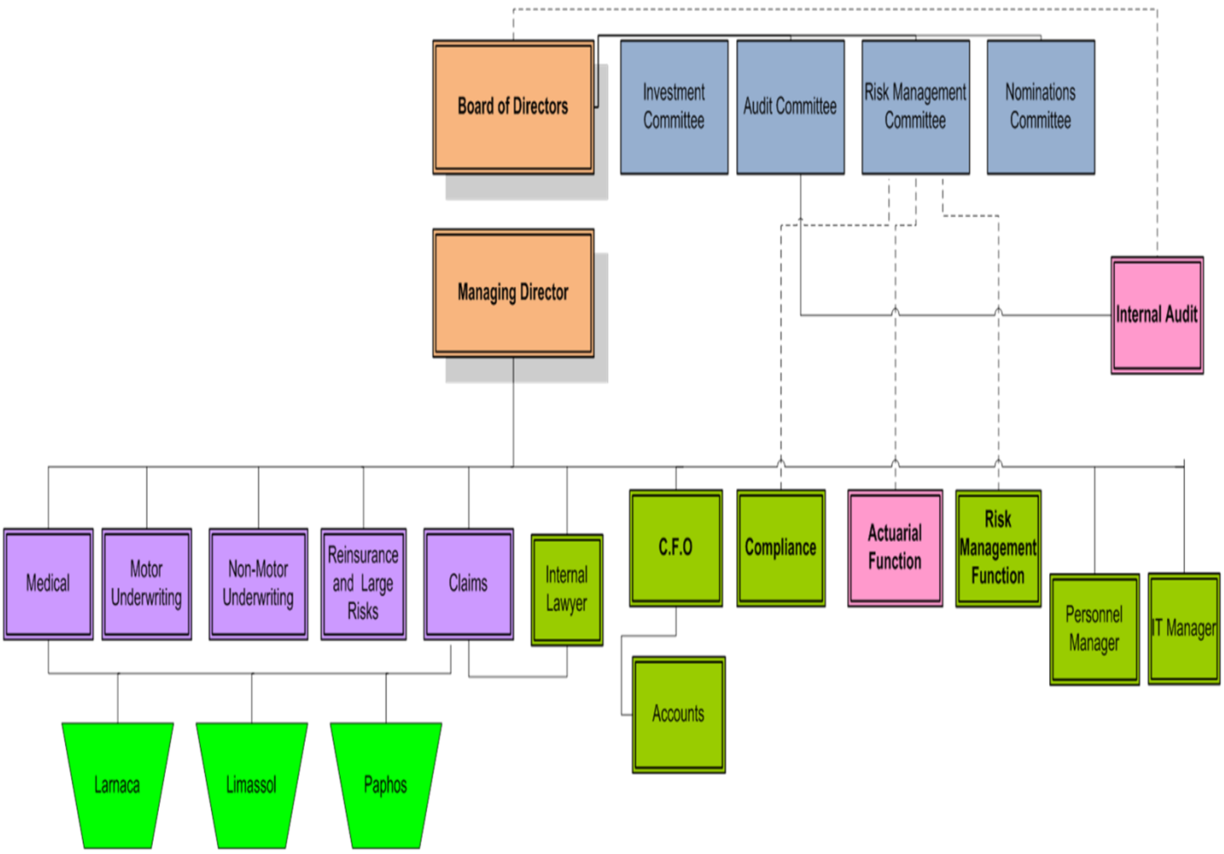
Investor Liaison Officer

- Andreas Pirishis – Vice-Chairman / Executive director

The investor liason officer ensures the constant communication with shareholders and the timely provision of reliable information. He also encourages greater shareholder participation at the General Meetings and represents the Company in press conferences, congresses and other activities organized by the CSE.

3.2. Organization Chart

The Company's organizational structure reporting lines are summarized on the below chart:



The **BOD** is the Company's ultimate supervisory body.

The Senior Management, through the **CEO** has the day to day responsibility for the implementation of the BoD's approved strategy and reports to the BoD. Reporting to the BoD is both structured, through planned meetings and regular reporting and ad hoc as required.

The **Business Functions** of the Company through their Head have the responsibility for the implementation of the BoD's strategy in their business functions. They report directly to the CEO with regards to their day-to-day duties.

The Risk, Compliance and Actuarial Functions have a direct reporting line to the Risk Management Committee of the Board in order to ensure that these functions have the ability to escalate important issues directly to the BoD.

The Company's internal audit provides independent assurance to the BoD. The Head of Internal Audit reports to the Audit Committee and to the BoD. The Internal Audit function is administratively independent from all other functions and activities of the Company.

The senior management includes the persons who are in charge of the key functions and business units who report directly to the CEO.

3.3. Material changes in the system of governance that have taken place over the reporting period

BOD

There were no changes in the Board of Directors during the year.

Board Committees

On March 3, 2017 Charalambos Alexandrou who is a non-executive director of the Company, was appointed as a member of the Audit Committee in place of George Pyrishis.

Internal Audit

During the year the Company has set up an independent Internal Audit Department. The function was outsourced to Mazars &Co. In October 2016 the Company recruited a qualified accountant in the position *of* the Assistant of Internal Audit.

3.4. Remuneration report

Objective
The remuneration policy is intended to recruit and retain employees whose values are aligned to the Company's culture and values. Atlantic aims to create an environment that motivates high performance and supports the overall business strategy of the Company.

Principles of remuneration policy

- Be in line with the Company's business and risk strategy, risk profile, objectives, values, risk management practices, and long-term entity wide interests and performance
- Consider both financial and non- financial performance
- Comprehensively and properly reflect the individual and the Company's performance
- Offering pay packages that are competitive in the market to attract and retain qualified individuals with appropriate skills and professional competence;
- Remuneration practices are structured in such a way that avoids potential incentive for unauthorized or unwanted risk taking.

- The remuneration of employees involved in risk-taking activities such as underwriting, reinsurance or investment management, is designed so as not to encourage unauthorized or unwanted risk-taking
- The remuneration is based on an assessment of the individual's performance which is based on both quantitative and qualitative criteria
- Remuneration policy takes into account the long-term interests of the company and not just short-term financial results.

The senior management of the company and the professional staff receive a fixed salary, without any variable component. The company believes that this remuneration policy restricts conflicts of interest and prevents unwanted risk-taking.

Provident fund

The Company operates a defined contribution provident fund scheme which is separately financed and prepares its own financial statements. In accordance with the Funds' memorandum the members are entitled to the payment of certain benefits on their retirement or early termination of their employment. The company's contribution is 5,75% on the employees gross salary.

Remuneration on retirement/ share options

The company does not provide any remuneration or benefits on retirement. The company does not offer any share option scheme.

Director's remuneration and fees

The remuneration policy and the analysis of directors remuneration is described in pages 15-16 of the Company's Annual Report.

Material transactions with directors, shareholders and related parties

There were no significant contracts in force by the year end to which shareholders owning directly or indirectly more than 5% of the share capital of the Company and members of the Board and the management of the Company, their spouses or minor children have or had direct or indirect material interest, with the exception of the contracts of employment of executive directors and the agreement for the appointment of Piraeus (Cyprus) Insurance Agency Ltd as an insurance agent of Atlantic Insurance Co Public Ltd as mentioned in note 32 of the financial statements.

The transactions of the Company with related parties are shown in note 29 of the financial statements. All transactions with related parties are conducted on an arm's length basis.

3.5. Fit and proper requirements

The Company ensures that all persons who effectively run the Company or have other key functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The Company requires its Senior Management and holders of key functions to be fit and proper, to adhere to the Principles and Code of Ethics and Conduct and achieve competence.

Fitness

The assessment considers the person’s professional competence and capability in relation to the competencies and skills required for the position he holds.

- This assessment is based on the person’s previous experience, knowledge, and professional qualifications and should demonstrate due skill, care, diligence and compliance with the relevant standards for the area sector they have worked in.
- The Company will have regard to whether the person is competent, and demonstrate, through experience and training that they are able to perform the key functions.
- All individuals must maintain their competence for the role they fulfil. The HR manager in cooperation with the Senior Management is responsible for ensuring that all individuals receive appropriate training for maintaining their competence.
- Where specific professional qualifications are required for particular key function, recruitment adheres to those requirements.
- All senior officers are obliged to inform the human resources manager for any specific education and training needs which they consider necessary in the performance of their duties.

Proper

In assessing the propriety of a person the Company assesses his honesty, integrity, reputation and financial soundness.

Factors that may have an adverse impact on the assessment of the suitability of a person are:

- convictions for criminal offences,
- adverse findings in civil proceedings,
- disciplinary actions by regulators or professional bodies,
- pending investigations or enforcement actions,
- disciplinary or administrative sanctions and offences,
- bankruptcy, insolvency.

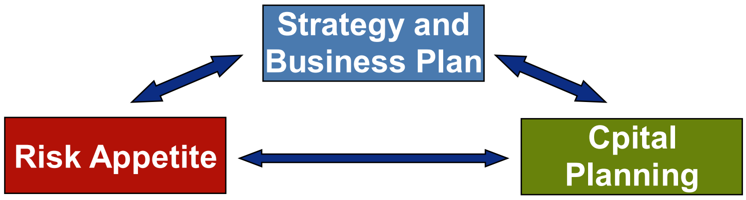
During the recruitment process of approved persons:

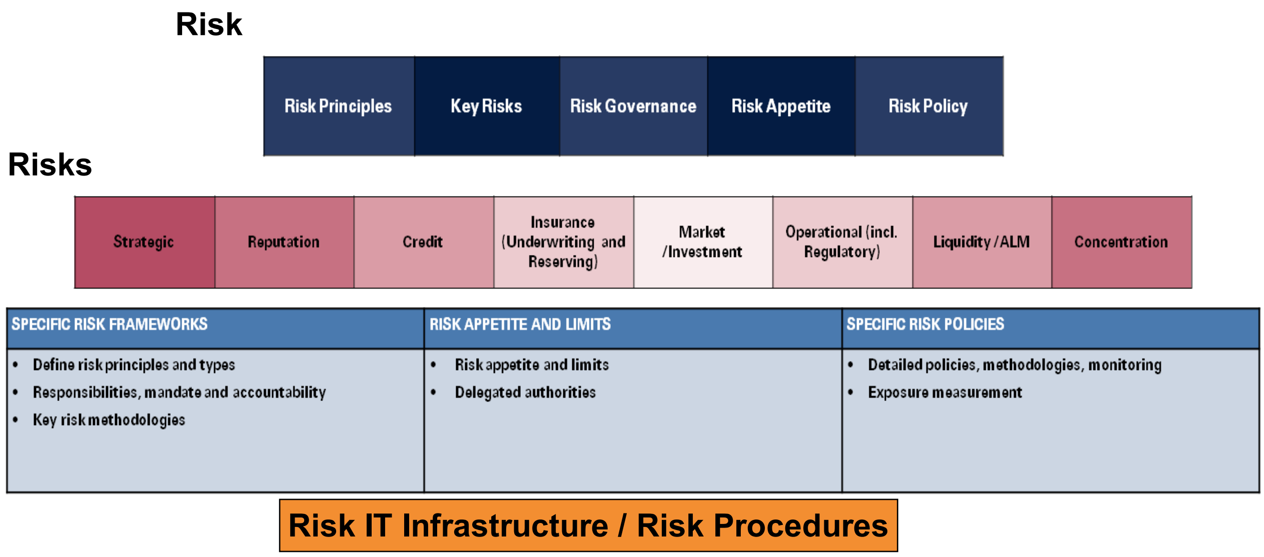
- Criminal record checks and check on professional bodies,
- At least one written reference from a former employer,
- Submission of the form ' Statement of fitness and property of senior officers'.

All approved persons are required to self-certify on an annual basis that they are fit and proper for their job position.

3.6. Risk Management

The Company has developed a comprehensive set of risk policies, frameworks and guidelines to ensure that adequate processes and procedures are in place to manage all types of risk. These documents are aligned with the current regulatory requirements under the Solvency II regime.





The Company's risk management framework, as illustrated below, is an embedded part of the business and fully interacts with the strategic planning and the capital management process.

The Company's **risk appetite is set by the BoD** and reflects its strategic objectives, shareholder and policyholders' aspirations as well as the interests of the Supervisory Body, employees and associates. The risk appetite is expressed in terms of the risk profile, which is then used in the process of setting appropriate **risk limits**.

Risk Tolerance Limits

The Company manages its risk appetite through a set of limits. Risk limits are established at three levels within the Company:

- Aggregate level –sets the overall risk profile of the Company
- Risk category level- sets the aggregate risk appetite for each of the key risk categories
- Exposure level limits for each risk

The **aggregate and risk category limits** are used by the BoD, Executive management and RMC for decision making.

Exposure level limits on the other hand are used by risk taking functions in their day to day operations to manage their exposures.

The **Risk Management Committee** of the Board has the overall responsibility for the supervision of the risk management framework. The RMC receives frequent information on the levels of risks to which the Company is exposed, in order to ensure that the Company's risk profile remains within the established risk tolerance limits. The Committee advises the Board in the formulation of the strategy and the risk management policies.

The **Risk Management function** (RMF) is responsible for the identification, measurement, monitoring, management and reporting of the significant risks the Company is exposed. The RMF reports directly to the Board through the Risk Management Committee. The composition of the RMF function is:

Name	Role
Loukis Ioannou	**Head**
Alexandros Chatzis	**Member**
Agis Charalambous	**Member**

Implementation of risk management system

The business units are responsible for the day to day management of risk and control within an agreed governance and risk framework.

The Risk Management Function as the second line of defence monitors the Company's actual risk exposure against risk tolerance levels and reports its findings on a quarterly basis to the Executive Management and the Risk Management Committee of the Board.

The Company's Board is responsible for taking key decisions across the organisation, but delegates some of its decision making responsibilities to the Executive Committee, Risk Management Committee and Audit Committee. The output of the risk management system is reviewed by the Executive and Risk Management Committees with a summary of key items brought to the attention of the Board. This process facilitates the integration of the risk management system in the decision making process.

All key decisions of the Company such as product initiatives, capital management, reinsurance arrangement review, investment strategy, marketing strategy, and distribution strategy, follow internal governance processes, which include an assessment of the risk exposure and mitigation strategies.

3.7. Own Risk Self-Assessment (ORSA)

ORSA ensures a comprehensive assessment of the Company's overall solvency needs in view of its business strategy, its risk profile, the risk tolerance limits it sets for itself and its responsibility to meet its financial obligations towards policyholders.

The ORSA process enables the Company to properly identify and manage the risks it faces or could face in the short and long term and project its capital needs over its 3 year business planning period.

The Risk Management Function is responsible for the preparation of the ORSA report **on an annual basis** and its submission for approval by the Company's BoD and later to the supervisor. ORSA covers all of the business units of the Company.

The assessment of risks is performed by the RMF at a business unit level using a Risk Register. The risk identification process covers existing risks as well as the emergence of new or additional risks. The Company's ORSA process covers both risks which are captured by the Standard formula as well as those which are not considered such as liquidity risk, reputational, strategic, political and business risks.

Different methodologies of stress tests are applied to all material risks and risk sensitivities are calculated.

The Company's capital planning includes projections of internal capital requirements (Pillar I and II) and own funds over the 3-year planning period. The capital plan is based on the financial projections which are prepared by the finance function and reflect the future strategic actions and business plans of the management over the next 3 years.

The RMF reports the ORSA results to the executive management and the BoD. As part of the ORSA process, the effectiveness of risk mitigating measures and planned improvement actions is assessed. This means risk management strategies are discussed, resulting in refined risk management strategies. Based on the assessment of risks and all internal as well as external factors, the main deficiencies and weaknesses are considered and, if significant, an action plan is prepared. This action plan normally includes the following measures:

- Modification of the Company's risk profile
- Improvements in governance and internal organization as well as improvements in risk management and internal control
- Gradual modification of own funds target.

3.8. Internal Control System

Internal control is a process affected by the Company's BoD, Senior Management, and other personnel and is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting and non-financial information
- Compliance with applicable laws and regulations
- Achievement of Company's strategy and objectives

The Company maintains an effective internal control system which aims at reducing the possibility of unexpected losses or damage to its reputation. The system also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

A high level of **integrity** is an essential part of the control culture of the Company. The **organizational structure** of the Company is appropriate for the size, nature and complexity of its operations, it sets the level of responsibility and defines appropriate and clear **internal reporting relationships**. Key duties and responsibilities are divided or **segregated among different people** to reduce the risk of error and fraud. Responsibilities and duties involving transactions and events are separated among different employees with respect to authorization, approval, processing and recording, making payments or receiving funds, review and auditing.

Operational risk management includes the identification, analysis, prioritization and management of operational risk in line with the risk appetite. The Company considers **external risks** such as technological advancements and risks posed by new legislation or regulations as well as business and economic changes. **Internal operational risks** are also addressed and they include risks associated with redesign of operating processes, disruption of information systems, personnel training, timely replacement of key employees etc.

The effectiveness of the internal control system is monitored on a continuous basis by business areas and control functions. Any deficiencies of the system which are identified are rectified in a timely manner.

The **Internal Audit function** plays a key role in establishing a formal methodology for evaluating internal controls at a level of scope and frequency which is appropriate to the operations of the Company.

Financial and regulatory reporting

The Company's financial control framework governs financial and regulatory reporting in the Company. The financial control framework is subject to annual review of the appropriateness and effectiveness of the controls. This review is conducted by the Internal Audit function and the results are submitted to the Audit Committee.

The IFRS financial statements are subject to rigorous review and control. Main accounting policies and estimates are reviewed by the Audit Committee. The technical reserves are set using best actuarial practices that are subject to review by the Risk Management function and the Actuarial Function.

Business Continuity Plan

Operational management can be disrupted significantly by unforeseen circumstances caused by a natural disaster or a man-made event. In order to ensure timely resumption of essential operations the Company has prepared a Business Continuity plan and appointed a Business continuity coordinator and a crisis management team. The plan describes clearly roles, responsibilities and emergency procedures and resumption plans.

Compliance

The Compliance Function reports to the Company's CEO. The Head of the Compliance Function, Mr Andreas Pirishis, is independent of risk taking functions such as underwriting and claims. The compliance function has a direct reporting line to the BoD, in order to ensure its operational independence and safeguard its ability to escalate important issues.

The main role of the Compliance Function is the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance of the Company with the existing legal and regulatory framework.

The Compliance Function is reporting to senior management any breaches, or non-compliance with its policy or any other relevant policy, rules and regulations. This means that the Compliance Function shall be able to carry out its functions on its own initiative without obstruction from management and other staff members.

The function is subject to audit by the Internal Audit Function.

3.9. Internal Audit

The Board of Directors acknowledges Internal Audit's importance as a third line of defense in the internal control system's design framework, and is therefore committed to meeting or exceeding all relevant requirements of both the Solvency II Regulation (EU) 2015/35 and the CSE's Corporate Governance Code.

In particular the Board of Directors recognizes that the key pillars of an effective Internal Audit Function (IAF) are:

- independence both in terms of reporting line and from the functions being reviewed
- objectivity and professionalism
- adequate resourcing

Independence

The Internal Audit Function is administratively independent of all the other functions of the Company. The two members of the Internal Audit Function carry out exclusively internal audit related tasks, and are not involved in any way in the operations being reviewed.

At its meeting of 16 May 2016, the Audit Committee formally reviewed IAF's independence, competence, and adequacy of resources and found them to be of an appropriate standard.

Process and Frequency of Review

Potential revision of the Internal Audit Policy may be warranted by changes in regulations or the Company's organizational set up and nature of activities or other factors. In any event, the Internal Audit Policy is subject to at least annual review by the Internal Audit Committee to ensure that it stays current. The Audit Committee formally reviewed the Internal Audit Policy at its meeting of 30 March 2017 and concluded that no revision fell due.

Work performed and follow- up action

During the last 12 months the Internal Audit Function issued 8 separate Internal Audit Reports. The reports raised several control recommendations as well as a number of operational performance recommendations.

Internal Audit reports include both management feedback on each control recommendation raised and an agreed date for implementation. Line managers are responsible for initiating action towards this end. Progress against agreed deadlines is monitored by internal audit through receipt of quarterly returns from each department noting whether a recommendation is pending, partially implemented, or fully implemented.

3.10. Actuarial function

The Actuarial function reports to the CEO and to the BoD through the Risk Management Committee. The Actuarial Function is subject to the audit of the Internal Audit Function regarding the adequacy and effectiveness of its procedures.

The Actuarial function is a specialist function that advises the Senior Management of the Company on the calculation of technical provisions and on the technical aspects of risk management and modeling.

The Company has outsourced it actuarial function to the qualified actuary Markos Markides of Numisma Advisors Ltd.

The main tasks and responsibilities of the Actuarial function are:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies, underlying models and the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system

3.11. Outsourcing

The Company's Outsourcing Policy is outlined below:

Outsourcing Suitability Assessment
When considering outsourcing arrangements, the Company takes into account how it will fit into the reporting structure, business strategy and its ability to meet regulatory requirements.

Service Provider Selection
A tender process is conducted and due diligence is carried out to assess among other things financial viability, personal data protection, conflicts of interest, personnel, information and asset security, business continuity and disaster recovery, risk concentrations and regulatory permissions.

Contractual Requirements
Outsourcing relationships for critical functions must be established with a set of written agreements which set out the expectations and obligations of each party.

Approval
Outsourcing arrangements require internal approval in line with the Company's contract approval process. In the case of outsourcing of critical functions final approval by the managing director is required.

Monitoring of outsourced activities
Since the Company remains fully responsible for all outsourced functions and activities, it has established a process for monitoring and reviewing the quality of the service provided. For each outsourcing of a critical operational function the Company appoints a responsible person of the staff for the monitoring of the service provided.

The Company's critical functions which have been outsourced and the jurisdiction in which the service provider is located are shown below:

Outsourced Function or Activity	Jurisdiction of service provider
1. Internal Audit	Cyprus
2. Actuarial Function	Cyprus
2. Software programs	
a) Insurance software	Cyprus
b) Accounting software	Cyprus
4. Road assistance and accident care	Cyprus
5. Discretionary asset management	UK

3.12. Other material information

Other material information about the system of governance does not apply.

4. Risk profile

4.1. Risk Management

Atlantic applies an integrated approach in managing risks, ensuring that our strategic goals (customer interests, financial solidity and efficiency of processes) are maintained. This integrated approach ensures that value will be created by identifying the **right balance between risk and return**, while ensuring that obligations towards our stakeholders are met.

Risk management supports the Company in the identification, measurement and management of risks and monitors on a regular basis risk exposures against risk tolerance levels and ensures that appropriate actions are taken in the event of changes in Atlantic's risk profile.

The main risks the Company is exposed are market risk, underwriting risk and counterparty default risk. The risk appetite of the Company establishes a framework that supports an effective selection of risks.

Atlantic measures its risks based on the **standard model** as prescribed by the Solvency II regime. The Solvency Capital Requirement (SCR) is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200 year event. The basis for these calculations is the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

Key risk developments in 2016

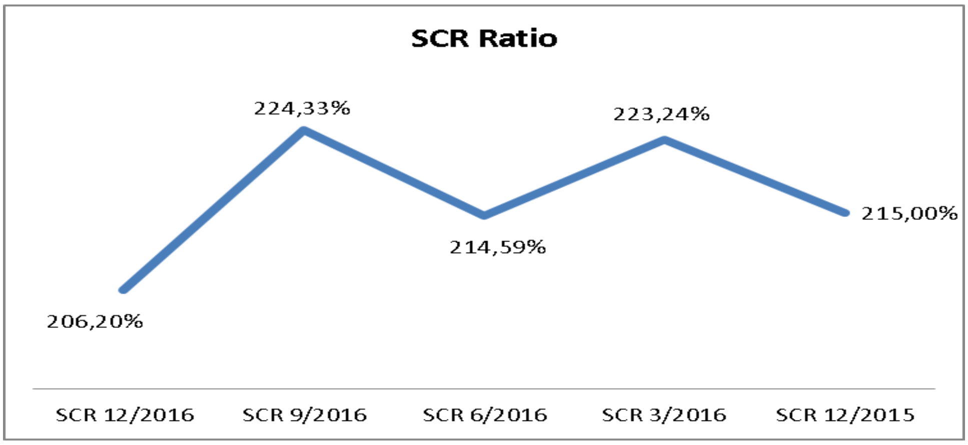
Market risk
A dominant theme in 2016 was the ongoing low interest rate environment. As the Company strives to find an optimal trade-off between risk and return, the Investment Committee with the approval of the RMC has decided during the year to switch bank deposits to the financial markets, mainly equity, corporate bonds and REIT funds. The strong performance of the markets during the year had a positive effect on the Company's profitability. However, the market risk exposure increased but still remains well within the risk tolerance levels which were set by the Board.

Operational risk control
During the year, efforts were made to further improve the operational risk-control framework. The setting up of the independent **Internal Audit Function** during 2016 played a key role in promoting a control culture within the Company and strengthened the effectiveness of the internal control system.

Atlantic recognizes the importance of sound **data quality** and **information management systems**. During 2016 actions were taken to enhance the measurement and reporting on data quality for the purpose of financial and Solvency II reporting.

The **information security risks** have increased in recent years, due to new technological developments. IT security and the efficiency of the Company's information management systems were among the RMF's operational risk priorities. During the year the Company strengthened the security and efficiency of its systems through the investment in latest technology **virtual servers** and of a new state of the art **firewall**.

Solvency ratio in 2016
At the end of 2016 the solvency ratio of Atlantic was 206,2%. During the year the solvency ratio fluctuated between 215% and 225%. The decrease of the ratio in the last quarter is mainly attributable to the reinsurance CDR risk on the €20mln outstanding claim of EAC due to property damages at the Vasilico Electricity Station in November 2016.



4.2. Non-life insurance risk

Insurance risk is the risk of loss, or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. Underwriting risk and Reserving risk includes the fluctuations in the timing, frequency and severity of insured events, with relation to the Company's expectations at the time of underwriting. This risk can also refer to fluctuations in the timing and amount of claims settlements.

Non-life Insurance risk can be broken down into:

• Premium and reserve risk

• Non-life catastrophe risk

Premium- and reserve risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected written premium for the next year, and the written premium for the current year.

The required capital for Non-life insurance risk amount to €5,64mln before diversification and €4,73mln after the diversification effects are taken into account. Non-life insurance risk **accounts for 24,5% of the undiversified SCR**.

	2016	2015	2014	% Change
Non-Life underwriting risk	**4.731**	**4.766**	**4.997**	**-0,7%**
Diversification effects	-910	-918	-829	-0,9%
Sum of risk components	**5.641**	**5.684**	**5.826**	**-0,8%**
Premium and reserve risk	4.110	4.139	4.495	-0,7%
Non-life CAT risk	1.531	1.545	1.331	-0,9%

For the non-life portfolio, the provision at year-end 2016 can be broken down as follows under Solvency II:

	€000
Best estimate	43.382
Risk margin	967
Technical provisions	**44.349**

Non-life Catastrophe Risk Module

Catastrophe risk is defined as the risk of loss or adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events. The Non-life SCR Catastrophic Risk Module consists of natural catastrophe risk (Earthquake), man-made catastrophe risk (Fire, Motor, Liability and credit) and other Non-life catastrophe risk.

The required capital for Non-life catastrophe risk at the end of the year amounts to €1,53mln.

	Gross	Mitigation	Net
SCR Non-Life Catastrophe Risk	**701.216**	**699.685**	**1.531**
Sum of risk components	**740.115**	**738.253**	**1.862**
Natural catastrophe	40.043	38.560	1.483
Non-Proportional Reinsurance	0	0	0
Man Made catastrophe	700.072	699.693	379
Other catastrophe	0	0	0

	Nat CAT	NP_Reinsurance	Man Made	Other CAT
Nat CAT	100%	100%	0%	0%
NP_Reinsurance	100%	100%	0%	0%
Man Made CAT	0%	0%	100%	0%
Other CAT	0%	0%	0%	100%

Earthquake is calculated based on insured values per cresta zone as at 31 December 2016. Insured values include all earthquake policies including static marine.

The **man made catastrophe risk** is broken down below:

	Gross	Mitigation	Net
SCR for NL CAT Man Made	**700.072**	**699.693**	**379**
Sum of risk components	**711.007**	**710.479**	**528**
Motor [1]	9.982	9.782	200
Marine	0	0	0
Fire [2]	700.000	700.000	0
Liability [3]	944	622	322
Credit [4]	81	75	6

	Motor	Marine	Aviation	Fire	Liability	Credit
Motor	100%	0%	0%	0%	0%	0%
Marine	0%	100%	0%	0%	0%	0%
Fire	0%	0%	0%	100%	0%	0%
Liability	0%	0%	0%	0%	100%	0%
Credit	0%	0%	0%	0%	0%	100%

1. The motor calculation is based on the number of insured vehicles at the end of the year.
2. The fire calculation is based on the largest sum insured of buildings located within a radius of 200 metres.
3. The liability risk is calculated based on the gross and net premiums and the largest liability limit provided for each of the following classes: professional indemnity, employer's liability, public liability and director's liability.
4. Credit catastrophe risk is based on the 2 largest risks by insured amount.

Health insurance risk

The Health insurance portfolio of Atlantic contains the following insurance risks:

a) NSLT Health risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected written premium of the next year, and the written premium of the current year. The calculation is factor-based.

b) Health Catastrophe risk

A health catastrophe is an unexpected future event with a duration of one year. In the case of medical expenses the risk is affected by the number of insured persons and the average claim cost. The following 3 scenarios are calculated:

- ***Pandemic scenario-*** In this scenario, there is a pandemic, which causes 1% of those affected to be hospitalized and 20% to see a local practitioner.
- **Mass accident scenario** - In this scenario, an accident takes place during a major public event. The risk is that 10% of the attendees are killed, 1.5% are permanently disabled, 5% are disabled for 10 years, 13.5% are disabled for 12 months and 30% need medical attention
- **Accident concentration scenario**-In this scenario, an accident takes place on site, with the most of our insured at the same location. The risk is that 10% of those present are killed, 1.5% are permanently disabled, 5% are disabled for ten years, 13.5% are disabled for 12 months and 30% need medical attention.

The required capital for health risk amounts to €0,58mln and is broken down as follows:

Capital requirement for Health underwriting risk (net)	**581,8**
Diversification effects	-52,7
Sum of risk components	**634,6**
SLT Health (similar to life technique) underwriting risk	0
Non-SLT Health (similar to non-life technique)	557,9
Health CAT	76,6

Managing non-life insurance risk

Insurance risk is managed by monitoring claims frequency, the size of claims, claims development over time, risk concentration, claims handling time and claims costs.

The risk is managed through effective underwriting procedures, internal underwriting limits, pricing, stricter acceptance criteria and effective claims management.

Claims frequency, size of claims and inflation
In order to limit claims and/or ensure that prices are adjusted correctly, the acceptance policy is continually refined using a number of indicators and statistical analyses. The product lines also use knowledge or expectations with respect to future trends to estimate the frequency, size and inflation of claims.

To mitigate the risk of claims, the Company bases its underwriting policy on claims history and risk models. The policy is applied to each client segment and to each type of activity. The risk of unexpected major damage claims is contained by policy limits, the concentration of risk management and reinsurance contracts.

Handling time
The time required for handling and settling claims is an important factor. The settlement of claims that have a long handling time, such as liability claims, can take many years. Analyses are performed regularly and based on the Company's experience in similar cases, historical trends – such as the pattern of liabilities – increases in risk exposure, payment of damages, the scale of current and not yet settled damage claims, court rulings and economic conditions.

Benefit and claims handling costs
Taking estimated future inflation into account, benefit and claims handling costs are managed on the basis of regular reviews and related actions.

Reinsurance

The Company enters into reinsurance agreements to mitigate non-life insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both these risks.

The level of retention in the various reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios, taking account of the cost of reinsurance on the one hand, and the risk that is retained on the other. The impact on the Company's financial and solvency position is taken into account as well in determining the level of retention.

To limit risk concentration, excess of loss reinsurance contracts are placed with various reinsurance companies. The Company sets minimum credit rating criteria and maximum exposure per reinsurer.

4.3. Counterparty Default Risk

Counterparty default risk is the risk of loss, or of adverse change in the financial situation resulting from fluctuations in the credit standing of any debtors, counterparties and issuers of securities to which the Company is exposed.

The **main source** of counterparty default risk is the Company's exposure to reinsurance and the amounts due by policyholders and intermediaries.

Solvency II makes a distinction between **two types of exposures**:

- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits)
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, prepayments, other debtors, amounts due from subsidiaries and related companies). These exposures are generally diversified.

The **Solvency capital** required for Counterparty Default Risk as at 31 December 2016 was €6,62mln as shown in the following table.

	SCR 12/2016	%	SCR 12/2015	% Change
Counterparty default risk	**6.822**		**6.575**	**4,8%**
Diversification effects	-266	3,7%	-249	-3,0%
Sum of risk components	**7.088**	**100%**	**6.824**	**4,4%**
Counterparty default risk of type 1 exposures	5.813	82%	5.642	6,8%
Counterparty default risk of type 2 exposures	1.275	18%	1.182	-5,0%

The largest part of the Company's counterparty default risk arises from reinsurance recoverables and especially the reinsurance cover of the fronting policy of the Electricity Authorities of Cyprus.

CDR Type 1 represents 82% of the undiversified amount of SCR. Over 96% of this exposure relates to reinsurance risk.

CDR Type 1-Composition	
	31.12.16
Reinsurance	96,8%
Bank current and trading accounts	3,2%
	100,0%

Reinsurance

The company has set maximum risk exposure limits and minimum credit rating criteria for **reinsurers.** As regards the major reinsurance treaties the minimum acceptable credit rating is A. The breakdown of reinsurance exposure as measured by the SII loss given default amounts is as follows:

Reinsurers Rating	**LGD %**
AA	56,3%
A	43,5%
BBB	0,1%
unrated	0,1%
Total	**100,0%**

Composition of Counterparty Default Risk Type 2 Exposures

The breakdown of the exposure of the Company to counterparty default risk type 2 is shown in the below table.

Counterparty Default Risk 2 Exposures	€000	%
Policyholders	3.022	43,7%
Intermediaries past due less than 3 months	1.591	23,0%
Intermediaries past due over than 3 months	315	4,6%
Amounts due from subsidiaries	1.067	15,4%
Cyprus Hire Risks Pool	435	6,3%
Prepayments	365	5,3%
Other receivables	125	1,8%
	6.919	**100%**

Managing counterparty default risk

The Company's risk management policy defines maximum tolerance levels for receivables in terms of credit period, maximum receivable amounts and maximum overdue amounts per counterparty category. The risk management function monitors actual risk exposures versus tolerance levels and reports its findings to the management and the Board on a quarterly basis.

As regards policyholders and intermediaries balances the company has set strict credit control procedures which are monitored on a daily basis by the Credit Control Department. The Company has adopted strict criteria which restrict policy renewals of customers with overdue amounts above the predefined levels. The company monitors overdue customers' accounts on a regular basis and takes appropriate action.

Banking counterparties are selected from a list of approved financial institutions which sets maximum exposure levels per bank which are determined based on assessment of credit rating, tier-1 capital adequacy ratio, liquidity ratio and profitability of the banks. Maximum exposure levels are reviewed periodically by the RMF and approved by the RMC.

Reinsurance risk is managed by setting minimum credit rating criteria and maximum exposure by reinsurers in order to reduce excessive risk concentration. For excess of loss reinsurance contracts the Company requires that they are placed with various reinsurance companies.

In addition to reinsurance credit ratings the RMF carries out an ongoing monitoring of current developments affecting the reinsurers (e.g. changes in credit ratings, acquisitions, financial results, etc.) through specialized newsletters which it receives on a regular basis. As regards the 4 main reinsurers of the Company the RMF monitors on a regular basis their share price movements, announcements and developments and receives alerts about significant adverse changes in their stock prices and bond yields.

Prudent person principle applied to credit risks

Reinsurance counterparties are selected by taking into account the credit rating and reputation of each reinsurer. Credit ratings are used as a way of properly identifying and managing the risk attached to a counterparty and Atlantic ensures that only approved counterparties with a high enough credit rating are used. In addition, Atlantic uses multiple counterparties to avoid concentration risk.

Risk mitigation techniques used for credit risks

To mitigate the risk of reinsurer counterparty default, reinsurance is split between a number of reinsurance counterparties to reduce single name exposure. Credit ratings of reinsurance counterparties are reviewed at least every three months. A further mitigation of credit risk is that major reinsurance counterparties are large, well established multinational reinsurers with a high credit rating. No derivatives are employed to manage credit risk.

The risk of banking counterparty default is mitigated by selecting only approved financial institutions and setting maximum exposure levels per bank based on credit assessment which ensures a satisfactory diversification of bank deposits.

4.4. Market Risk

Market risk is the risk of potential losses due to adverse movements in financial market variables. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices.

The main types of market risk are:

- interest rate risk
- equity risk
- property risk
- currency risk
- spread risk
- concentration risk

A summary of sensitivities to market risks for the regulatory solvency, total equity and profit for the year is presented in the tables below:

	2016	2015	% Change
Equity risk	4.243	2.935	44,50%
Concentration risk	3.935	4.937	-20,30%
Property risk	3.346	3.267	2,40%
Spread risk	1.818	1.573	15,60%
Currency risk	826	863	-4,30%
Interest rate risk	10	0	
	14.178	**13.576**	4,40%
Diversification effects	-4.612	-4.819	-4,30%
Market risk	**9.566**	**8.758**	**9,20%**

The main market risks of the Company are equity, concentration and property risk which account for 30%, 28% and 24% of the undiversified market risk respectively.

The diversification effect is an indication of the effect of having a well-diversified investment portfolio.

Equity risk
Equity risk relates to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.

Composition of equity exposure

The fair value of equities at the end of 2016 was €10,57mln of which €6,42mln relates to type 2 equities. The company's equity portfolio consists of 20 listed securities and 9 well diversified global equity funds, hedge funds and gold related funds. This composition secures a high level of sector and country diversification of the Company's overall equity exposure.

	2016
Equity risk	€000
Strategic participations (other equity category)	919
Global equity bucket	3.226
Other equity bucket	6.424
	10.568
SCR Equity Risk-Gross	4.243
SCR Equity Risk-Net	2.865

The required capital for equity risk is determined by calculating the impact on the available capital due to an immediate drop in share prices. Both assets and liabilities are taken into account. Stocks listed in regulated markets in countries in the EEA or OECD are shocked by 39% together with the symmetric adjustment of the equity capital charge (type I). Stocks in countries that are not members of the EEA or OECD, unlisted equities, alternative investments, or investment funds in which the look-through principle is not possible, are shocked by 49% together with the symmetric adjustment of the equity capital charge (type II). The basic shock for strategic participations is 22%.

The Company's overall solvency capital requirement for equity risk amounts to €4,24mln and accounts for 30% of the undiversified market risk. After the deduction of the diversification effects of market risk module, the overall net SCR amounts to €2,86mln.

The sensitivity of regulatory solvency II capital to changes in equity prices is shown in the following table.

Risk sensitivities			
Effect on:	**Available capital**	**Required Capital**	**SCR Ratio**
Type of Risk (%)	€000	€000	Basis Pts
Global equity prices drop by 10%	-1.057	-186	-4,62

Currency risk
Currency risk stems from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.

Composition of currency exposure
The company's overall net exposure to foreign currencies at 31 December 2016 amounts to €3.30mln. USD accounts for 54.2% of the exposure, British pound for 27.5% and other currencies account for 18.4%.

The required capital for currency risk is determined by calculating the impact on the available capital due to a change in exchange rates. For each currency, the maximum loss due to an upward and a downward shock of 25% is determined, where lower shocks are applied to several currencies.

The gross SCR currency risk of €826k accounts for 6% of the undiversified market risk SCR. The net SCR currency risk amounted to €533k.

Net exposure by foreign currency		
	€ '000	%
USD	1.790	54,2%
GBP	908	27,5%
CAD	187	5,7%
HKD	228	6,9%
AUD	192	5,8%
	3.304	**100,0%**
SCR Currency Risk		**826**
SCR (After Diversification)		**533**

The sensitivity of currency risk to fluctuations of the largest currency exposure is shown below:

Risk sensitivities			
Effect on:	**Available capital**	**Required Capital**	**SCR Ratio**
Type of Risk (%)	€000	€000	Basis Pts
USD -5%	-89	-10	-0,47

Description	**Scenario**
USD rate fluctuations	Measured as the impact of a 5% decrease in USD rate

Property risk
Property risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate.

Composition of Property exposure

The Company's property exposure as at 31 December 2016 amounts to €13,38mln and consists of assets held for own use, local investment properties and foreign real estate funds as shown below:

	2016
	€000
Assets held for own use	6.438
Local Investment properties	5.665
Foreign Real Estate Funds	1.281
	13.384

SCR property risk	**3.346**

The required capital for property risk is determined by calculating the impact on the available capital due to an immediate drop in property prices by 25%. The Company's SCR property risk amounts to €3,35mln and accounts for 24% of the undiversified SCR.

The sensitivity of the solvency ratio to changes in property values is monitored on a quarterly basis. The sensitivity of regulatory solvency II capital to changes in property prices is shown in the following table.

Risk sensitivities			
Effect on:	**Available capital**	**Required Capital**	**SCR Ratio**
Type of Risk (%)	€000	€000	Basis Pts
Property prices drop by 10%	-1.338	-147	-7,09

Spread risk
Spread risk relates to the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Composition of spread risk exposure
The company's exposure to spread risk comprises investments in corporate bonds and fixed term bank deposits of an aggregate value of €19,34mln.

	2016
	€000
Corporate bonds	2.858
Fixed term bank deposits	16.485
	19.343

The below table shows the breakdown by credit rating and duration of assets which are subject to spread risk.

Spread Risk	**2016**	
Bonds	**€000**	**Duration**
AAA	-	-
AA	-	-
A	637	12,0
BBB	-	-
BB	647	5,8
B	8.270	1,3
CCC or lower	8.688	1,0
Unrated	1.101	1,0
	19.343	**1,686**

The weighted average duration of these holdings as at 31 December 2016 was 1,69 years.

The Company also holds Cyprus Government bonds of €2,87mln which are exempted from spread risk calculation under the Standard Model of Solvency II. A breakdown on Government bonds by duration is shown below:

Duration	**2016 €000**	**%**
<1 year	213	7,4%
2-5 years	1.002	34,8%
5-10 years	1.660	57,7%
	2.875	100,0%

The **required capital for spread risk** is determined by calculating the impact on the available capital due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, structured products and credit derivatives. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

	2016
	€000
SCR Spread risk-Gross	1.818
SCR Spread risk-Net	798

Atlantic's required solvency capital to cover spread risk amounts to €1,82mln and accounts for 13% of the undiversified Market Risk SCR. The overall net solvency capital requirement is €798k.

Interest rate risk

Interest rate risk arises from the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

The required capital for interest rate risk is determined by calculating the impact on the available capital due to changes in the yield curve. Both assets and liabilities are taken into account. The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve according to the prescribed methodology.

Atlantic's Interest rate risk remained at very low levels due to the **effective matching of financial assets and financial liabilities** as shown in the table below:

	Assets	**Liabilities**		
		Net Non-life provisions	Other liabilities	
Value	21.368	18.138	1.443	
Modified duration	1,67	1,65	0,90	
Current interest rate	-0,261%	-0,261%	-0,302%	
Undiscounted Value	21.275	18.060	1.439	
up shocked interest rate	0,698%	0,739%	2,284%	
down shocked interest rate	-0,302%	-0,261%	0,453%	
	Assets	Non-life provisions	Other liabilities	NAV increase
Net asset value after upward shock	21.030	17.843	1.410	-10
Net asset value after downward shock	21.383	18.138	1.433	24

Prudent Person principle

In accordance with the "Prudent Person" Principle the BoD has set the high level investment principles that should be followed by the Atlantic's Investment Committee:

- All investment activity within the Company is driven by the size, nature and term of its liabilities and by the Company's overall risk appetite and solvency levels
- All investments must qualify under relevant laws and regulations
- Investments should be sufficiently diversified across asset classes and instruments
- The Company does not invest in complex instruments or markets where the risks cannot be sufficiently understood, measured and managed
- Outsourcing of investment to third party assets managers should adhere to the policy for outsourcing.

Management of investment risk

The Board of Directors and the Investment Committee **determine and review the investment strategy** considering the economic environment and macroeconomic conditions, as well as the solvency condition of the company and of the main risks to which the company is exposed.

The Company's investments are distributed into five broad asset classes according to their composition and/or investment horizon namely Cash and Cash Equivalents, Equity, Bonds, Property and Other Alternative Investments. The Board has set through the RMC **maximum Risk tolerance limits** for each asset category as a % of the Company's investment portfolio and also aggregate limits per type of risk. Investment limits are set in order to avoid **undesirable concentrations in the Company's portfolio**. Risk limits are reviewed periodically by the RMF and the RMC and revised accordingly.

Atlantic's decision to **invest in specific securities** is taken by the Investment Committee based on the risk appetite of the Company. The risk appetite is expressed in terms of acceptable asset classes for investment, the tolerance level for the risks arising from each investment and the ability to manage and monitor these investments when acquired.

Interest rate risk is managed by proper asset-liability management which aims at aligning fixed-income investments to the profile of the liabilities. The company does not use any derivatives like interest rate swaps for hedging interest rate risk.

Assessment and risk mitigation techniques used for market risks
The investment committee oversees the investments of the Company. Investment position and risk exposures are reported on a regular basis to the Investment Committee. The committee meets regularly and makes decisions on **tactical asset allocation** always within the constraints of Atlantic's overall investment strategy which is set by the Board and its Risk management committee.

The RMF carries out a **quarterly monitoring** of investment exposure against the acceptable risk limits. Quarterly risk monitoring reports are sent to the senior management and the RMC and appropriate action is taken for any identified breaches of risk exposure limits.

On an annual basis **as part of the ORSA** a formal assessment of investment risks is carried out using stress and scenario testing which is used to assess market risks under stressed conditions.

Derivatives

The Company takes into consideration techniques to mitigate investment risks such as the **use of derivatives**. During the year Atlantic entered into the sale of 2 USD forward contracts of an aggregate amount of $3,9mln with the aim of hedging currency risk arising from the USD exposure of the Company's investments and bank balances.

4.5. Concentration Risk

The risk arises from risk exposures (credit, investment, reinsurance) which could lead to a loss of such magnitude which can significantly affect the solvency and financial position of the company.

Sources of concentration risk
Concentration risk may arise from various sources, including counterparties (e.g. customers, agents) geographical areas, business sectors, reinsurance, investment, property and banking institutions.

Concentration risk increased by 2,7% to €3,93 mln from €3,83 mln at the end of the 3rd quarter. The total amount of assets which are subject to concentration risk amounted to €46,46mln.

Concentration Risk	**SCR 12/2016**	**SCR 9/2016**	**SCR 6/2016**	**SCR 3/2016**	**SCR 12/2015**	**% Change**
Total amount of assets considered in the market risk concentrations submodule	46.456	44.674	44.919	43.437	42.192	4,0%
Threshold for counterparties <A	697	670	674	652	633	4,0%
Threshold for property	4.646	4.467	4.492	4.344	4.219	4,0%
Number of counterparties	8	9	8	8	7	-11,1%

The number of counterparties or assets having an exposure in excess of the threshold is 8.

Management of concentration risk
Concentration risk is managed through the setting of maximum risk levels. The aim of risk levels is the reduction of unnecessary concentration of risk on certain assets and liabilities. The limits pose restrictions on the staff of the risk-taking business units (underwriting, investment management etc.) in order to ensure satisfactory diversification of insurance risks, investments, reinsurance etc.

Maximum exposure limits are set by the RMF in consultation with executive management and are approved by the RMC. The limits are reviewed at least once a year unless changes take place which warrant their immediate review.

4.6. Liquidity risk

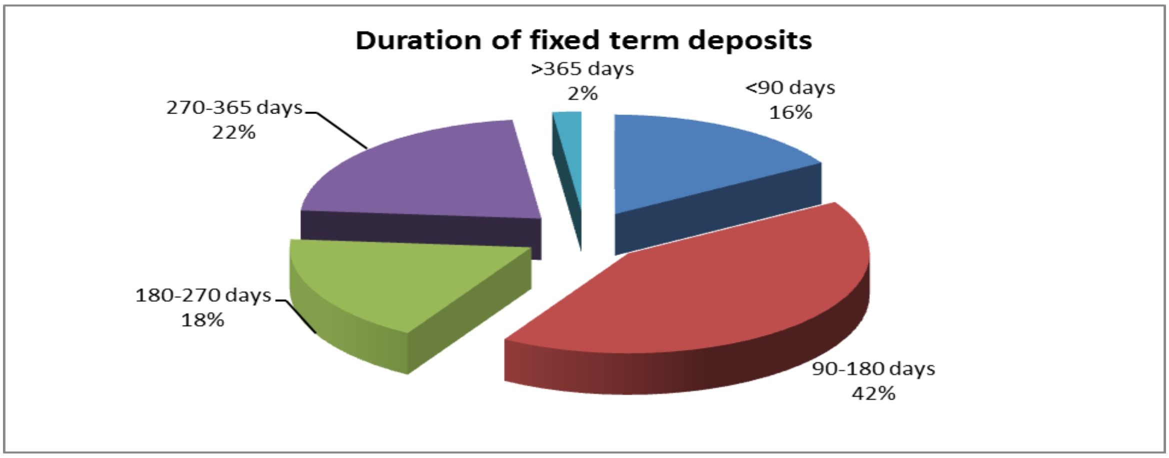
Liquidity risk is the risk that the Company may not be able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner. Liquidity risk is not quantified in the Solvency Capital Requirement of Atlantic.

The Company recognizes different levels of liquidity management. Short-term liquidity, or daily cash management, covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions under which market liquidity risk materialises.

The RMF applies stress liquidity management on a quarterly basis which looks at the ability to respond to a potential crisis situation as a result of a market event and a company-specific event. Unexpected cash outflows could occur as result of large claims etc. Atlantic monitors its liquidity risk scenarios via different risk reporting and monitoring processes including daily cash management reports, cash flow forecasts, 3-year cash flow projections and stress scenario liquidity reports.

The Company's liquidity management principle consists of three components. First, a minimum liquidity buffer is kept in cash and cash equivalents and liquid assets. Second, the strategic asset allocation reflects the expected and contingent liquidity needs of liabilities. Finally, an adequate and up-to-date contingency liquidity plan is in place to enable management to act effectively and efficiently in times of crisis.

The company's liquidity risk is assessed as very low since Atlantic holds liquid assets which are well in excess of the Company's minimum liquidity buffer. Additionally the Company holds liquid investments and fixed term bank deposits of €16,32mln. The duration of the Company's fixed term deposits is shown below:



With regard to liquidity risk, 'the expected profit included in future premiums' ("EPIFP") means the expected present value of future cash flows which result from the inclusion in technical provisions of premiums relating to existing insurance and reinsurance contracts that are expected to be received in the future, but that may not be received for any reason, other than because the insured event has occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy.

4.7. Operational risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, system weaknesses or because of external events.

Operational risk can be segmented in the following main sub-categories:

- compliance,
- business process,
- information technology,
- outsourcing,
- business continuity,
- financial reporting.

Examples of key material operational risks that the Company faces include:

- **Legal** - the risk of a defective transaction arising; inadequate contract management or any other event occurring which results in liability for the Company.
- **Cyber/ Data security** - the risk of the inability to protect data from unauthorised access, use, disclosure, disruption, modification or destruction. The increase in cyber-risk activity over recent years has led to significant increase of data security risk.
- **IT Infrastructure** - the risk arising from lack of effectiveness, integrity, reliability, capacity and/or availability of IT infrastructure;
- **Wrong selling** – the risk of deliberate, reckless or negligent sale of products or services in circumstances where the contract is either misrepresented, or the product/service is unsuitable for the customer's needs;
- **Outsourcing** - the risk of failure, non-performance, ineffective management and/or oversight of an outsourcing partner or a binder agreement;
- **People** - the risk of inadequate recruitment practices, development, management or retention of employees and/ or contractors;
- **Execution, Delivery and Process Management** - the risk to a business unit's service provision arising from a failure to carry out operational processes in an accurate, timely and complete manner; and

The required capital for operational risk based on the standard model amounts to €665k as at 31 December 2016:

Operational risk	**Capital requirement €000**
Non-life gross technical provisions (excluding risk margin)	0
Capital requirement for operational risk based on technical provisions	0
Earned non-life gross premiums (previous 12 months)	22.152
Earned non-life gross premiums (12 months prior to the previous 12 months)	22.156
Capital requirement for operational risk based on earned premiums	665
Capital requirement for operational risk charge before capping	665
Percentage of Basic Solvency Capital Requirement (30%)	4.772
Capital requirement for operational risk charge after capping	665
Total capital requirement for operational risk	665

Risk sensitivity for operational risks
Operational risk makes up 4,5% of the standard formula SCR at 31 December 2016.

Risk sensitivities		
Effect on:	SCR	SCR Ratio
Type of Risk (%)	€000	Basis Points
Operational risk +25%	166	2,30

Description	**Scenario**
Operational risks	Measured as the impact of a 25% increase in operational risk

If operational risk was to increase by 25% the increase in the minimum SCR would be €166k and the impact on the SCR ratio would be a reduction by 2,3 basis points.

Measures used to assess operational risks
The following measures are used to assess operational risks:

- Risk assessment by RMF – the Risk management function discusses operational risk issues of each business unit with the staff of the unit to identify risk issues that need to be taken into account. The RMF uses quantitative as well qualitative procedures to assess the impact of the risk which is then subjected to stress testing techniques.
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the operational risk exposure.

Risk mitigation techniques used for operational risks
All material operational risks which the Company is exposed to, are identified and recorded by the RMF in the risk register. The risks are assessed and once the actions required to manage the risks have been agreed, the risks are reported to senior management, the Risk Management Committee and the Board.

The main actions/techniques used by the Company for mitigating operational risks are:

- Risk reduction – where possible, the Company takes action to reduce the impact of a risk. The required actions vary by risk. During the year Atlantic reduced its IT security risk by investing in new servers and firewall.
- Risk removal – where risks are outside risk appetite and there are no commercially viable means of reducing the risk, the Company may remove the risk if possible.
- Risk transfer – Atlantic outsources a number of activities and in some cases the associated risks with carrying out those activities. Whilst the company can outsource activities, it can't transfer responsibility and therefore manages its outsourcing relationships accordingly.
- Risk acceptance – where the company has considered all other mitigation techniques and the risk remains out of appetite, it may proceed to accept the risk with the approval of the Risk Management Committee.

4.8. Other Material Risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against Atlantic's actual solvency capital position, taking into account identified risks that are not incorporated into the standard formula. The following risks are recognized by the RMF as being potentially material:

- Reputation risk
- Strategic risk
- Liquidity risk
- Legal environment risk
- Model risk
- New and upcoming risk
- Group risk

The Company uses a combined top-down (strategic risk assessment) and bottom-up (control risk self-assessments) approach to identify the material risks to which Atlantic is exposed. The identification process also covers risks which are not incorporated into the standard formula.

Mitigating measures are assessed as well as exposure reducing actions. The risks are then ranked by Level of Concern and are translated to Atlantic's risk priorities and relevant risk scenarios for ORSA.

5. Valuation for solvency purposes

The valuation of assets is based on fair value measurement as described below. Each material asset class is described in paragraph 5.1. Valuation of technical provisions is calculated as the sum of the best estimate and the risk margin as described in paragraph 5.2. Other liabilities are described in paragraph 5.3.

The reconciliation between the IFRS Balance sheet and the Solvency II valuation is shown in the below template:

Balance sheet	**Solvency II value**	**IFRS Value**	**Difference**
Assets			
Deferred acquisition costs		458	-458
Intangible assets	0	22	-22
Deferred tax assets	268	0	268
Property, plant & equipment held for own use	6.755	6.755	0
Investments	**39.541**	**39.299**	**242**
Property (other than for own use)	5.665	5.665	0
Participations	919	899	20
Equities	**3.642**	**3.522**	**120**
Equities - listed	3.642	3.522	120
Equities - unlisted	0	0	0
Bonds	**5.819**	**5.854**	**-34**
Government Bonds	2.934	2.875	59
Corporate Bonds	2.885	2.978	-93
Structured notes	0	0	0
Investment funds	**6.973**	**6.973**	0
Equity funds	2.737	2.737	0
Real estate funds	1.281	1.281	0
Alternative funds	2.496	2.496	0
Private equity funds	459	459	0
Derivatives	0	0	0
Deposits other than cash equivalents	16.522	16.385	137
Other investments	0	0	0
Reinsurance recoverables from:	25.288	24.332	956
Non-life and health similar to non-life	25.288	24.332	956
Non-life excluding health	25.206	24.114	1.092
Health similar to non-life	82	218	-136
Insurance & intermediaries receivables	4.928	4.928	0
Reinsurance receivables	187	187	0
Receivables (trade, not insurance)	1.067	1.067	0
Own shares	163	0	163
Cash and cash equivalents	2.029	2.029	0
Any other assets, not elsewhere shown	929	1.151	-222
Total assets	**81.153**	**80.227**	**926**

Liabilities	**Solvency II value**	**IFRS Value**	**Difference**
Technical provisions – non-life	**44.349**	**41.547**	**2.802**
Technical provisions – non-life (excluding health)	41.737	38.937	2.800
TP calculated as a whole	0		
Best Estimate	40.872		
Risk margin	865		
Technical provisions - health (similar to non-life)	2.612	2.610	2
TP calculated as a whole	0		
Best Estimate	2.510		
Risk margin	102		
Provisions other than technical provisions	1.000	1.000	0
Pension benefit obligations	22	22	0
Deposits from reinsurers	0	0	0
Deferred tax liabilities	240	240	0
Derivatives	240	240	0
Debts owed to credit institutions	0	0	0
Reinsurance payables	133	133	0
Payables (trade, not insurance)	288	288	0
Subordinated liabilities	0	0	0
Subordinated liabilities not in BOF	0	0	0
Subordinated liabilities in BOF	0	0	0
Any other liabilities, not elsewhere shown	955	955	0
Total liabilities	47.227	44.425	2.802
Excess of assets over liabilities	33.926	35.802	-1.876

5.1. Assets

Fair value measurement

In accordance with the Delegated Regulation, Solvency II figures are based on fair value. In line with the valuation methodology described in article 75 and further of the Solvency II directive and articles 9 and 10, the following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value:

- Fair value based on quoted prices in an active market
- Fair value based on observable market data
- Fair value not based on observable market data

The valuation of each material asset category and an explanation of the differences between the Solvency II value and the IFRS value of each asset category are described below:

Goodwill and Intangible assets

Intangible assets relate to computer software and goodwill arising on the acquisition of agents' portfolios. Goodwill and intangible assets are not recognized in the Solvency II framework and are set to nil. As a result there is a difference between the Solvency II and IFRS value of €22k.

Deferred tax assets

The Company has no deferred tax assets in accordance with IFRS. The deferred tax asset under Solvency II valuation principles relates to the relevant Solvency II assets and liabilities valuation adjustments and is calculated using the applicable effective tax rate of the Company of 12,5%. In accordance with the Delegated Regulation the deferred tax assets and liabilities position resulting from Solvency II valuation adjustments is netted in the balance sheet. As at 31 December 2016 the SII value of deferred tax assets was €268k as opposed to nil in accordance with IFRS valuation.

Deferred acquisition costs

Deferred acquisition costs relate to the unexpired period of risks of contracts in force at the balance sheet date. In accordance with Article 12 of the Solvency II Delegated Act deferred acquisition costs are valued at nil since the related cash outflows that will be incurred in servicing all recognized insurance obligations are considered in determining the Best Estimate technical provisions. As a result there is a difference between the Solvency II and the IFRS value of deferred acquisition costs of €458k.

Property, plant, and equipment held for own use

Property is recognized at fair value as determined at the end of the year by professional independent property valuers. Plant and equipment is valued at cost minus accumulated depreciation which provides a close approximation of fair value.

Investments - Property (other than for own use)

Investment properties are valued at fair value as determined at the end of the year by professional independent property valuers.

Investments - Holdings in related undertakings, including participations
Valuation of holdings in related undertakings is based on fair value or, if not applicable, based on the net equity method. Under IFRS these assets are valued at cost minus provision for diminution in value of the related undertaking. As a result of the different valuation methods there is a small difference of €20k between the SII value and the value based on IFRS.

Investments – Equity, collective investment funds

Listed equities and collective investment funds are valued using the fair value based on quoted prices in an active market. Private equity funds and unlisted real estate funds are valued based on the level 3 method of the fair value hierarchy using non-observable inputs obtained from the third party custodian. The main non-observable market input for these assets is the net asset value of the investment which is provided quarterly by the custodian of the funds. As at 31 December 2016 all of the company's investments in equity and collective investment funds were listed with the exception of a private equity fund of €0,45mln.

The difference in the Solvency II value of listed equities of €120k relates to the reclassification of Hellenic Bank subordinated convertible bonds which for SII valuation were included as part of listed equities as opposed to bonds, given that under the terms of the bonds and the current values, the holder is in substance exposed to equity risk.

Investments –Bonds

All of the Company's investments in bonds are listed in regulated stock exchanges and hence they are valued using the fair value based on quoted prices in an active market. Accrued interest is added to the value of the bonds.

The difference in the Solvency II value of listed bonds of €34k relates to the following:

- Accrued interest on bonds of €85k which under the IFRS financial statements is included in other debtors.
- Reclassification of Hellenic Bank subordinated convertible bonds of €120k to equities.

Deposits other than cash and cash equivalents

Deposits other than cash and cash equivalents are valued at fair value. Accrued interest is included as part of the value of the deposits.

The difference in the Solvency II value of deposits relates to the accrued interest on bank deposits of €137k which under the IFRS financial statements is included in other debtors.

Reinsurance receivables

Contracts that transfer a significant insurance risk from the Company to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance. Assets arising from reinsurance contracts are recognized under reinsurance contracts, except for current receivables from reinsurers, which are included under reinsurance receivables. The management assesses at each reporting date whether any objective evidence of impairment of receivables exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount. Therefore, current receivables from reinsurers are valued comparable with IFRS.

Insurance and intermediaries receivables

Insurance and intermediaries receivable balances represent premiums owed from policyholders and intermediaries. Outstanding premiums are valued at fair value and due to the short-term nature of the receivable no adjustments to valuation are required. The management assesses whether any objective evidence of impairment of insurance receivables exists. In that case receivables are regarded as doubtful and are adequately provided for. Objective evidence includes payment delays, overdue amounts, indication of significant weakness in repayment of debts, legal procedures and bankruptcy. The value of insurance and intermediaries receivables in the Company's financial statements is the same as for Solvency II.

Own shares

Own shares are valued at fair value based on quoted prices in an active market and are included as part of assets in the balance sheet. In its IFRS financial statements the Company deducts own shares from reserves. As a result there is a difference of €163k between the SII and IFRS asset values.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments with original maturities of three months or less.

Other assets

Other assets include accrued interest, commission receivable, prepayments, other debtors and the Company's share in the assets of the Cyprus Hire Risks Pool. The difference of €222k between the Solvency II and the IFRS value relates to accrued interest which under Solvency II is shown as part of the relevant bonds and bank deposits.

5.2. Technical provisions

Methods

The technical provision is the sum of the best estimate and the risk margin.

Best Estimate

The best estimate is the net present value of projected cash flows from insurance contracts, i.e. benefits and claims, and costs less premiums. These cash flows are estimated using best estimate assumptions with respect to recovery, claims experience, expense and inflation.

The cash flows are discounted using the term structure of risk-free interest rates as prescribed under Solvency II for the valuation of underwriting liabilities.

Risk margin

The risk margin is determined using the Cost of Capital (CoC) method, with a Cost-of-Capital rate of 6%, in line with the Delegated Regulation. The risk margin is based on the Solvency Capital Requirement (SCR) of all insurance risks, operational risk and counterparty default risk for reinsurance arrangements and other material exposures which are closely related to insurance liabilities.

The SCR calculation is making allowance for the correlations between risks using correlation factors as defined in the standard model. In determining the risk margin, allowance is also made for diversification between risk groups within the entity, but not between legal entities.

Risk-free yield curve

The basis for the reference rate of the best estimate is the swap rate at the date of valuation (31 December 2016). The below RFR curve with no volatility adjustment was used for discounting technical provisions.

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Discount	-0,302%	-0,261%	-0,208%	-0,123%	-0,024%	0,092%	0,215%	0,341%	0,461%	0,571%
Year	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
Discount	0,671%	0,760%	0,841%	0,908%	0,958%	0,993%	1,019%	1,046%	1,077%	1,117%
Year	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
Discount	1,167%	1,226%	1,289%	1,355%	1,423%	1,492%	1,559%	1,626%	1,692%	1,756%

Level of uncertainty

Atlantic distinguishes between two sources of uncertainty with regard to the level of the technical provisions. These sources are model risk and process risk. The uncertainty associated with these risks has been mitigated as described below:

Process risk
The process risk is mitigated by creating a reasonable degree of assurance as to the reliability of financial reports and information. Key controls for the calculation of technical provisions process have been identified and implemented. The effectiveness of the process controls is strengthened by the periodic independent verification of the calculation of technical provisions by an external professional actuary.

Model risk
The models used by the Company for the calculation of technical provisions were reviewed and validated twice during the last 4 years by external professional advisors. The Company incorporated in its calculation models all recommendations raised by the external advisors. Furthermore the Company employs regular procedures and validation checks to provide adequate assurance that the reported figures do not contain any material misstatements or that no key facts have been omitted. In addition, the actuarial function performs an independent internal review of the technical provisions calculation on a periodic basis.

Despite the above mitigation factors, the Company has added an additional amount of €0,75mln in the value of its technical provisions to cover process and model error risk. The additional provision is in line with the Company’s conservative approach to the Solvency II capital calculations.

Technical provisions by line of business

Line of Business	**Gross €000**	**Net €000**
Accident and health	2.612	2.530
Motor	14.100	11.620
Marine	233	144
Property	24.979	2.595
Liability	1.928	1.864
Credit	156	112
Assistance	334	194
Miscellaneous	8	3
Total	**44.349**	**19.062**

Comparison between the Solvency II and the IFRS valuation

A comparison between the Solvency II and the IFRS valuation of technical provisions is shown in the below table:

Technical provisions	SII	IFRS	% Change
Best estimate-Gross	**43.382**	**41.547**	**4,4%**
Premium Provisions-Gross	11.584	9.856	17,5%
Claim Provisions-Gross	31.797	31.691	0,3%
Best estimate-Net	**18.094**	**17.215**	**5,1%**
Premium Provisions-Net	8.684	7.852	10,6%
Claim Provisions-Net	9.410	9.363	0,5%

Under Solvency II, the technical provisions are calculated using a different method compared to IFRS. The main differences between the two valuation methods relate to:

- A different curve used to calculate the best estimate
- Different methods for the risk margin
- In IFRS expected profit is not taken into account
- Different methods for determining best estimate premium liabilities
- Investment costs are taken into account under Solvency II

5.3. Other liabilities

Valuation of other liabilities

In line with the valuation of assets, the accounting principles for other liabilities used in the Pillar III reports are generally also based on the IFRS as adopted by the EU. Any differences between the methods for IFRS and Solvency II purposes are addressed in detail per liability category.

Deferred tax liabilities
Deferred tax liabilities are recognized in relation to temporary timing differences between accounting and tax values of assets and liabilities. The amount of deferred tax is calculated using the applicable effective tax rates.

Derivatives
The Company uses forward contracts to hedge the currency risk arising from its investments denominated in foreign currencies. Derivative liabilities are valued using the fair value method as the difference between the spot rate at the reporting date and the forward contract rate.

Reinsurance payables

Reinsurance payables relate to amounts due under reinsurance contracts which were in force at the reporting date. The amounts payable are calculated in accordance with reinsurance agreements and contract notes. No estimation methods, adjustments for future value or valuation judgements are required for these balances. The timing of expected economic outflows to settle the liability with each reinsurer is contractually based.

Trade payables (non-insurance)

The balances relate to amounts due to suppliers of consumables, equipment and services. These liabilities are valued using the fair value method based on the actual contractual amounts. Due to their short term duration, no future value adjustments are normally necessary.

Any other liabilities

Other liabilities include amounts payable for taxation, MIF, dividends and amounts due to subsidiary undertakings and related persons.

Contingent liabilities

Contingent liabilities are defined as:

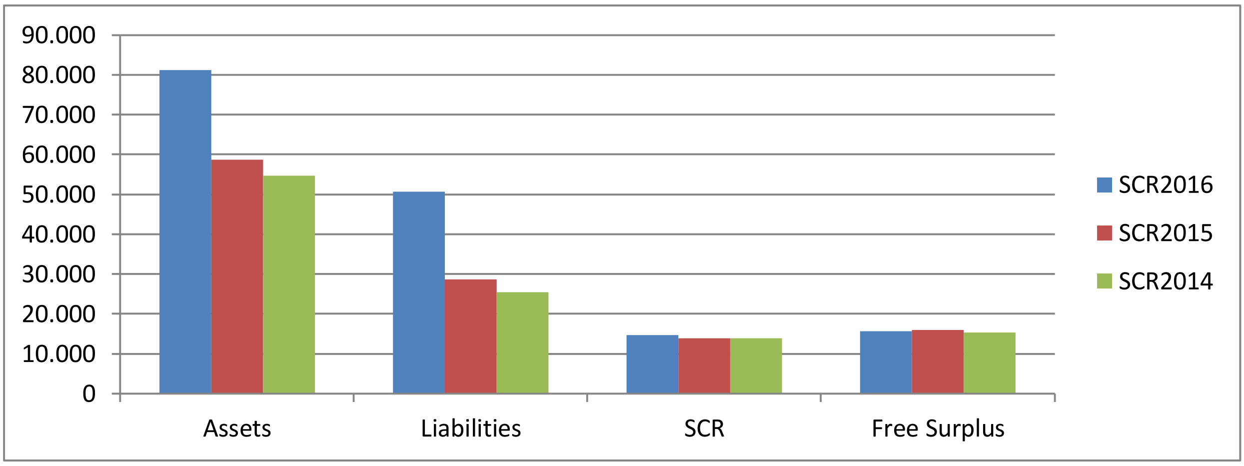
- a possible obligation depending on whether some uncertain future event occurs, or
- a present obligation but payment is not probable or the amount cannot be measured reliably.

Solvency II prescribes that all contingent liabilities be recognized on the Solvency II balance sheet. The Company carries a regular review at each reporting date to assess whether any contingent liabilities should be recognized on the Solvency II balance sheet. As at 31 December 2016 there were no significant contingent liabilities.

6. Capital management

6.1. Key figures

Solvency ratio comparison	SCR 2016	SCR 2015	SCR 2014	% Change
Value of assets	81.153	58.666	54.775	38,3%
Value of techn. prov. and other liabilties	50.714	28.645	25.451	77,0%
Available capital	30.439	30.021	29.324	**1,4%**
Required capital (SCR, required solvency margin)	14.763	13.963	13.922	**5,7%**
'Free surplus'	15.676	16.058	15.402	**-2,4%**
Solvency Ratio	**206,2%**	**215,0%**	**210,6%**	**-4,1%**



6.2. Objectives, policies and processes

Objectives, policies and processes
The Company is committed to maintain a strong capital position in order to be a robust insurer for its policyholders and other stakeholders. The objective is to maintain a solvency level that is within the limits defined in the risk appetite statements and the solvency targets.

Sensitivities are periodically performed for principal risks and annual stress tests are performed to test Atlantic's ability to withstand moderate to severe adverse scenarios.

The SCR is reported on a quarterly basis and the internal minimum solvency ratio for Atlantic as formulated in the risk appetite statement is 150%. The solvency ratio stood at 206% at 31 December 2016, which was comfortably higher than both the internal limit of 150% and the minimum regulatory limit of 100%.

The company uses a 3-year business planning horizon as part of the ORSA process. On an annual basis, and having regard to the results of stress tests applied to the projections over the three year planning period, the Management will consider whether further action is required in accordance with the Company's approved contingency plan.

Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or distributed to shareholders. The objective of the Company's active capital management is to improve its capital generation capacity through business improvement and balance sheet restructuring.

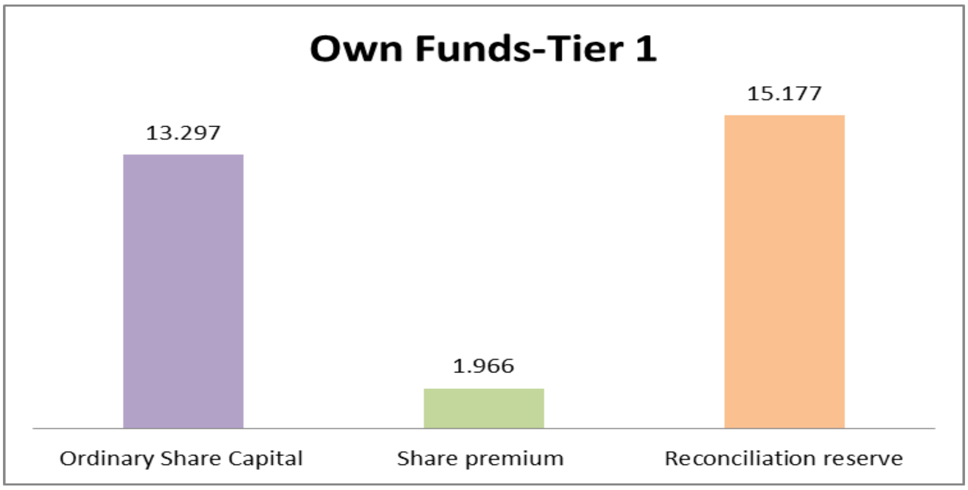
The Board's decision on the payment of dividend takes into consideration the current and projected SCR levels of the Company.

6.3. Eligible Own funds

Atlantic's eligible own funds amount to €30,44mln. The Company's own funds are all tier 1 unrestricted and available to cover the SCR and MCR.

Basic Own Fund Items	Current accounting bases	SII Valuation Principles	Tier 1	Tier 2	Tier 3
Ordinary share capital (net of own shares)	**13.297**	**13.297**	**13.297**	**0**	**0**
Paid up	13.297	13.297	13.297	0	0
Called up					
The initial fund (less item of the same type held)	0	0	0	0	0
Share premium account	1.966	1.966	1.966	0	0
Reconciliation reserve		**15.177**	**15.177**	**0**	**0**
Retained earnings including profits from the year	17.425	17.425	17.425	0	0
Other reserves from accounting balance sheet	3.277	3.277	3.277	0	0
Reconciliation adjustments	0	-5.525	-5.525	0	0
Surplus funds	0	0	0	0	0
Expected profit in future premiums	0	0	0	0	0
Other paid in capital instruments	**0**	**0**	**0**	**0**	**0**
Preference shares	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
Other items not specified above	-163	0	0	0	0
Total Basic own funds before adjustments	**35.802**	**30.439**	**30.439**	0	0
Total Ancillary own funds				0	0
Total available own funds to meet SCR, before eligibility assessment	**35.802**	**30.439**	**30.439**	0	0

With respect to the capital position, Solvency II requires the insurers to categorize own funds into 3 tiers of capital with differing qualifications as eligible available regulatory capital. The rules impose limits on the amount of each tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that might arise.



The Company's ordinary share capital, share premium arising on ordinary share capital and reconciliation reserve are all available as tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation.

The Company has no tier 1 restricted own funds (per Article 80 of the Delegated Regulations), no tier 2 own funds (per Article 72 of the Delegated Regulations) no tier 3 own funds (per Article 76 of the Delegated Regulations) and no ancillary own funds. There is no item of basic own funds which is subject to the transitional arrangements referred to in articles 308 b(9) and 308 b(10).

6.4. Reconciliation of Own Funds

The reconciliation between the Company's own funds shown in its IFRS financial statements and the excess of assets over liabilities as calculated for solvency purposes is shown below:

Basic Own Fund Items	**31.12.2016**
IFRS Own funds	**35.802**
Own shares added back	163
	35.965
Reconciliation Adjustments	**-5.525**
Adjustment to Assets	**764**
Intangible Assets	-22
DAC	-458
Participations	20
Reinsurers share of TP	956
Deferred Tax Asset	268
Adjustment to liabilities	**-2.802**
TP Best Estimate	-2.802
Foreseeable Dividends	**-3.324**
Other items not specified above	**-163**
Own Shares	-163
Total available own funds to meet SCR, before eligibility assessment	**30.439**

The total adjustments in own funds calculated based on IFRS amount to €5.52mln and comprise of assets adjustments of €0,76mln, adjustments to liabilities of €2,81mln and foreseeable dividends of €3,32mln.

The adjustments to assets relate to the increase in reinsurers share of Technical provisions of €0,96mln, the exclusion of deferred acquisition costs of €0,46mln and of intangible assets of €22k and valuation differences of participations of €20k.

The adjustments to liabilities relate to the increase in the value of technical provisions by €2,8mln based on Solvency II valuation principles.

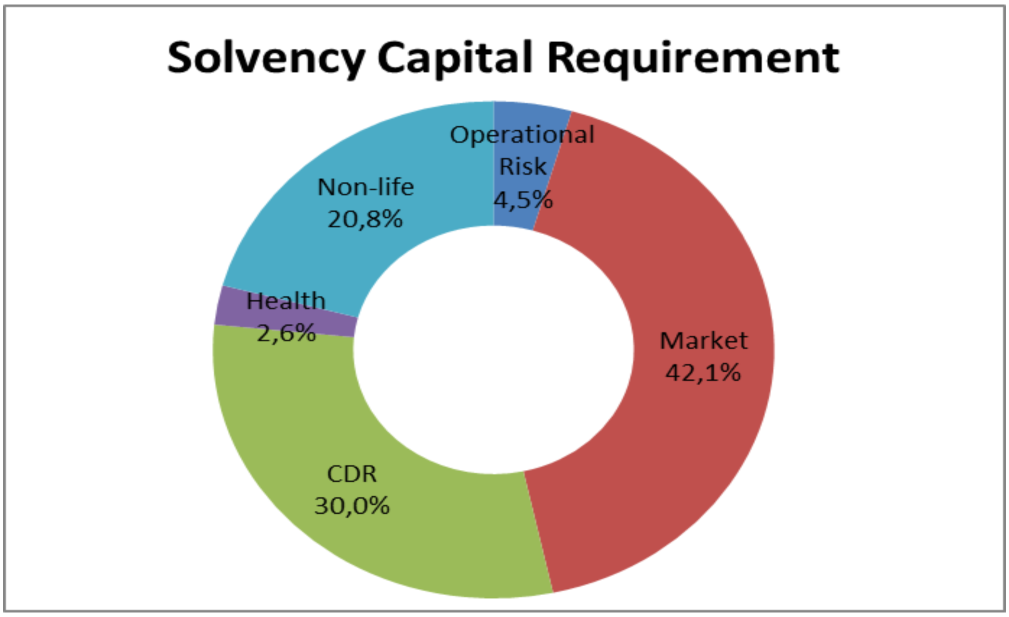
6.5. Solvency Capital Requirement

The Solvency capital requirement (“SCR”) which is calculated based on the Standard Formula of Pillar 1 amounts to €14,76mln. SCR increased by 5,7% as compared to the previous year. The increase mainly relates to the increase of market risk by 9,2% as a result of increased investment positions and the increase in counterparty default risk by 3,8% which is mainly attributable to higher reinsurance risk as a result of the €20mln recoverable by the reinsurers regarding the Electricity Authority claim.

A breakdown of the SCR by risk modules is shown below:

	2016	2015	% Change
Solvency Capital Requirement	**14.763**	**13.963**	**5,7%**
SCR operational risk	665	683	-2,6%
Adjustment for the LAE of TP and deferred taxes	-1.809	-1.797	0,7%
Basic Solvency Capital Requirement	**15.908**	**15.077**	**5,5%**
Diversified risk	15.908	15.077	5,5%
Diversification effects	-5.793	-5.521	4,9%
Sum of risk components	**21.701**	**20.598**	**5,4%**
Market risk	9.566	8.758	9,2%
Counterparty default risk	6.822	6.588	3,6%
Health underwriting risk	582	536	8,6%
Non-Life underwriting risk	4.731	4.717	0,3%

The main components of the Company’s SCR are the market risk 42,1%, counterparty default risk 30,0% and underwriting risk 23,4%.



In the calculation of the SCR the Company did not make any use of undertaking specific parameters.

Market risk is analysed in the following risk modules:

	2016	2015	% Change
Market risk	**9.566**	**8.758**	**9,2%**
Diversification effects	-4.612	-4.819	-4,3%
Sum of risk components	**14.178**	**13.576**	**4,4%**
Interest rate risk	10	0	
Equity risk	4.243	2.935	44,5%
Property risk	3.346	3.267	2,4%
Spread risk	1.818	1.573	15,6%
Currency risk	826	863	-4,3%
Concentration risk	3.935	4.937	-20,3%

Capital Add-on

The Insurance Companies Control Service has made use of the option provided in article 51(2) of the Solvency II Directive 2009/138/EC and hence any disclosure on capital add-on or the impact of the specific parameters the Company is required to use in the calculation of the SCR, will be disclosed after the end of the period ending 31 October 2017.

6.6. Minimum Capital Requirement ("MCR")

The Company's MCR as at 31 December 2016 amounts to €3,7mln.

The linear minimum capital requirement amounts to €1,64mln as compared to the absolute floor level of €3,7mln.

Inputs used to calculate the Minimum Capital Requirement

The table below shows the inputs into the MCR calculation as at 31 December 2016. The absolute floor of the Minimum Capital Requirement is prescribed by EIOPA and stated in Euros below.

Overall MCR calculation	
	€
Linear MCR	1.643.569
SCR	14.763.422
MCR cap	6.643.540
MCR floor	3.690.855
Combined MCR	3.690.855
Absolute floor of the MCR	3.700.000
-	**C0070**
Minimum Capital Requirement	3.700.000

Material changes of MCR and SCR

There were no material changes in the MCR and SCR over the reporting period.

Non-compliance with the MCR and SCR

Atlantic has not faced any form of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement during the reporting period or at the reporting date.

Any other information

Dividend policy and capital actions

The Company has formulated its dividend policy in line with its current strategy. The objective of its policy is to pay an annual dividend that creates sustainable long-term value for its shareholders. The Company aims to operate at a solvency ratio, calculated according to the standard formula, above the management threshold level of at least 150% of the Solvency Capital Requirement (''SCR'').

On April 13, 2017 the Board of Directors has decided to propose for approval at the Annual General Meeting of the Company which will take place on May 31, 2017, the payment of a dividend of 9,25 cents per share (2015: 8,5 cents).

Validations

Atlantic Insurance Company Public Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report
Financial period ended 31 December 2016

We certify that:
1 the Solvency and Financial Condition Report ("SFCR") has been properly prepared in all material respects in accordance with the Solvency II Regulations; and
2 we are satisfied that:
(a) throughout the financial year in question, the Company has complied in all material respects with the requirements of the Solvency II Regulations as applicable to the insurer; and
(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued to comply, and will continue to comply in future.

Approval by the Administrative, Management or Supervisory Body of the SFCR and reporting templates

Emilios Pyrishis — Chief Executive Officer

Loukis Ioannou — C.F.O, Head of Risk Management Function

Appendix : Templates

Annex I
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	268.016
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	6.755.297
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	39.540.565
Property (other than for own use)	**R0080**	5.665.480
Holdings in related undertakings, including participations	**R0090**	918.681
Equities	**R0100**	3.641.595
Equities - listed	**R0110**	3.641.595
Equities - unlisted	**R0120**	0
Bonds	**R0130**	5.819.454
Government Bonds	**R0140**	2.934.410
Corporate Bonds	**R0150**	2.885.045
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	6.973.426
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	16.521.928
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	0
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	25.287.529
Non-life and health similar to non-life	**R0280**	25.287.529
Non-life excluding health	**R0290**	25.205.675
Health similar to non-life	**R0300**	81.854
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	4.927.857
Reinsurance receivables	**R0370**	187.032
Receivables (trade, not insurance)	**R0380**	1.067.003
Own shares (held directly)	**R0390**	162.532
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	2.028.660
Any other assets, not elsewhere shown	**R0420**	928.668
Total assets	**R0500**	**81.153.159**

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	44.349.243
Technical provisions – non-life (excluding health)	**R0520**	41.737.322
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	40.871.876
Risk margin	**R0550**	865.447
Technical provisions - health (similar to non-life)	**R0560**	2.611.921
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	2.509.883
Risk margin	**R0590**	102.038
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
Technical provisions - health (similar to life)	**R0610**	0
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	0
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
Technical provisions – index-linked and unit-linked	**R0690**	0
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	1.000.000
Pension benefit obligations	**R0760**	22.255
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	240.204
Derivatives	**R0790**	239.843
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	0
Reinsurance payables	**R0830**	132.699
Payables (trade, not insurance)	**R0840**	287.589
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	955.126
Total liabilities	**R0900**	**47.226.960**
Excess of assets over liabilities	**R1000**	**33.926.199**

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	**Total**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0200**
Premiums written														
Gross - Direct Business	**R0110**	3.295.373	0	0	8.278.693	2.745.274	197.484	5.607.354	926.460	95.207	0	609.919	19.264	**21.775.028**
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	44.305	0	2.048	88.202	56.279	0	0	3.928	0	**194.762**
Gross - Non-proportional reinsurance accepted	**R0130**													**0**
Reinsurers' share	**R0140**	120.618	0	0	333.274	109.928	114.709	4.224.241	137.974	78.310	0	266.853	12.968	**5.398.872**
Net	**R0200**	3.174.755	0	0	7.989.725	2.635.346	84.823	1.471.316	844.766	16.897	0	346.994	6.297	**16.570.918**
Premiums earned														
Gross - Direct Business	**R0210**	3.249.371	0	0	8.246.676	2.760.421	198.517	5.833.755	939.753	88.499	0	614.993	25.059	**21.957.044**
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	44.305	0	2.048	88.202	56.279	0	0	3.928	0	**194.762**
Gross - Non-proportional reinsurance accepted	**R0230**													**0**
Reinsurers' share	**R0240**	115.843	0	0	348.398	116.079	120.947	4.467.634	136.297	71.904	0	274.222	17.762	**5.669.085**
Net	**R0300**	3.133.528	0	0	7.942.583	2.644.342	79.617	1.454.324	859.736	16.595	0	344.699	7.297	**16.482.721**
Claims incurred														
Gross - Direct Business	**R0310**	2.268.267	0	0	4.535.114	1.457.699	-7.120	20.265.948	316.891	0	0	-732	564	**28.836.631**
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Gross - Non-proportional reinsurance accepted	**R0330**													**0**
Reinsurers' share	**R0340**	5.117	0	0	818.936	0	1.440	20.129.977	5.225	0	0	0	242	**20.960.936**
Net	**R0400**	2.263.150	0	0	3.716.178	1.457.699	-8.560	135.971	311.666	0	0	-732	322	**7.875.695**
Changes in other technical provisions														
Gross - Direct Business	**R0410**	-192.447	0	0	796.764	-41.110	-10.000	20.029.178	186.171	0	0	-1.325	450	**20.767.682**
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Gross - Non- proportional reinsurance accepted	**R0430**													**0**
Reinsurers' share	**R0440**	-9.840	0	0	785.995	0	0	20.025.247	5.225	0	0	0	225	**20.806.851**
Net	**R0500**	-182.607	0	0	10.770	-41.110	-10.000	3.931	180.946	0	0	-1.325	225	**-39.169**
Expenses incurred	**R0550**	695.232	0	0	3.004.921	1.006.660	58.295	891.945	300.507	5.748	0	98.072	4.621	**6.066.002**
Other expenses	**R1200**													**0**
Total expenses	**R1300**													**6.066.002**

S.05.02.01 Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	**R0110**	21.775.028	0	0	0	0	0	21.775.028
Gross - Proportional reinsurance accepted	**R0120**	194.762	0	0	0	0	0	194.762
Gross - Non-proportional reinsurance accepted	**R0130**	0	0	0	0	0	0	0
Reinsurers' share	**R0140**	5.398.872	0	0	0	0	0	5.398.872
Net	**R0200**	16.570.918	0	0	0	0	0	16.570.918
Premiums earned								
Gross - Direct Business	**R0210**	21.957.044	0	0	0	0	0	21.957.044
Gross - Proportional reinsurance accepted	**R0220**	194.762	0	0	0	0	0	194.762
Gross - Non-proportional reinsurance accepted	**R0230**	0	0	0	0	0	0	0
Reinsurers' share	**R0240**	5.669.085	0	0	0	0	0	5.669.085
Net	**R0300**	16.482.721	0	0	0	0	0	16.482.721
Claims incurred								
Gross - Direct Business	**R0310**	28.836.631	0	0	0	0	0	28.836.631
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	**R0330**	0	0	0	0	0	0	0
Reinsurers' share	**R0340**	20.960.936	0	0	0	0	0	20.960.936
Net	**R0400**	7.875.695	0	0	0	0	0	7.875.695
Changes in other technical provisions								
Gross - Direct Business	**R0410**	20.767.682	0	0	0	0	0	20.767.682
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**	0	0	0	0	0	0	0
Reinsurers' share	**R0440**	20.806.851	0	0	0	0	0	20.806.851
Net	**R0500**	-39.169	0	0	0	0	0	-39.169
Expenses incurred	**R0550**	6.066.002	0	0	0	0	0	6.066.002
Other expenses	**R1200**							0
Total expenses	**R1300**							6.066.002

S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Total Non-Life obligation
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0180
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Best estimate														
Premium provisions														
Gross	**R0060**	1.591.924	0	0	3.441.678	1.211.181	145.011	4.385.119	326.947	153.370	0	322.017	7.157	**11.584.405**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	79.869	0	0	392.702	62.331	64.987	2.052.886	58.856	43.994	0	139.432	5.018	**2.900.075**
Net Best Estimate of Premium Provisions	**R0150**	1.512.055	0	0	3.048.976	1.148.850	80.025	2.332.233	268.091	109.376	0	182.585	2.138	**8.684.330**
Claims provisions														
Gross	**R0160**	917.959	0	0	8.529.312	267.992	78.116	20.515.703	1.486.547	0	0	0	1.724	**31.797.354**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	1.984	0	0	2.024.434	0	24.501	20.331.056	5.252	0	0	0	226	**22.387.453**
Net Best Estimate of Claims Provisions	**R0250**	915.975	0	0	6.504.878	267.992	53.615	184.647	1.481.295	0	0	0	1.498	**9.409.900**
Total Best estimate - gross	**R0260**	2.509.883	0	0	11.970.990	1.479.173	223.128	24.900.823	1.813.494	153.370	0	322.017	8.881	**43.381.759**
Total Best estimate - net	**R0270**	2.428.030	0	0	9.553.854	1.416.842	133.640	2.516.880	1.749.386	109.376	0	182.585	3.636	**18.094.230**
Risk margin	**R0280**	102.038	0	0	543.637	105.992	10.003	78.291	114.291	2.313	0	10.123	797	**967.484**
Technical provisions - total														
Technical provisions - total	**R0320**	2.611.921	0	0	12.514.627	1.585.165	233.131	24.979.113	1.927.785	155.683	0	332.140	9.678	**44.349.243**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	81.854	0	0	2.417.135	62.331	89.488	22.383.942	64.108	43.994	0	139.432	5.244	**25.287.529**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	2.530.067	0	0	10.097.491	1.522.834	143.643	2.595.171	1.863.677	111.689	0	192.709	4.434	**19.061.714**

Annex I
S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	Z0010	AY

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											41.527
N-9	R0160	5.373.027	1.338.886	188.628	21.230	87.026	95.028	245.631	9.216	26.628	0	
N-8	R0170	6.150.824	1.339.994	206.299	-791	131.858	189.343	37.727	821	14.520		
N-7	R0180	6.435.879	1.417.186	139.515	629.492	17.816	12.583	162.454	186.538			
N-6	R0190	6.661.118	1.456.570	207.870	311.935	702.542	348.700	12.465				
N-5	R0200	6.636.922	1.856.966	281.137	77.432	34.851	45.091					
N-4	R0210	6.768.122	1.649.057	175.486	57.704	10.624						
N-3	R0220	5.527.529	1.442.747	379.391	128.940							
N-2	R0230	5.203.756	1.363.638	222.174								
N-1	R0240	6.217.402	2.122.018									
N	R0250	5.285.051										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	41.527	15.452.531
	R0160	0	7.385.300
	R0170	14.520	8.070.596
	R0180	186.538	9.001.463
	R0190	12.465	9.701.199
	R0200	45.091	8.932.399
	R0210	10.624	8.660.993
	R0220	128.940	7.478.608
	R0230	222.174	6.789.569
	R0240	2.122.018	8.339.420
	R0250	5.285.051	5.285.051
Total	R0260	**8.068.949**	**95.097.128**

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year												Year end (discounted data)
Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10&+**		
		C0200	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0290**	**C0300**		**C0360**
Prior	**R0100**											127.915	**R0100**	116.988
N-9	**R0160**										159.033		**R0160**	150.231
N-8	**R0170**									12.610			**R0170**	12.099
N-7	**R0180**								331.701				**R0180**	322.790
N-6	**R0190**							233.459					**R0190**	229.976
N-5	**R0200**						989.310						**R0200**	983.867
N-4	**R0210**					1.214.427							**R0210**	1.215.886
N-3	**R0220**				566.410								**R0220**	574.205
N-2	**R0230**			2.216.190									**R0230**	2.236.726
N-1	**R0240**		1.114.606										**R0240**	1.125.448
N	**R0250**	24.687.780											**R0250**	24.829.138
												Total	**R0260**	**31.797.353**

S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	13.297.030	13.297.030		0	
Share premium account related to ordinary share capital	R0030	1.965.752	1.965.752		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	15.176.627	15.176.627			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	30.439.409	30.439.409	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	30.439.409	30.439.409	0	0	
Total available own funds to meet the MCR	R0510	30.439.409	30.439.409	0	0	
Total eligible own funds to meet the SCR	R0540	30.439.409	30.439.409	0	0	
Total eligible own funds to meet the MCR	R0550	30.439.409	30.439.409	0	0	
SCR	R0580	14.763.422				
MCR	R0600	3.700.000				
Ratio of Eligible own funds to SCR	R0620	206,18%				
Ratio of Eligible own funds to MCR	R0640	822,69%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	33.926.199	
Own shares (held directly and indirectly)	**R0710**	162.532	
Foreseeable dividends, distributions and charges	**R0720**	3.324.258	
Other basic own fund items	**R0730**	15.262.782	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0	
Reconciliation reserve	**R0760**	15.176.627	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0	
Total Expected profits included in future premiums (EPIFP)	**R0790**	0	

S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	9.565.826		-
Counterparty default risk	**R0020**	6.821.907		
Life underwriting risk	**R0030**	0		-
Health underwriting risk	**R0040**	581.848		-
Non-life underwriting risk	**R0050**	4.731.314		-
Diversification	**R0060**	-5.792.735		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	15.908.160		

Calculation of Solvency Capital Requirement	-	**C0100**
Operational risk	**R0130**	664.554
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-1.809.292
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency Capital Requirement excluding capital add-on	**R0200**	14.763.422
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	14.763.422
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	1.643.569

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	2.428.030	3.174.755
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	9.553.854	7.989.725
Other motor insurance and proportional reinsurance	R0060	1.416.842	2.635.346
Marine, aviation and transport insurance and proportional reinsurance	R0070	133.640	84.823
Fire and other damage to property insurance and proportional reinsurance	R0080	2.516.880	1.471.316
General liability insurance and proportional reinsurance	R0090	1.749.386	844.766
Credit and suretyship insurance and proportional reinsurance	R0100	109.376	16.897
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	182.585	346.994
Miscellaneous financial loss insurance and proportional reinsurance	R0130	3.636	6.297
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Overall MCR calculation

		C0070
Linear MCR	R0300	1.643.569
SCR	R0310	14.763.422
MCR cap	R0320	6.643.540
MCR floor	R0330	3.690.855
Combined MCR	R0340	3.690.855
Absolute floor of the MCR	R0350	3.700.000
-	-	C0070
Minimum Capital Requirement	R0400	3.700.000