2017

TRUST RE

Cyprus Branch

Solvency & Financial Condition Report (SFCR)

Prepared: April 2017

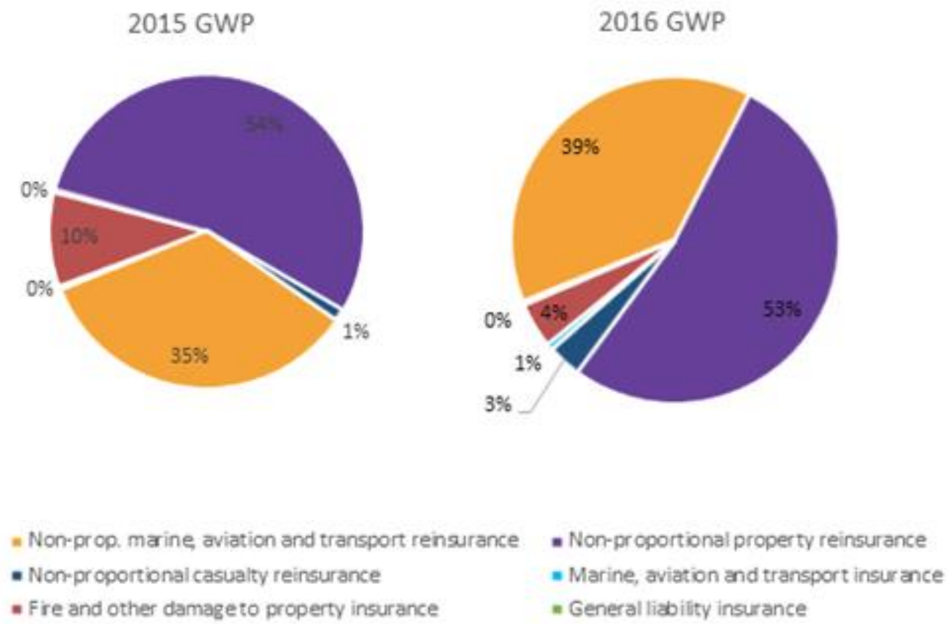
Contents

Executive Summary

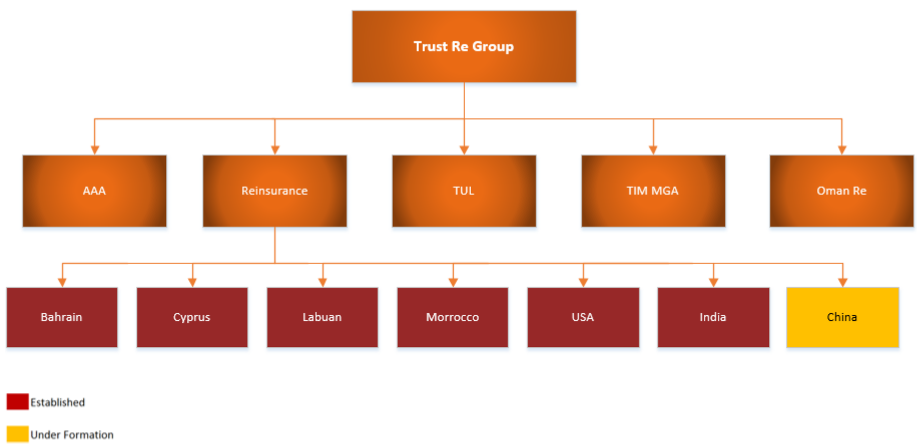
Scope - The new regulatory regime for Insurance Companies, known as Solvency II came in to force with effect from 1 January 2016. The regime requires new reporting and public disclosure in accordance to the article 51 and 52 of the solvency II directive. The Solvency Financial Condition Report ("SFCR") is required to be published by Trust Re for its Cyprus branch.

A. Business & Performance

Trust Re Cyprus Branch ("the Branch") is responsible for business emanating from CEE, SEE, Russia and the CIS. The branch takes an active role in underwriting of non-life reinsurance risks, business development and marketing for these areas. The 2016 and 2015 Gross Written Premium split is shown below.



Trust International Insurance and Reinsurance Company B.S.C. (c) ("the Company" or "Trust Re") is headquartered in Bahrain but operates in the Afro-Asian markets (including the Middle East and North Africa [MENA] region), Russia, Central and Eastern Europe (CEE), South Eastern Europe (SEE) and Commonwealth of Independent States (CIS) countries Trust Re 'Group structure' and geographical presence is best illustrated in the diagram below.



Rating

On 16th August 2016, **Standards & Poor's** (S&P) affirmed its '**A-**" long-term issuer financial strength and counterparty credit rating on Trust Re with a stable outlook noting that the Company:

On 18th August 2016, **A.M. Best** affirmed the financial strength rating of **A- (Excellent)** and issuer credit rating of "A-" with a stable outlook reflecting Trust Re's strong risk-adjusted capitalization, track record and solid performance and good business profile with a note that the Company actively manages its risks to ensure its capital position remains at a strong level.

Performance

The Branch revenue account extract for years 2015-2016 along with ratios on Operational Performance is summarised below.

INCOME STATEMENT	Actual 31-12-2015 USD' 000	Actual 31-12-2016 USD' 000
Underwriting results		
Cyprus treaty business	2,878	766
Other business	(340)	(2,126)
Total	**2,539**	**(1,360)**
Investment and other income	**(2,216)**	**1,338**
Total income	**323**	**(22)**
Non-technical expenses	102	110
Profit before tax	**221**	**(132)**
Tax	320	(320)
Profit after tax	**(99)**	**188**
Ratios on technical result		
Retention ratio	71.6%	69.5%
Commission ratio	10.8%	7.7%
Management expense ratio	8.3%	13.4%
Loss Ratio	70.1%	87.6%
Combined ratio	89.2%	108.7%

In the recent past the Branch achieved a significant growth in its business on the CIS region and it is looking to continue its sustainable growth strategy (despite the claims impact in 2016 from its Indian runoff portfolio) at its geographical scope.

As of 31st December 2016, the company had cash and Investments totalling to USD 69.6M. The following are the breakdown of investment income for 2016.

USD'000	2016
Interest on bank deposits	39
Interest on bonds	950
Profit/(loss) on sale of investment	527
Unrealized gain/(loss) on revaluation of investment	(10)
Total Return on Investments	1,507

In order to diversify the portfolio and optimize the returns, the fixed income portfolio is partly managed in-house and partly by third party international fund managers.

B. System of Governance

Trust Re has an effective System of Governance that is designed to ensure that the Company's strategic objectives and operations are fully aligned. The System of Governance explained below is fully applicable to the Cyprus Branch.

Risk Governance Structure

Given the adopted Risk Governance structure and various roles of concerned individuals the Company has successfully implemented the 'Three Lines of Defense' model as part of the Risk Control Cycle.

The Risk Governance Structure of the Company is an integral part of the Risk Management Framework and is organized in a way that ensures the establishment of clear responsibility boundaries, proper segregation of duties and the avoidance of conflicts of interests at all levels, including the Board of Directors ("BOD" /"Board"), Executive Council (EXCO), Risk Management Function and Business Units.

As part of the System of Governance arrangements, the Company has implemented comprehensive Discretionary Authority Limits (DAL) that is formally delegated from the Board to the GCEO.

The Cyprus Branch maintains an in-house underwriting team that is also supported by the Head Office on various underwriting capabilities. However, the Branch outsources Key Governance Functions (that constitute the Three Lines Defense Structure) to the Head Office located in the Kingdom of Bahrain (Compliance Function is temporarily outsourced to the Nest Investments Holdings, which is based in Cyprus).

Fit & Proper

The Company assesses a person's previous experience, knowledge, and professional qualifications and require that they demonstrate correspondent skills, care, diligence and compliance with the relevant standards for the area/sector they have worked in.

Trust Re assesses the person's honesty, integrity, reputation and financial soundness and the Company will take into consideration convictions for criminal offences, adverse findings in civil proceedings, or disciplinary actions by regulators in Cyprus or abroad.

Risk Management System

Trust Re aims to ensure an appropriate risk-reward balance in all of its risk taking activities. The Company's Risk Management System is built around a robust Enterprise Risk Management (ERM) framework which is embedded throughout the business and all of its Branches including the Cyprus Branch, which allows to adopt a pragmatic and balanced approach to risk.

The Risk Management System is based on the following guiding principles which are applied across the Company.

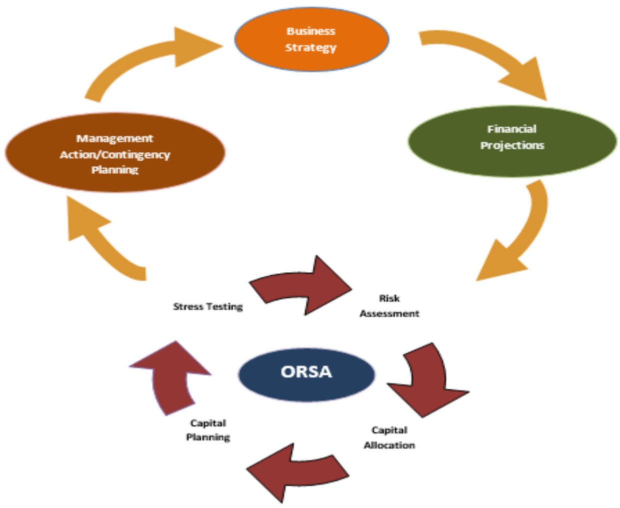
- Controlled Risk-Taking
- Effective Strategic Risk Management
- Clear Accountability and Responsibility
- Protection of Company's Balance Sheet from Shock Events
- Independent Risk Based Audit

The Company uses the *SAP Governance Risk and Compliance (GRC) System* which forms an integral part of the Risk Management System, to ensure that risk profiling and grouping is carried out in an efficient manner.

At Trust Re, the Risk Management Liaison Structure is instrumental in embedding an effective risk management culture across the organization. The *Risk Management Liaisons Structure (RML)* consists of Risk Owners, Risk Management Liaisons and Key Risk Indicator (KRI) Reporters for each business unit of the Company which are defined below.

The Company's Risk Management process and the current controls/practices are in place to effectively manage and control risks. The adopted Risk Management process/cycle can be depicted in the diagram below:

The Diagram below illustrates the ORSA process and how this is linked to the business strategy of the Company:



The ORSA serves as a vital tool to understand the risk exposures and solvency positions of the Branch.

The Company's Internal Control Environment also includes:

I. Compliance Function
II. Data Quality Procedures
III. Contingency Plans

The Compliance Function of Trust Re Cyprus Branch is temporarily outsourced to Nest Investments Holdings (Cyprus) which oversees the Cyprus Branch's Compliance program and is responsible for ensuring the Branch's Compliance framework remains an effective component of the internal control framework. The Company's Compliance Department undertakes regulatory compliance monitoring of the Branch using a risk based approach.

Aiming to improve Trust Re's data procedures and arrangements, further enhancements will take place in the technological capabilities and data processing as part of the ongoing strategic projects.

The Company's has developed a Board approved comprehensive Business Continuity Management System (BCMS) that enables the Company to be prepared to deal with disruptive incidents/events that may prevent the Company from achieving its objectives.

Internal Audit (IA) is an independent, objective assurance and consulting function designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

The Internal Audit Function delivers increased risk coverage and measurable value to the business by identifying and performing assurance and consulting engagements. Moreover, the IA Function produces three-year Risk-Based Internal Audit Plan based on an extensive risk assessment of all identified auditable units. The Internal Audit findings and recommended appropriate courses of action for the enhancement of risk management, internal control, and governance are communicated to the management and the Audit Committee.

The **Actuarial Function** undertakes quarterly actuarial valuations to establish the technical provisions of its unpaid claim liabilities. These valuations include the Trust Re's portfolio in its entirety (including the Company's branch portfolios). Best actuarial practices are being followed based on a robust reserving methodology for the quantification of technical provisions of the Company and the assessment of their adequacy. Willis Towers Watsons (WTW) Reserving software, ResQ is used as part of the reserving process. WTW also perform annual peer review on the adequacy of the reserves for the whole portfolio. The Actuarial function is involved in the process of purchasing outward retrocession cover, managing the daily monitoring of the Company's aggregation/CAT exposures and pricing of risk.

C. Risk Profile

Underwriting risk is driven by Premium & Reserve risk and CAT risk. The details of each component are stated in the sub-sections individually. For the Branch, Premium & Reserve risk is 55% and CAT risk is 45% of the Underwriting risk.

The Counterparty Default risk is calculated based on the exposure to each of the credit counterparties (bank, reinsurer etc.) and their related credit rating.

Market risk is made up of Interest Rate risk, Concentration risk, Spread risk, and currency risk. Market risk is calculated based on the investment portfolio by applying various shocks and using projected cash flows for interest rate risk.

The Branch's investment portfolio only has standard corporate bonds with a weighted average modified duration of 3 years and 90% of the bond portfolio is rated BBB or above.

For the Branch the concentration risk is non-material mainly primarily due to the way bonds have been selected/structured.

The Operational Risk provision is the maximum of either Operational risk provision of earned premiums or Operational Risk provision of technical provisions. For the Branch the Operational risk provision of technical provisions is higher.

Risk Mitigation

Reinsurance **-** The Company's Retro Department is responsible for ensuring an appropriate reinsurance structure is in place given the Company's risk profile and exposures.

Liquidity - Liquidity monitoring is done on a regular basis and investment decisions are made to balance liquidity and returns. The Cyprus Branch liquidity is supported by the excess liquidity in Trust Re.

Scenario and Stress testing - As part of the ORSA process specific scenario and stress tests have been performed

D. Valuation for Solvency Purposes

The Branch balance sheet under existing IFRS standards (for the year end 31-12-2015 and 31-12-2016) and Solvency II regime (for the year ended 31-12-2016) is summarized below:

			S II
USD' 000	**2015**	**2016**	**2016**
ASSETS	**93,535**	**96,132**	**85,291**
Fixed Assets - Net book Value	6	3,396	3,396
Investments	19,382	56,758	56,758
Total Non-Current Assets	19,387	60,154	60,154
Inward Pipeline Treaty Premiums	7,941	7,562	53
Accounts Receivable	2,514	1,636	1,636
Other Debtors & Prepayments	5,197	1,734	1,734
Cash & Bank Balances	46,039	12,855	12,855
Related Companies & Parent	-	-	-
Total Current Assets	61,691	23,787	16,278
Reinsurance Technical Provisions	11,646	11,434	8,859
Gross DAC	811	757	-
Total Reins. Share of Technical Reserves	12,457	12,191	8,859

			S II
USD' 000	**2015**	**2016**	**2016**
LIABILITIES	**50,343**	**53,507**	**48,560**
Other Provisions	374	557	557
Gross Technical Provisions	37,856	39,923	37,000
Best Estimate	-	-	33,499
Risk Margin	-	-	3,501
Total Gross Technical Reserves	**38,230**	**40,480**	**37,557**
Reinsurance Balances Payable	11,868	12,971	10,946
Other Payable and Accrued Expenses	245	57	57
Total Current Liabilities	**12,113**	**13,027**	**11,003**
NET ASSETS (Assets - Liabilities)	**43,192**	**42,625**	**36,731**
Shareholders' Equity	**43,192**	**42,625**	**36,731**
Own Funds	-	-	36,731
Paid Up Capital	42,930	42,189	-
Fair Value & Other Reserves	262	436	-

In calculation of own funds, the IFRS balance sheet is adjusted to a Solvency II balance sheet.

These differences result in the followings changes in Trust Re Cyprus' balance sheet:

- Total Assets under SII are USD 85.3M as compared to USD 96.1M under IFRS
- Total Liabilities under SII are USD 48.6M as compared to USD 53.5M under IFRS
- Available capital (Own Funds) under SII are USD 36.7M as compared to USD 42.6M

Technical Provisions

Trust Re Cyprus adopts a prudent reserving approach with formalized actuarial techniques. The methodology adopted for claim and premium reserves are explained below.

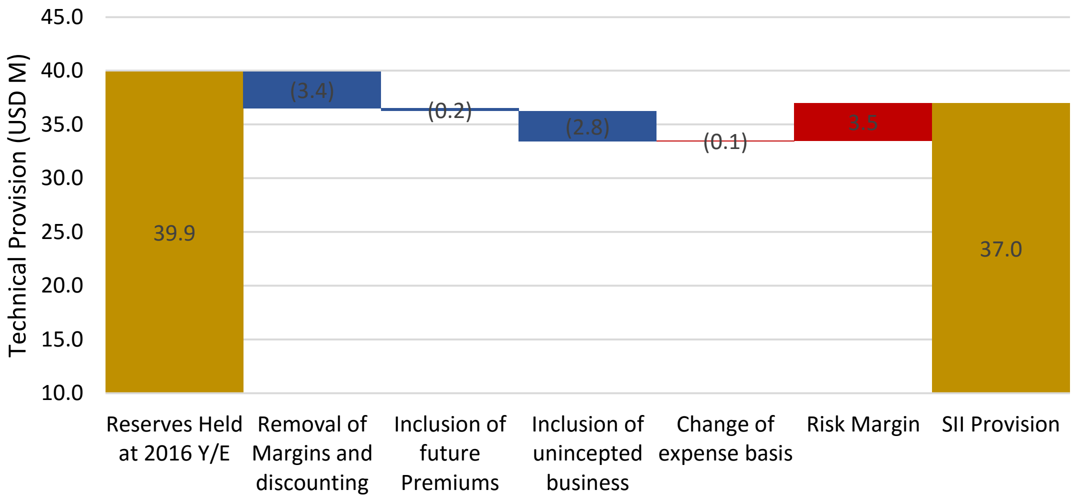
Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the previous regulatory regime, there are other areas where there are major changes including:

- Movement to a cash flow basis for valuation purposes
- Removal of any implicit or explicit margins within technical provisions to give a "true best estimate" for solvency purposes

- Removal of the requirements to hold an unearned premium reserve and to allow for other non-monetary items. These are replaced by “premium provisions”, valued on a best estimate basis. This also includes a requirement to take account of all future premium cash inflows
- Movement to recognizing contracts on a “legal obligation basis”. This will mean the inclusion of business currently not valued as part of technical provisions - for example 1st January renewals entered into prior to a 31/12 valuation
- Introduction of discounting
- Introduction of governance requirements for an explicit “actuarial function” with defined responsibilities
- Significant increases to documentation and validation requirements
- Introduction of explicit links to other areas of Solvency II such as internal models
- Introduction of the principle of proportionality that underlies the calculations

Impact on Results

The impact on technical provisions can be seen below.



For Cyprus Branch, the year-end 2016 net technical provisions stand roughly at USD 28.1M. Technical provisions including risk margin for all material solvency II lines of business are given in the appendices.

E. Capital Management

USD'000	2016
Ordinary Share Capital	42,189
Other own fund items approved	436
Reconciliation Reserve	(5,894)
Basic Own Funds	36,731

Trust Re Cyprus has USD 42M paid up share capital which qualifies as Tier 1 own funds. A reconciliation reserve from the adjustments in the accounting valuation of the balance sheet and the QIS5 valuation is also taken into consideration. Other own funds include a General Reserve and an Investment fair valuation reserve. These disclosed reserves are also part of Tier 1 own funds. Trust Re Cyprus has no Tier 2 or 3 own funds.

The Company's Solvency Capital Requirement and Minimum Capital requirement as at 31st December 2016 are USD 30.8M and USD 7.7M respectively.

The eligible amount of Tier 1 own funds (USD 36M) comply with both the MCR and SCR requirements. Own funds stand at 473% of MCR and 119% of SCR.

For 2016 year end Trust Re Cyprus had Solvency Capital Requirement of $30.8M and Minimum Capital Requirement of $7.7M.

The individual risk categories contributing to the SCR were as follows:

- Underwriting Risk - $23.9M
- Market Risk - $5.8M
- Counterparty Risk - $6.4M
- Operational Risk - $1M

The own funds for 2016 year end valued at $36.7M giving a solvency ratio of 119%.

As part of the business planning and ORSA process projections for SCR and MCR are made. The adopted Business Plan for the Cyprus Branch operation is based on a sufficient capitalization which is translated in projected Solvency ratio level to be above 115% at all years.

Introduction

Scope

The new regulatory regime for Insurance Companies, known as Solvency II came in to force with effect from 1 January 2016. The regime requires new reporting and public disclosure in accordance to the article 51 and 52 of the solvency II directive. The Solvency Financial Condition Report ("SFCR") is required to be published by Trust Re for its Cyprus branch.

The Report

Section A of this report outlines the Trust Re Cyprus Branch's business profile and summarizes its underwriting and investment performance.

Sections B provides a summary of the System of Governance in place and explains the features and adequacy of its risk control system and structure in place.

The risk profile of the Branch is explained in Sections C following, in Section D, an explanation of the valuation methodology of the Branch's assets and liabilities for solvency purposes.

Capital Management issues are explained in Section E.

Related quantitative reporting details are presented in the appendix of this report.

A. Business & Performance

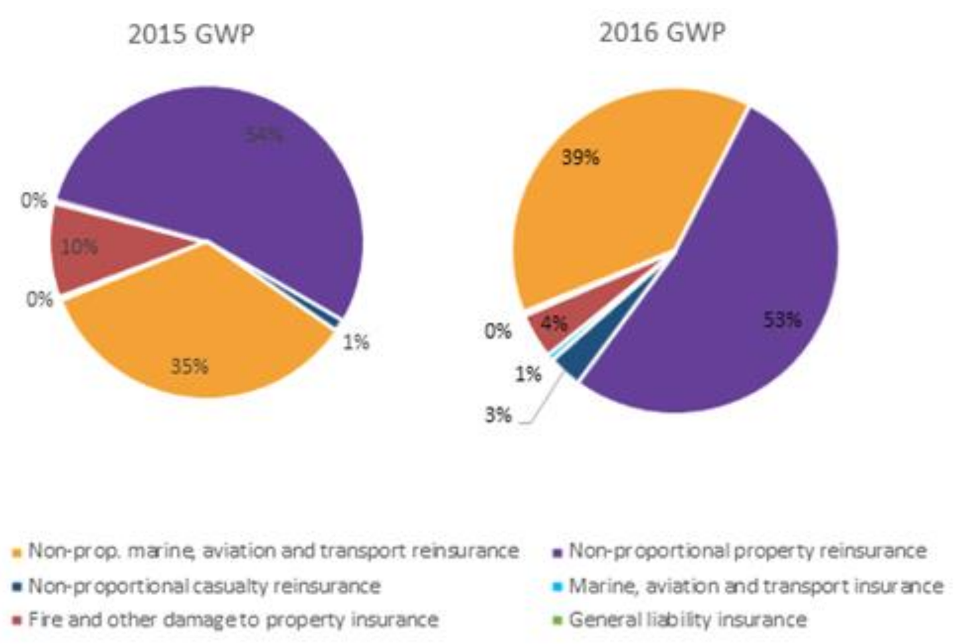
A.1 Business & Environment

Trust Re Cyprus Branch

Trust Re Cyprus Branch ("the Branch") in Limassol is responsible for business emanating from CEE, SEE, Russia and the CIS. The branch takes an active role in underwriting of non-life reinsurance risks, business development and marketing for these areas.

Business Portfolio

The Branch operates mainly in the markets of CEE, SEE Russia and CIS .The 2016 and 2015 Gross Written Premium split is shown below.



The classes of business primarily include exposures to Energy, Property, Marine, Engineering, Motor accident related risks.

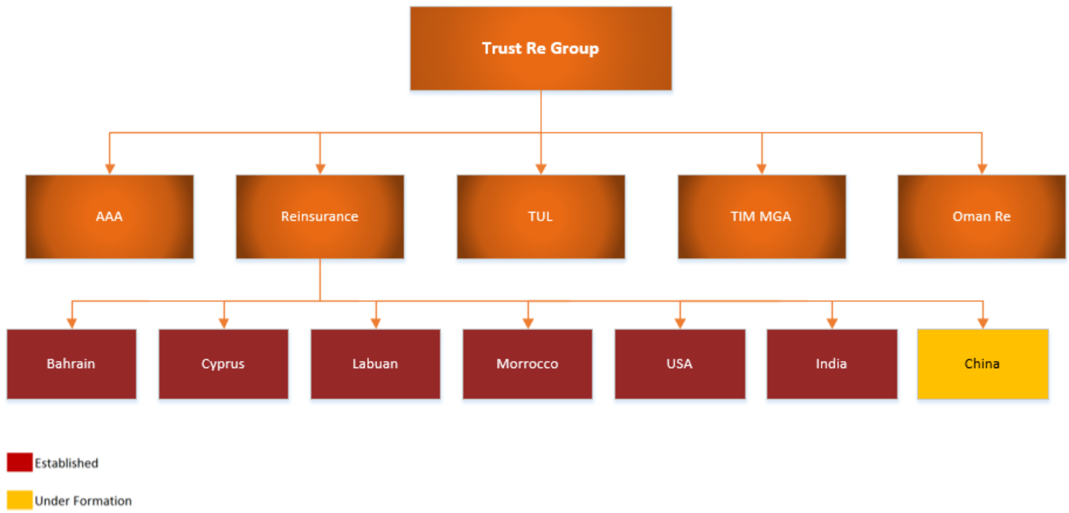
The Branch's underwriting strategy is based on the following guidelines

- Continue focusing on XOL business utilizing full capacity on profitable accounts
- Continue providing lead quotations where capacity permits
- Diversify Treaty & Facultative portfolios geographically targeting a balance between different regions, 50% in CEE and SEE and 50% on Russia and CIS
- Constant monitoring of aggregate exposures
- Promote Trust Re as "Reinsurer of Choice" through marketing
- Continuing to develop direct relationships through more frequent visits in its major markets

The Branch's External Auditor is PricewaterhouseCoopers LTD (Cyprus) and its applicable Supervisory Authority is the Insurance Companies Control Service of the Ministry of Finance (Cyprus).

Trust Re Group

Trust International Insurance and Reinsurance Company B.S.C. (c) ("the Company" or "Trust Re") is headquartered in Bahrain but operates in the Afro-Asian markets (including the Middle East and North Africa [MENA] region), Russia, Central and Eastern Europe (CEE), South Eastern Europe (SEE) and Commonwealth of Independent States (CIS) countries. To accommodate this market spread Trust Re has established Branch Offices in Cyprus and Labuan (Malaysia), and Representative Offices in Morocco and India. It also has established subsidiaries across multiple regions. Trust Re 'Group structure' and geographical presence is best illustrated in the diagram below.



Trust Re's subsidiaries include

- Afro Asian Assistance (AAA) which provides the insurance market with a highly desirable alternative in the Travel Assistance arena.
- Trust Insurance Management (TIM) which provides Trust Re access to Lloyd's expertise in specialty insurance classes, extended capacity, and access to Lloyd's expanding regional presence as well as its strong financial rating.
- Trust Underwriting Limited (TUL) which is participating in the Lloyd's market as a corporate capital provider to a variety of syndicates.
- Texas International Underwriters Inc. (TIU) which is a wholly owned subsidiary of the company with the main activity of servicing the company's American clients, and Oil & Gas Contractors who are working in the company's region of operation.
- Oman Re which aims to serve as the premier reinsurance provider for the Omani market and Sub-Sahara Africa and Indian continent.

A brief outline of the Group's Branches and Representative Offices are as follows:

- The Cyprus Branch is responsible for treaty business emanating from CEE, SEE, Russia and the CIS. The branch takes an active role in business development and marketing for these areas.
- Trust Re Labuan was set up as a branch office in 2003. The office is situated in Kuala Lumpur and regulated by Labuan Financial Services Authority. It is responsible for the marketing and

underwriting of non-life facultative and treaty reinsurance business from the Far East and ASEAN countries.

- Trust Re's representative office in Morocco operating under the Casablanca Finance City functions as a regional office to serve Trust Re's clients in North, Central and West Africa.
- Trust Re's representative office in India is limited to undertaking liaison activities, i.e. acting as a communication channel between Head Office in Bahrain and business partners in India including brokers and cedants.
- At the end of 2016 there was 261 Trust Re full time employees with 7 based in the Cyprus Branch.

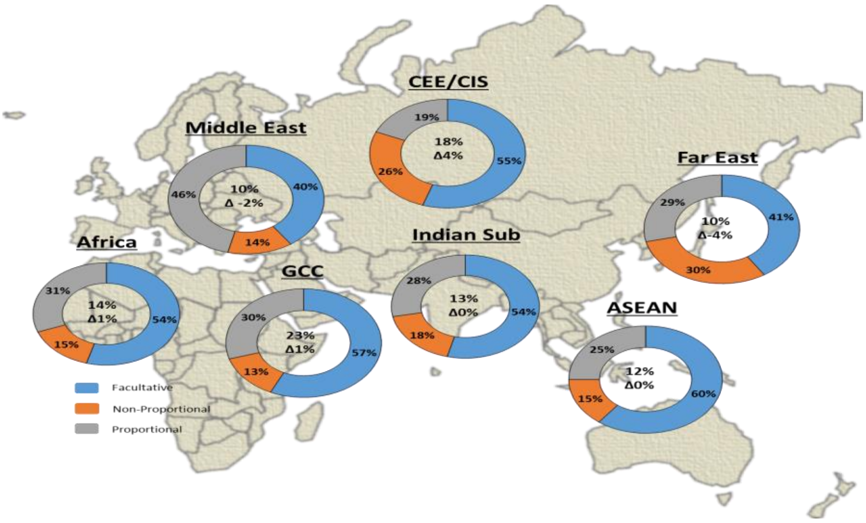
The aim is for the representative offices to develop and evolve into branches similar to Cyprus and Labuan.

Business Portfolio

Trust Re provides reinsurance protection to direct insurance companies in its geographical area of operation in the following categorization:

Facultative	**Treaty (Proportional and Non-Proportional)**
Energy	Property
Property	Engineering
Marine, Aviation and Transportation	Accident
Engineering	Marine, Aviation and Transportation
Specialty Lines	Motor
Life and Health	Life and Health
Surety	

Trust Re's business strategy and class offerings mean that the majority of businesses written are short-tail commercial line businesses. From its early days, Trust Re has positioned itself to play a leading role in the Oil & Energy insurance business. Trust Re has obtained particular knowledge and expertise in the Afro-Asian markets to the extent that the Federation of Afro-Asian Insurers & Reinsurers (FAIR) chose Trust Re to manage the FAIR Oil & Energy Insurance Syndicate.



More specifically the figures shown above represent the percentage split of Trust Re's 2016 portfolio Gross Written Premium (GWP) into the various marketing units and the split of those regions into the various types of reinsurance (i.e. GCC accounts for 23% of the 2016 GWP compared to 22% in 2015, and 57% of the GCC premium stems from Facultative reinsurance business).

Trust Re External Auditor is PricewaterhouseCoopers ME LTD (Bahrain) and Supervisory Authority is Central Bank of Bahrain.

Rating

On 16th August 2016, **Standards & Poor's** (S&P) affirmed its '**A-**" long-term issuer financial strength and counterparty credit rating on Trust Re with a stable outlook noting that the Company:

- Continues to benefit from extremely strong risk-based capital adequacy and well-diversified business portfolio spread across various markets
- Maintains controls for its main risks and therefore S&P revised its assessment of Trust Re's **ERM to 'adequate with strong controls'** from 'adequate', and
- Maintains extremely strong capital adequacy to support its growth ambitions over the next two years, while Trust Re's business risk profile remains at least satisfactory.

On 18th August 2016, **A.M. Best** affirmed the financial strength rating of **A- (Excellent)** and issuer credit rating of "A-" with a stable outlook reflecting Trust Re's strong risk-adjusted capitalization, track record and solid performance and good business profile with a note that the Company actively manages its risks to ensure its capital position remains at a strong level.

Parent Company (Nest Investment Holdings LTD)

Nest Investments (Holdings) Limited (the "Parent") has been in existence for over 20 years. The ultimate holding company, is headquartered in Limassol, Republic of Cyprus. It serves as the ultimate shareholding company of all the business assets of the Group. This includes substantial or majority shareholding interests in excess of USD 1.2 billion in many Direct Insurance, Re-insurance and Licensed Operations such as World Trade Center, Property Development, Asset Management, and Building Materials Manufacture in over 23 countries in North America, Europe, Africa, the Middle East / Gulf Region, the Far East and Australia. Trust Re 99.1% owned by Nest Investments (Holdings) Ltd.

Market Environment

Cyprus Branch being part of the operations of the Trust Re Group could be exposed to a similar market environment as its head office.

<u>Reinsurance Outlook</u>: The following four issues are expected to pose some challenges and opportunities to the reinsurance sector, at least during 2017:

1. Profit deterioration
2. Stabilizing prices give false hope as,
   - Property Classes Continue to Soften
   - Non-Proportional Lines Lead Price Reductions
   - Casualty Continues to Attract New Capacity

3. Alternative capital capacity slows
4. Reinsurance consolidation stalls but may heat up again

In the European market, a number of insurers have been divesting businesses that were not consistent with their future strategy or substantially underperforming, in particular in life insurance.

After years in the making, International Financial Reporting Standards (IFRS) 9, which deals with changes in accounting for assets, has finally taken off. Most European insurers have now completed the gap analyses and impact studies required in readiness for adoption on 1 January 2018.

Following a lengthy implementation process, European (re)insurers are now operating in a Solvency II world. Although a great deal of preparatory work has been undertaken in the run up to 1 January, some activity can still be seen in 2017 as firms complete the tail end of the reporting implementation and begin to operationalize all pillar of Solvency II.

Sufficient capitalization lies at the heart of the Solvency II project, with the need for insurers to be sufficiently capitalized. Significant activity across the European insurance market can be expected, especially:

- Hedging of asset risks and the utilization of reinsurance and contingent capital or ancillary own funds
- Restructuring and greater use of internal capital transfer instruments
- Possible market consolidation as insurers dispose of legacy or non-core assets

Furthermore, the points below show the major challenges for the market along with Trust Re's (Head Office) current position.

- Softening Market: Rate Reductions and Widening of terms/coverage.
- Alternative Capacity: Still prevalent in the market.
- Changing regulatory environment.
- Enterprise Risk Management Capabilities: Are even more essential in this dynamic market.
- Low interest rates: Have been affecting investment profitability and asset liability matching.
- Geopolitical Risks.
- Volatile oil prices Demand from insured is under pressure

A.2 Underwriting Performance

This section provides an overview of the Branch's Underwriting performance.

In USD'000	2015	2016
Gross Written premium	24,707	22,190
Net Written premium	17,693	15,424
Net Earned premium	23,469	15,559
Net Incurred Claims	16,455	13,636
Total Cost of insurance	18,990	14,836
Gross Underwriting Profit/(Loss)	4,480	723
Less Operational Expenses	1,941	2,083
Underwriting Result	2,539	(1,360)

The Branch produces written premium in excess of USD 20M.The reduction in 2016 is mainly due to the run-off Indian business portfolio. At the same time claims have been reported for the run-off Indian business that made reduction in the underwriting profit as well.

The Branch revenue account extract for years 2015-2016 along with ratios on Operational Performance is summarised below.

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Management expense ratio	8.3%	13.4%
Loss Ratio	70.1%	87.6%
Combined ratio	89.2%	108.7%

A.3 Investment Performance

As of 31st December 2016, the company had cash and Investments totalling to USD 69.57M, break down which is summarized below.

Asset Allocation	2016
Cash	19.4%
Fixed Income	76.2%
Equities	0.20%
Real Estate	4.3%
Total Invested Assets	**100%**

The company's investment objective is to ensure adequate liquidity at all times to meet the operational obligations as well as maximize the return within certain acceptable predefined parameters and policies, in-line with Solvency II and rating agency guidelines.

Fair value of the assets is estimated through traded market values (closed of the day) or through valuation techniques based on available relevant information related to the assets.

Investment income comprises of dividends, interest income, and coupon income in addition to both realised and unrealized gains and losses. Movements are recognised in the profit and loss accounts in the period in which they arise. The following are the breakdown of investment income for 2016.

USD'000	2016
Interest on bank deposits	39
Interest on bonds	950
Profit/(loss) on sale of investment	527
Unrealized gain/(loss) on revaluation of investment	(10)
Total Return on Investments	1,507

In order to diversify the portfolio and optimize the returns, the fixed income portfolio is partly managed in-house and partly by third party international fund managers.

A.4 Performance of Other Activities

Income in respect of sale of assets, interest earned, management fee, administration expense and profit on sale. Similarly, Expenses arises in respect of loss on sale assets, loss on exchange rate and bank charges. The breakdown of other income and expense can be seen below:

Financial Income/Expense USD'000	2016
Exchange difference – loss	(181)
Impairment on available for sale securities	(10)
Bank charges and interest	(12)
Financial expenses	(204)
	-
Profit on sale of available for sale investments	527
Interest earned	989
Management Charges	13
Financial income	1,529
Net Finance expense	1,326
Technical Expenses	(2,083)
Other Admin and General Expenses	(97)
Net Finance Income/Expense	(855)

The reasoning for the other Income and Expense incurred during 2016 can be seen below:

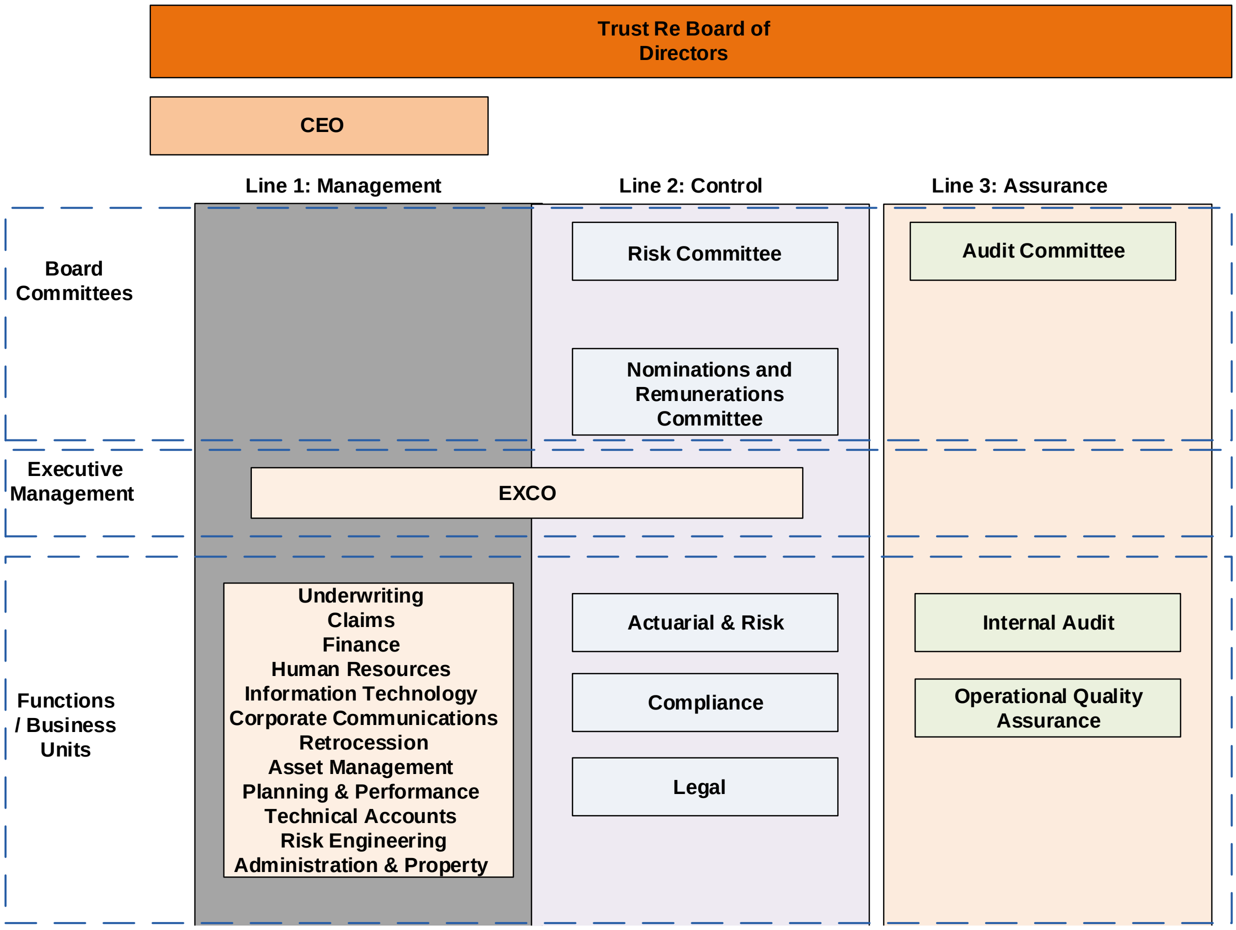
- Exchange loss for the year 2016 was due to the weakening of the EURO against USD during 2016. Impairment was recorded on the Company's equity portfolio due to the decrease in sharp decline in the value of the security.
- The Company monitors investment prices and considering future returns, certain investments were disposed of during the year amounting to USD 17.8M and earned a profit of USD 527K on the disposal.
- The Branch's main investment portfolio is in coupon paying bonds. The Branch earned USD 949K of coupon payments in bonds during the year and USD 39K interest on bank deposits.
- Technical Expenses are expenses that the Branch deems to be directly related to the underwriting business of the Branch, major portion of the expense is Head Office Charge which is charged by the Head Office for all the functions provided by it for the Branch.

B. System of Governance

Trust Re has an effective System of Governance that is designed to ensure that the Company's strategic objectives and operations are fully aligned. The System of Governance explained below is fully applicable to the Cyprus Branch.

B.1 General Governance Arrangements

Given the adopted Risk Governance structure and various roles of concerned individuals the Company has successfully implemented the 'Three Lines of Defense' model (as illustrated below) as part of the Risk Control Cycle. The Three Line of Defense supports the implementation of a robust internal control system that ensures there is sufficient control and challenge at all levels of the organization and it incorporates a 'four eye principle'.



The First line of defense has direct responsibility for the day to day management and control of risk and therefore includes all staff and management working within operational business units.

The second line of defense is responsible for coordinating, facilitating and overseeing the effectiveness and integrity of the Company's management framework.

The third line of defense is responsible to provide independent assurance and challenge all the Functions in respect of the integrity and effectiveness of the Company's risk management framework.

Roles & Responsibilities

The Risk Governance Structure of the Company is an integral part of the Risk Management Framework and is organized in a way that ensures the establishment of clear responsibility boundaries, proper segregation of duties and the avoidance of conflicts of interests at all levels, including the Board of Directors (“BOD” /“Board”), Executive Council (EXCO), Risk Management Function and Business Units.

BOD is responsible for setting the overall strategic direction, approving business plans and monitoring the overall performance of the business against the approved plans and within a framework of sound corporate governance.

The non-executive Chairman of the Board is responsible for leading and ensuring that the effectiveness of the Board Committees is in line with the Board terms of reference as well as their conduct and meetings.

The BOD’s oversight committees, namely Nomination & Remuneration, Risk and Audit, are an essential part of the Corporate Governance and Risk Management processes, ensuring that the Company always conducts itself appropriately whilst achieving commercial targets. The three Committees meet on a regular basis and assist the BOD with its decisions by providing detailed and updated information. The main roles and responsibilities of the BOD Committees are summarized in the table below.

	Risk Committee	**Audit Committee**	**Nomination & Remuneration Committee**
Key Duties & Responsibilities	▪ Oversee the effectiveness of the company's internal control systems ▪ Advise the Board on the Company’s overall risk appetite ▪ Review the ERM plan ▪ Ensure that the company has an effective risk management system	▪ Review significant accounting and reporting issues ▪ Review and discuss with management and the external auditor financial statements regularly ▪ Review the effectiveness of the company's internal control system ▪ Review and approve at least annually the internal audit plan & budget	▪ Developing criteria for selection on the appointment and removal of company executives and directors ▪ Developing a plan for identifying, assessing and enhancing company executives and directors competencies ▪ Evaluating the CEO’ performance in light of corporate goals and objectives
Membership & Meeting	▪ The Committee shall have at least three members ▪ Majority of the members of the committee including the Chairman shall be: o Independent directors, and o Non-executives	▪ The Committee shall have at least three members ▪ majority of the members of the committee including the Chairman shall be: o Independent directors, and o Non-executives	▪ As a minimum, N&RC shall meet four times per year ▪ The committee should include only independent directors or, alternatively, only non-executive directors.

The Executive Council is structured around four pillars namely Corporate Services, Operations, Financial and Risk, each with its own specific focus. The heads of the four pillars report directly to the Group Chief Executive Officer (GCEO).

The GCEO is responsible for the executive leadership and operational management of the Company. The GCEO is accountable to the Board for the development, recommendation and implementation of the strategies, policies and the framework of controls.

The Group Corporate Services Officer (GCSO) has is responsible for the Corporate Services Pillar which includes Administration and Property, Corporate Communications, Information Technology and Performance Management.

The Group Chief Operating Officer (GCOO) oversight all the underwriting activities of the Company which includes all lines of business Facultative and Treaty including all the branches and subsidiaries.

The Group Chief Risk officer (GCRO) oversight the operations and activities of the Corporate Risk Pillar which includes Retrocession, Actuarial & Risk, Legal, and Audit & Compliance departments.

The Group Chief Financial Officer (GCFO) is responsible for the daily operation of the Company's accounting and financial functions and for significant contributions to the formulation, implementation, and administration of corporate-wide finance related policies and Business goals.

In addition, the GCEO, is the Risk Sponsor and the Head of Actuarial & Risk Management Department is the Risk Champion.

Discretionary Authority Limits (DAL)

As part of the System of Governance arrangements, the Company has implemented a comprehensive DAL that is formally delegated from the Board to the GCEO. The BOD is responsible to govern the Delegated Authority while the GCEO is responsible to manage the Delegated Authority at Trust Re and its Branches (including the Cyprus Branch).

The Actuarial & Risk Department has been entrusted by delegation for implementing, monitoring and reviewing the Discretionary Authority Limits to ensure that the Company's business activities are within the BOD's predefined limits.

Cyprus Branch Outsourced Governance Functions

The Cyprus Branch maintains an in-house underwriting team that is also supported by the Head Office on various underwriting capabilities. However, the Branch outsources Key Governance Functions (that constitute the Three Lines Defense Structure) to the Head Office located in the Kingdom of Bahrain (Compliance Function is temporarily outsourced to the Nest Investments Holdings). These functions are essential to the Branch's operation and its ability to deliver prompt and efficient services to the policy holders. These functions include:

As per the Solvency II Directive, the 'Key Functions' include:

- Risk Management
- Actuarial
- Internal Audit
- Compliance

As part of the "Fit and Proper" requirements, it was agreed with the Insurance Company Control Service (ICCS) to also include the Finance Function to be part of the Company's Critical Functions.

All Key Function Holders are subject to approval of the ICCS.

The other outsourced functions of the Cyprus Branch include:

- Human Resources
- Claims
- Information Technology
- Corporate Communication
- Retrocession
- Asset Management
- Planning and Performance Management
- Technical Accounts
- Legal Adviser

Remuneration and benefits

The Cyprus Branch has an aligned process of setting and reviewing organizational goals, departmental goals and individual goals which are linked to Trust Re's 'Performance Reward Opportunity' scheme which is open to all employees. Any elements of variable pay, the output of the Company's high performance/engagement cycle, is linked to performance through the two dimensions of individual and company performance achievement, with rewards being offered to all employees as a percentage of guaranteed pay varying based on seniority of the employee. Trust Re does not, currently, operate any long term incentive plan or share option schemes.

Trust Re has linked rewards to both the individual and company performance which promotes and enables a high performance engaged culture across the organization.

B.2 Fit & Proper Requirements

Trust Re's oversight arrangements to ensure the sound and prudent management of the Cyprus Branch complies with the 'Fit & Proper' requirements of the 'Commission Delegated Regulation (EU) 2015/35'.

The Company fully recognizes and supports that the Cyprus Branch is required to abide by requirements under the scope of "Fit & Proper" requirements. This section shows the methodologies and practices used by Trust Re to ensure the compliance with Solvency II regulations.

Fitness

The Company assesses a person's previous experience, knowledge, and professional qualifications and require that they demonstrate correspondent skills, care, diligence and compliance with the relevant standards for the area/sector they have worked in.

In addition, all individuals must maintain their competence for the role they fulfill and it is the responsibility of the HR function to ensure that all the individuals are employed with and further receive appropriate training for maintaining their competence.

Propriety

Trust Re assesses the person's honesty, integrity, reputation and financial soundness and the Company will take into consideration convictions for criminal offences, adverse findings in civil proceedings, or disciplinary actions by regulators in Cyprus or abroad.

Monitoring Compliance with "Fit & Proper" Requirements

The Company further monitors the compliance with 'Fit and Proper' requirements by assessing compliance with regulatory requirements, Company specific requirements and policies, with additional self-certification to Human Resources function on an annual basis.

B.3 Risk Management System

Trust Re aims to ensure an appropriate risk-reward balance in all of its risk taking activities. The Company's Risk Management System is built around a robust Enterprise Risk Management (ERM) framework which is embedded throughout the business and all of its Branches including the Cyprus Branch, which allows to adopt a pragmatic and balanced approach to risk.

The Risk Management System is based on the following guiding principles which are applied across the Company.

<u>Controlled Risk-Taking -</u> Choosing risks wisely which create value and build customers' trust, are central to Trust Re's value proposition. This results in working within a clearly defined risk control framework, which includes adherence to the Risk Appetite and operating within carefully considered Risk Tolerance limits.

<u>Effective Strategic Risk Management -</u> Consistent execution of risk-rewards analysis is an integral part of Trust Re's decision making process. The Company's Risk function is therefore mandated to ensure effective integration of Risk Models into the organization and risk-return Optimization decision making process.

<u>Clear Accountability and Responsibility -</u> The Company operates on delegated and clearly defined authority levels. All individuals are accountable for the risks they identify and/or assume. These are aligned with the overall Company's objectives and are embedded in the risk management process.

<u>Protection of Company's Balance Sheet from Shock Events -</u> The Risk management function monitors the Company's risk-taking activities including emerging risks and risks not in the Company's data. The risks evaluation process also includes the analysis and understanding of the financial impact and business implications from the potential occurrence of infrequent large events.

<u>Independent Risk Based Audit -</u> An independent risk-based internal audit is performed at all levels and operations of the Company. This covers all risks and internal controls identified in the risk register as well as additional testing so as to ensure adequacy of internal controls.

The Company uses the *SAP Governance Risk and Compliance (GRC) System* which forms an integral part of the Risk Management System, to ensure that risk profiling and grouping is carried out in an efficient manner. The GRC System is a proprietary tool that provides integrated and automated Risk Management solutions that has been implemented at Trust Re and is adopted by the Cyprus Branch as part of its Risk Management framework.

The Company's Risk Management Framework is explained under the following concepts:

- Risk Culture and Governance
- Risk Appetite
- Risk identification and prioritizations
- Risk Management and controls
- Risk Reporting & Communication

Risk Culture and Governance

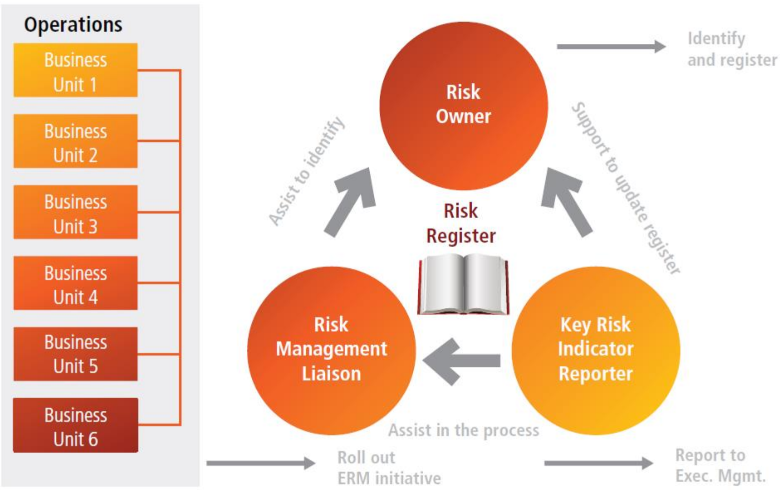
At Trust Re, the Risk Management Liaison Structure is instrumental in embedding an effective risk management culture across the organization. The *Risk Management Liaisons Structure (RML)* consists of Risk Owners, Risk Management Liaisons and Key Risk Indicator (KRI) Reporters for each business unit of the Company which are defined below.

Risk Owners: are individuals within a business unit with authority to make the decision to treat, or not to treat a risk.

Risk Management Liaisons are responsible to assist Risk Owners in identifying the relevant risks.

Key Risk Indicator Reporter assists the Risk Management Liaisons in the risk identification process.

The Risk Register Review process forms part of the RML programme and the below chart illustrates the integration of the Risk Register Process within the RML framework of the Company:



The RML initiative has led to more proactive control of the risks and better avoidance of violating risk tolerances.

The role of the various Business Units / Departments (Risk Owners) in the context of the organization's Enterprise Risk Management Process consists of:

- Managing risk on a day- to- day basis.
- Promoting risk awareness within the operations of the Business Unit / Department.
- Introducing risk management objectives into their business.
- Including risk management as regular management-meeting item
- Ensuring that risk management is considered throughout a product's life cycle or a project's duration.

The below table shows the Company's RML Structure.

No.	Business Unit Name	Number of Risk Owners	Number of RMLs	Number of KRI Reporters
1	Actuarial and Risk	1	1	1
2	Administration and Property	1	1	1
3	Asset Management	1	1	1
4	Claims	1	2	2
5	Compliance	1	1	-
6	Corporate Communication	1	1	-
7	Cyprus Branch	1	1	-
8	EXCO	1	1	-
9	Facultative – Aviation	1	-	-
10	Facultative – Energy	1	1	1
11	Facultative – Marine	1	1	1
12	Facultative – Property & Engineering	2	1	-
13	Facultative – Specialty Lines	1	1	1
14	Facultative – Surety Bonds	1	1	-
15	Finance	1	1	-
16	Human Resources	1	1	1
17	Information Technology	1	1	-
18	Internal Audit	1	1	-
19	Legal	1	1	1
20	Life & Health	1	1	-
21	Malaysia Branch	1	1	1
22	Planning & Performance Management	1	1	1
23	Retrocession	1	1	1
24	Risk Engineering	1	-	-
25	Technical Accounts	1	1	-
26	Treaty	1	1	1

Risk Appetite

Risk appetite reflects the amount of risk taking that is acceptable to an organization. As a result, risk appetite refers to the organization's attitude towards risk taking and whether it is willing and able to tolerate either a high or a low level of exposure to specific risks or risk groups. At Trust Re, the Risk Appetite assists the Company to express the maximum level of risk Trust Re is prepared to accept in order to deliver its business objectives as articulated in the Company's business plan. The following serves as the Risk Appetite Summary.

- The Board promotes the creation of long term shareholder value through prudent risk management by actively mitigating or avoiding risks that fall short of our risk / return requirements. Additionally, the board will not tolerate any business/behavior that does not reconcile with the Group's Values.
- This is achieved by focusing on two key areas:
  - Balance sheet strength measured by economic capital and
  - Liquidity, and protection of franchise value.

Risk Identification & Prioritization

The Cyprus Branch's Risk Management Function is outsourced to the Trust Re Head Office. The Risk Identification aspects/practices of the Company are discussed in this section.

<u>Risk Identification</u>

The Company's risk identification process is comprehensive and spans across all areas in which the Company operates as well as various timescales. This process therefore involves a broad range of people, including management and subject matter specialists from the various business units, if required. The outcome of this step is a list of 'risks' with a description of how and why they might impact the company.

<u>Risk Classification System</u>

The Company pays particular attention to the definition and understanding of risks to which it is exposed. Its risk taxonomy is as per the classification in the GRC System, which identifies the sub risks associated with each broad key risk category, allowing for further classification, and then management, of risks at a granular level. For efficiency, ease of communication and to assist in the development of a common risk language, the Company aggregates risks into the following key risk categories:

- Insurance Risk
- Regulatory and Compliance Risk
- Market Risk
- Operational Risk
- System of Governance Risk
- Strategic/ Business Risk
- Credit Risk
- Group Risk
- Political Risks
- Emerging Risks
- Reputational Risk
- Liquidity Risk

Risk Assessment Criteria

The risk-register scoring serves as the basic for the Company's Risk Impact/Probability Assessment Criteria. The Company has established standard criteria via the SAP GRC system for assessment of risks based on their likelihood and impact, in order to aggregate the results across risk classes. The SAP GRC System has also established pre-defined criteria for risk scoring, risk significant, risk escalation and risk response.

Risk Management & Controls

The Company's Risk Management process and the current controls/practices are in place to effectively manage and control risks.

Risk Management Process

Risk Management Process refers to the process of identifying and assessing risks inherent in a business and evaluating the effectiveness of controls that are in place to manage these risks.

As part of the risk management process, the SAP GRC System is also used to enable the staff to regularly review the risk description, detail of control activities and adequacy of existing controls, risk scores (inherent and residual), potential improvement actions and contingency plans.

The adopted Risk Management process/cycle can be depicted in the diagram below:

Risk Reporting & Communication

Providing the management with relevant risk information ensures better identification and prioritization of risk and opportunities, enabling more efficient and informed decision-making. Risk reporting enables the management to:

- Understand the key risks that constitute the risk profile and track how these risks change over time
- Determine if the risk exposures are being managed in accordance with the Board's risk appetite and policy
- Identify opportunities to exploit the upside of risk taking

- Monitor the actions being taken to deal with unacceptable exposures and control failures that have been identified

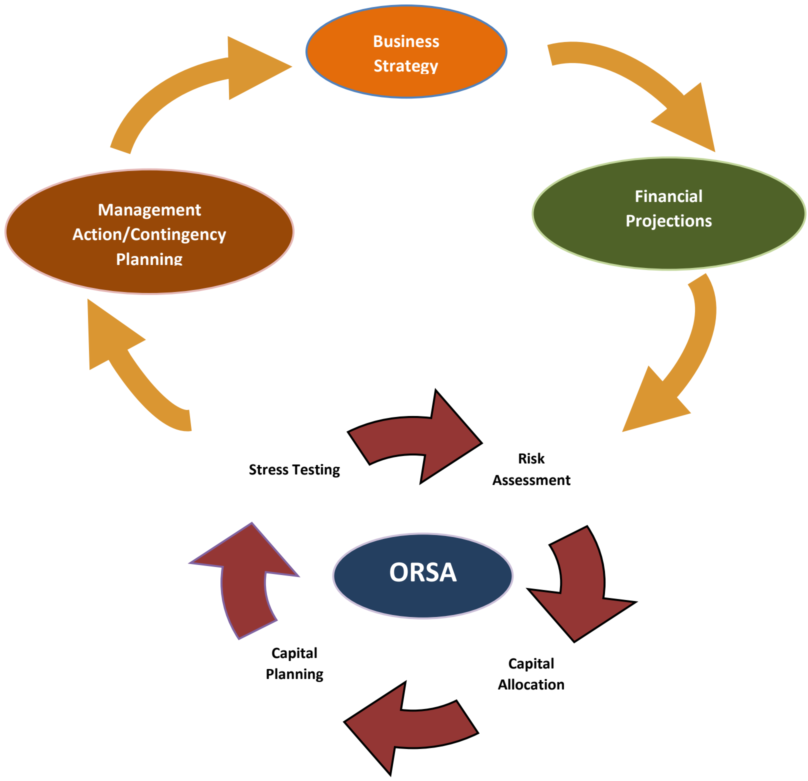
As part of the Company's Management Information practice, the following table provides a breakdown of the current reports in relation to its Risk Management activities.

Report Name	Frequency
ORSA Report	Annually
Risk Capital Reports	Quarterly
Risk Register Report (Top 10 Risks)	Quarterly
Political & Terrorism Risk Report	At least Semi- Annually
Emerging Risk Report	Annually
Aggregate Monitoring (& Report)	Ongoing (Comprehensive Annual Report)
Risk Control & Summary Report	Quarterly
Compliance Report	Quarterly
Internal Audit Reports	As per Audit Cycle
Signed Internal Audit Reports	As per Audit Cycle
Solvency &Financial Conditions Report (SFCR)- Solvency II	Annually
Regular Supervisory Report (RSR)	Annually
Actuarial Report	Annually
Solvency II Actuarial Report	Annually

B.4 ORSA

One of the key components of Trust Re's risk control environment is the 'Own Risk and Solvency Assessment' (ORSA). ORSA is now well linked to the risk appetite, capital management and the business planning process. The report is reviewed and updated on an annual basis to ensure that the processes, procedures and data described in the report are in line with the current practices being adopted by the Company.

The Diagram below illustrates the ORSA process and how this is linked to the business strategy of the Company:



As illustrated in the diagram above, the ORSA process provides the framework for checking the Branch's adherence to its risk tolerance limits, taking into consideration its business strategy and financial projections, as well as reviewing them for their appropriateness given the potential risk profile of the Company over the business planning period. As such, the ORSA serves as a vital tool to understand the risk exposures and solvency positions of the Branch.

B.5 Internal Control System

As indicated earlier, the Company applies the "Three Lines of Defence" model as part of effective risk management and internal control. Also, The Company has an approved Code of Conduct which outlines principles that represent minimum ethical standards for all employees. Clear accountability and responsibility exists at all levels, wherein the Company operates delegated and clearly defined authority levels.

The Company's Internal Control Environment also includes:

I. Compliance Function
II. Data Quality Procedures
III. Contingency Plans

Compliance Function

The Compliance Function of Trust Re's Cyprus Branch is temporarily outsourced to Nest Investments Holdings (Cyprus) which oversees the Cyprus Branch's Compliance program and is responsible for ensuring the Branch's Compliance framework remains an effective component of the internal control framework. The Company's Compliance Department undertakes regulatory compliance monitoring of the Branch using a risk based approach.

A Compliance Officer is appointed, via a formal outsourcing arrangement with responsibility for the implementation of the Cyprus Branch's Compliance Policies. The Compliance Officer reports to the Board Risk Committee and the Board on a quarterly basis. The Compliance Officer is provided unrestricted access to the Branch's records and has ultimate recourse to the Board of Directors, while it advises the Board and Executives of the Branch's legal and regulatory requirements. This includes keeping them informed of developments affecting legal and regulatory requirements. The function is also responsible for:

- Monitoring compliance with relevant laws, regulations and internal policies and procedures through Compliance reviews of the business, according to a risk based plan.
- Managing regulatory requests and onsite regulatory inspections / visits, ensuring there is a central point of contact.
- Managing the Branch's program in relation to four specific financial crime risks: fraud, bribery and corruption, money laundering and terrorist financing, and sanctions compliance.

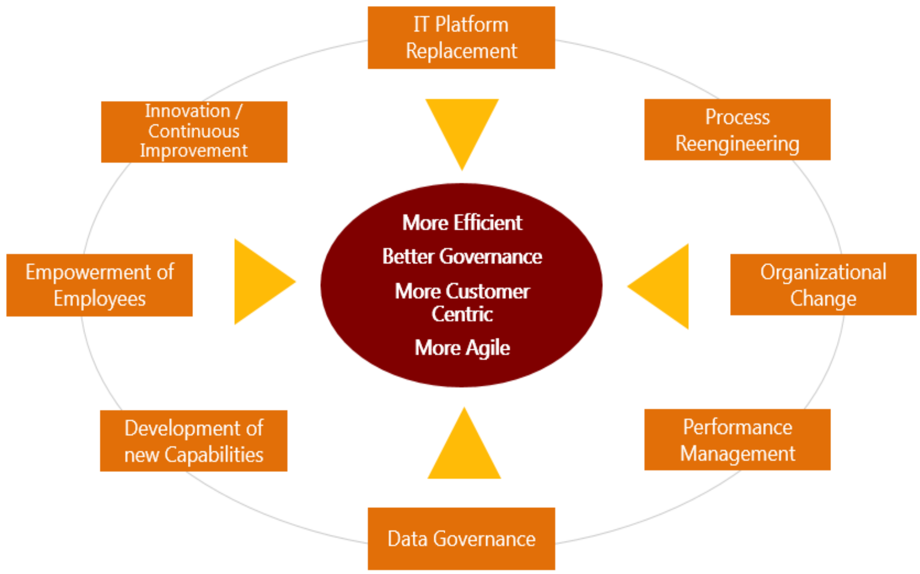
Data Quality

Aiming to improve Trust Re's data procedures and arrangements, further enhancements will take place in the technological capabilities and data processing as part of the ongoing strategic projects. The projects intend to deliver transformational change in operational capability and a reduced level of data errors by using leading edge technology.

This vision will be enabled through four core objectives:

More Efficient	Better Governance	More Customer Centric	More Agile
• Improved productivity • Seamless integration and information flow • Standardize and streamline processes • Configurable and reportable workflow • Improve operational quality and reduce errors/issues • Consistent and accessible data, with one source of truth • Better communication between departments	• Embedded controls • Authorisation levels embedded within workflow • Standardization & governance of data • Standardisation of practices • Standardized reporting • Exception alerts • Embedded audit trail • Enhance analytical capability • Improve decision making capability	• More responsive to customer requests • Ability to monitor customer service standards • 360º single customer view • CRM capability – integrate business partner data with business data • Enable account management • Empowerment of local entities (branches and affiliates)	• Configurable workflow, facilitating continuous improvement • Flexibility to respond to customer needs • Support multiple business entities • User access regardless of location or device • Ability to integrate with external tools • Be prepared for industry disruption • Utilise alternative communication channels

For efficient achievement of the aforementioned objectives, a new IT platform is being developed that is considered a major enabler for achieving true business transformation and meeting the project objectives. This requires change across a number of dimensions:



These developments incorporate large and complex projects/programs with accompanied wide range of challenges. Any challenges and risk are managed by the strong program governance in place for this purpose.

Contingency Plans

The Company's has developed a Board approved comprehensive Business Continuity Management System (BCMS) that enables the Company to be prepared to deal with disruptive incidents/events that may prevent the Company from achieving its objectives.

The Company's BCM primarily involves the following:

- Identifying the Company's critical functions and processes
- Identifying and prioritizing the key resources and activities required to deliver them
- Evaluating the threats to these activities and their dependencies
- Putting arrangements in place to resume these activities following an incident
- Ensuring that these arrangements will be effective in all circumstances

At Trust Re, the Business Continuity Plan (BCP) is prepared based on 'Best Practices' as per the 'ISO-22302 International Standard for Business Continuity' which applies the 'Plan-Do-Check-Act' (PDCA) cycle to planning, establishing, implementing, operating, monitoring, reviewing, maintaining and continually improving the effectiveness of the Company's BCM.

Business Continuity Management Structure

At Trust Re, Business Continuity Management consists of the following Plans:

- Crisis Communication Plan - includes the formation of a Crisis Communications Team, Critical Risks Scenario Planning, Stakeholder identification and escalation matrices, and pre-drafted Holding Statements.
- IT Disaster Recovery Plan -describes the procedures to be carried out for recovering critical technology platforms and the telecommunications infrastructure, including the activation of the IT Disaster Recovery site which is established in Trust Re's Office in the Labuan Branch.
- Business Continuity Plan - The BCP document describes the procedures and arrangements to be carried out in case an incident affects the operations and continuity of Trust Re.
- Exercising and Testing - The Company has developed eight testing scenarios designed to validate the BCM arrangements and aims to carry out a full exercise at a minimum of once every two years and partial exercise of critical systems at least annually.

In addition to the above plans, a Building Evacuation Plan and a Health, Safety and Environment manual are also in place.

B.6 Internal Audit Function

Internal Audit (IA) is an independent, objective assurance and consulting function designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

On an annual basis, the Internal Audit Function declares its independence and objectivity to the Audit Committee. The declaration is based on two key factors, namely the *organizational independence* of the IA function and the *objectivity* of its staff. Organizational independence is effectively achieved as the IA function reports functionally to the Audit Committee. Furthermore, the Internal Audit Function is free from interference in determining the scope of internal auditing, performing work, and communicating results.

The Internal Audit Function delivers increased risk coverage and measurable value to the business by identifying and performing assurance and consulting engagements. To achieve this, the IA Function has an Internal Audit Strategic Plan which details the strategic goals of the function and provides a framework for performing and promoting a broad range of value-added internal auditing activities.

Moreover, the IA Function produces three-year Risk-Based Internal Audit Plan based on an extensive risk assessment of all identified auditable units. Based on the results of the risk assessment, the auditable units are ranked into high, medium or low risk rating. The risk assessment is enhanced with the feedback of the key stakeholders and the use of Trust Re's risk register compiled by the Risk Department. Also, the IA plan is approved by the Board Audit Committee and revisited regularly to allow the flexibility in a changing risk environment.

The Internal Audit findings and recommended appropriate courses of action for the enhancement of risk management, internal control, and governance are communicated to the management and the Audit

Committee. Moreover, the Internal Audit function promotes action on audit recommendations and reinforce staff commitment to results through application of sound monitoring and follow-up systems.

Accordingly, there is a quarterly follow-up process to monitor and ensure that management actions have been effectively implemented thus maintaining a periodic process of following up on the issues until these are resolved.

B.7 Actuarial Function

The actuarial function undertakes quarterly actuarial valuations to establish the technical provisions of its unpaid claim liabilities. These valuations include the Trust Re's portfolio in its entirety (including the Company's branch portfolios).

Best actuarial practices are being followed based on a robust reserving methodology for the quantification of technical provisions of the Company and the assessment of their adequacy. Willis Towers Watsons (WTW) Reserving software, ResQ is used as part of the reserving process. WTW also perform annual peeer review on the adequacy of the r4eserves for the whole portfolio.

The Actuarial function is involved in the process of purchasing outward retrocession cover. This includes assessment of the retro cover from a risk based capital and risk-return analysis. The appropriateness of risk Non-Proportional reinsurance programs as individual portfolio levels is quantitatively assessed by modeling frequency and severity of losses and loss simulations. The actuarial function is also managing the daily monitoring of the Company's aggregation/CAT exposures.

The Actuarial function is currently in process of testing and implementing an internal stochastic model; Tyche. The internal stochastic capital model will first be used for Trust Re and then also for selected aspects of Cyprus Branch issues. The capital model will be used in the process of business planning and purchasing reinsurance program cover.

B.8 Outsourcing

Trust Re is responsible for providing all strategic direction for the Cyprus Branch. Outsourcing critical and important functions to the Head Office ensures that the Branch operations are in line with the Company's strategy, Risk Appetite and Tolerance levels established at the Head Office by the Board for the Company and its Branches. The Head Office has the financial and technical capacity to provide the outsourcing service to the Branch where short-term additional technical capacity is required. The common goals and objectives set by the Board ensure that any conflicts of interests are eliminated through intragroup outsourcing.

C. Risk Profile

C.1 Underwriting Risk

Underwriting risk is driven by Premium & Reserve risk and CAT risk. The details of each component are stated in the sub-sections individually. For the Branch, Premium & Reserve risk is 55% and CAT risk is 45% of the Underwriting risk.

Premium and Reserve Risk

This capital charge is a factor of the volatility and volume measure of net earned premium and net technical reserves. The volatilities for premium and reserves are pre-defined for each line of business with Non-Proportional lines having the highest volatility factors. The volume measure for reserves is based on the claim provisions and the volume measure of premiums depends on current and future earned premium. Future earned premium are based on a reforecast of the business plan reflecting the actual experience of the year.

Premium and Reserve volumes are aggregated across lines of business also accounting for geographical diversification to attain a combined volume measure for each line. Volatility factors for premium and reserve are aggregated using volumes as weights. The product of combined volume and volatility across line of business is aggregated using a pre-defined correlation matrix.

For the Branch Premium & Reserve risk is heavily driven by Non-Proportional Property and Marine, Aviation & Transport lines of business. These lines have the highest contribution to the volume measure and have the highest pre-defined standard deviation factors.

CAT Risk

The Catastrophe Risk capital calculation is split into Natural Catastrophe (Nat Cat), Non-Proportional Property Reinsurance, Man-Made Catastrophe, and other non-life Catastrophe Risk.

In general, Cat Risk is calculated based on the gross exposures (sum insured and/or earned premium) under prescribed conditions, and allowing for reinsurance recoveries.

For the Branch the contribution of individual components is as follows: NAT CAT – 1.7%, Man-Made – 26.7%, Non-Proportional Property – 32.8%, and Other CAT risk – 38.8%.

Natural Catastrophe

Nat CAT risk considers five perils: windstorm, earthquake, flood, hail and subsidence and allows for the diversification between these perils. It is calculated as prescribed loss percentages (charges) based on gross sum insured by country and zone for EEA regions, and on gross earned premium by region for non-EEA regions. Risk weights for each type of natural event are applied to the sum insured values; these weights are pre-determined and are based on how prone a zone is to any particular event. Reinsurance recoveries are allowed for based on the calculated gross losses.

Since NAT CAT risk, as per SII, is calculated only direct and proportional business and non on Non-Proportional business, this risk is very high for Trust Re Cyprus.

Man-Made Catastrophe

Man-Made Cat Risk is calculated for exceptional events arising from normal line of business. The exceptional events are pre-defined scenarios. For Man-Made risk, the calculations are done on sum insured for some classes and on estimated gross earned premium in following 12 months for other lines of business.

The Branch has only has Marine and Fire exposure. The outward RI cover is purchased for Trust Re Group and the retention levels are for the group as whole.

Non-Proportional Property Reinsurance CAT

The capital charge for catastrophe risk of non-proportional property reinsurance is equal to an instantaneous loss, with a pre-defined risk factor, in relation to each reinsurance contract that covers this line. The following 12 month planned gross earned premium by region is used for each region to calculate the risk charge. Diversification is allowed between regions.

The Branch's exposure is concentrated in only a very few regions.

Other CAT

The capital charge for 'Other' CAT risks is equal to an instantaneous loss calculated with a pre-defined risk factor for multiple lines of business. Diversification between these multiple lines is allowed to arrive at one 'Other' CAT risk charge. Unlike Non-Proportional Property RI there is no regional diversification for these lines and

For the Branch the only applicable line is Non-Proportional motor vehicle liability. This line has a very high risk charge (250%). This makes this CAT risk category to contribute the most to the Non-Life Cat Risk.

C.2 Counterparty Default Risk

The Counterparty Default risk is calculated based on the exposure to each of the credit counterparties (bank, reinsurer etc.) and their related credit rating.

In the technical specifications, the risk calculation is split into two exposure types:

Type 1 exposures covers counterparties which may not be diversified and likely to be rated, in addition to other criteria. This includes counterparties for recoverable from our outward reinsurance and bank counterparties where the Cyprus Branch hold deposits.

Type 2 exposures covers counterparty that do not qualify for type 1 and will not be covered in spread risk. They are usually diversified and likely to be unrated (includes intermediaries), in addition to other criteria.

There is a diversification benefit as well between type 1 and type 2

C.3 Market Risk

Market risk is made up of Interest Rate risk, Concentration risk, Spread risk, and currency risk. Market risk is calculated based on the investment portfolio by applying various shocks and using projected cash flows for interest rate risk.

Spread Risk

This is applied to certain class of bonds for the changes in level or volatility of credit spreads. The spread risk capital requirement is sum of spread risk charge for bonds, securitization, and credit derivatives. For bonds and securitization, the factors are dependent on the credit quality and duration and for credit derivatives factors depend on the credit quality only. Spread risk also extends to short term deposits.

EU government bonds attract zero risk factors. Non-EU government bonds attract risk factors lower than standard bonds. Higher duration and lower credit quality incur high risk factors. Bonds with duration in excess of 5 years have a factor applied on excess duration in addition to fixed factors.

The Branch's investment portfolio only has standard corporate bonds with a weighted average modified duration of 3 years and 90% of the bond portfolio is rated BBB or above.

Concentration Risk

Concentration is applied to assets considered in spread risk but excludes assets considered in counterparty default risk, i.e. cash holdings that come under type 1 exposures. The Concentration risk calculation is based on excess exposure, of any single name exposure, beyond a threshold defined by the regulator. The threshold is based on the credit quality, with lower rating having a lower threshold and higher ratings having a higher threshold.

The risk charge applied on the excess also increases for lower ratings. Risk charge on the excess for Non-EEA government bonds is lower than standard bonds at all ratings.

For the Branch the concentration risk is non material mainly primarily due to the way bonds have been selected/structured. The investment portfolio consists of 147 bonds, 2 short term deposits, 1 equity holding, and some property holding.

Interest Rate Risk

Interest Rate risk capital is determined as a result of the variation in basic own funds (BOF) after applying pre-defined shocks up and down. It is derived from the type of shock that gives rise to the highest capital requirement. The current interest rate structure is altered with higher shocks at lower maturities and lower shocks at longer maturities.

For the Branch the initial net assets are positive. Therefore the movement which results in a positive interest rate risk charge is an upward shock in the interest rates.

C.4 Operational Risk

The Operational Risk provision is the maximum of either Operational risk provision of earned premiums or Operational Risk provision of technical provisions. For the Branch the Operational risk provision of technical provisions is higher.

Deviation from Assumptions

The risk profile of Trust Re Cyprus in certain areas deviated from some of the key assumptions being utilized in the Solvency II standard formula.

Correlation - The standard formula applies linear correlation to aggregate individual risk sub module and modules to obtain an overall SCR. Linear correlation are in some instances insufficient to fully reflect the dependence between distributions and the use of linear correlations could lead to incorrect aggregated results.

Interest Rate Risk - The standard formula only captures interest rate risk that arises from changes in the level of the basic risk free interest rates. The volatility and changes in the shape of the yield curve are not covered and the module does not fully capture the risk of inflation or deflation. The company shall therefore take into account any risk arising from inflation or deflation as part of their own risk and solvency assessment. However, given the great majority of the Branch's business is short-tail, interest rate movements are monitored as needed.

Property Risk - The standard formula shock for property risk is calibrated based on UK data. The Branch's property holding is in Cyprus which has undergone significant drop in value since 2009.

Credit risk - The standard formula assume that spreads will increase for all instruments in a 1 in 200 year's event and therefore it is assumed that there will be no diversification between the different sub-modules of the spread risk sub-module

CAT Risk - The calibration of the natural catastrophe risk submodule is based on "average" conditions for any given country peril combination. The calibration factor may be over or under stated for individual undertaking including the Branch.

Operational Risk - Under the standard formula Operational risk increases together with the activity size. The Company has implemented a better standardized level of risk management via the implementation of the SAP Governance, risk and compliance system which is one of the top ranked GRC system internationally. The management, does not consider the impact of operational risk able to adversely affect the financial status of the Company or the Branch but recognizes the complexity elements of running various initiative and restructuring projects at the same time.

Risks not being captured - There are some risks which are not being captured under the standard formula. These include political risk, strategic risk, liquidity risk, reputational risks, regulatory and legal risk.

Risk Mitigation

Reinsurance **-** The Company's Retro Department is responsible for ensuring an appropriate reinsurance structure is in place given the Company's risk profile and exposures. Actuarial & Risk function provide related risk-return analysis on the capital implications of various reinsurance options available so that to enable more informed decision making to be made. Trust Re purchases an outward reinsurance cover on a group level for all lines of business including Energy, Property, and Engineering. In certain instances there is a separate Risk XL and CAT XL cover.

Liquidity - Liquidity monitoring is done on a regular basis and investment decisions are made to balance liquidity and returns. The Cyprus Branch liquidity is supported by the excess liquidity in Trust Re.

Scenario and Stress testing - As part of the ORSA process specific scenario and stress tests have been performed. These includes:

- Widening Spreads
- Property Devaluation
- Rating downgrades of bank counterparties and reinsurance counterparties
- Increased correlation between lines of business
- Premium growth changes
- Reserves volatility
- Large losses in highly exposed lines of business
- Selected bond haircuts
- Other investment scenarios

These scenarios are quantitatively assessed by calculating the impact on the solvency ratio. Management actions are recommended accordingly.

D. Valuation for Solvency Purposes

D.1 Assets

Fixed assets, other than building are recorded at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over the estimated useful lives, using the straight line method. Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Fair value of the building was determined using the market comparable method. This means that valuations performed by the value are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. The Branch balance sheet under existing IFRS standards (for the year end 31-12-2015 and 31-12-2016) and Solvency II regime (for the year ended 31-12-2016) is summarized below:

USD' 000	2015	2016	S II 2016
ASSETS	**93,535**	**96,132**	**85,291**
Fixed Assets - Net book Value	6	3,396	3,396
Investments	19,382	56,758	56,758
Total Non-Current Assets	19,387	60,154	60,154
Inward Pipeline Treaty Premiums	7,941	7,562	53
Accounts Receivable	2,514	1,636	1,636
Other Debtors & Prepayments	5,197	1,734	1,734
Cash & Bank Balances	46,039	12,855	12,855
Related Companies & Parent	-	-	-
Total Current Assets	61,691	23,787	16,278
Reinsurance Technical Provisions	11,646	11,434	8,859
Gross DAC	811	757	-
Total Reins. Share of Technical Reserves	12,457	12,191	8,859

USD' 000	2015	2016	S II 2016
LIABILITIES	**50,343**	**53,507**	**48,560**
Other Provisions	374	557	557
Gross Technical Provisions	37,856	39,923	37,000
Best Estimate	-	-	33,499
Risk Margin	-	-	3,501
Total Gross Technical Reserves	**38,230**	**40,480**	**37,557**
Reinsurance Balances Payable	11,868	12,971	10,946
Other Payable and Accrued Expenses	245	57	57
Total Current Liabilities	**12,113**	**13,027**	**11,003**
NET ASSETS (Assets - Liabilities)	**43,192**	**42,625**	**36,731**
Shareholders' Equity	**43,192**	**42,625**	**36,731**
Own Funds	-	-	36,731
Paid Up Capital	42,930	42,189	-
Fair Value & Other Reserves	262	436	-

In calculation of own funds, the IFRS balance sheet is adjusted to a Solvency II balance sheet. Some key differences are explained below.

- Solvency II valuation of premium and claim reserves, as explained in Section D of this report, is different from IFRS valuation. This leads to a difference in Reinsurance share of Technical Provisions in the Asset side and a difference in Gross Technical Provisions in the Liabilities side of the balance sheet.
- Solvency II valuation of technical provisions includes a risk margin which is added to Gross Technical Provisions in the Solvency II balance sheet.
- No deferred acquisition cost is recognized in the solvency II balance sheet.
- Pipeline Premium (and Reinsurance share of Pipeline premium) treatment is different under IFRS and Solvency II.

These differences result in the followings changes in Trust Re Cyprus' balance sheet:

- Total Assets under SII are USD 85.3M as compared to USD 96.1M under IFRS
- Total Liabilities under SII are USD 48.6M as compared to USD 53.5M under IFRS
- Available capital (Own Funds) under SII are USD 36.7M as compared to USD 42.6M

D.2 Technical Provisions

The starting point of the valuation of Technical Provisions is the valuation of IFRS reserves. Trust Re Cyprus adopts a prudent reserving approach with formalized actuarial techniques. The methodology adopted for claim and premium reserves are explained below.

Claim Reserves

The methodology is applied to each reserving group separately for the whole portfolio of the Company. Where, within a reserving group, there are sub groups in terms of attritional and events (split into Large Events and CAT events) (i.e. non-attritional) segments, these are modelled separately too. The modelling stage follows the data preparation stage whereby loss related data is transformed into triangulations within our actuarial reserving modeling tool, ResQ. These loss projections are performed at a gross of reinsurance level. The modelling is undertaken on each reserving group on an underwriting year basis. Variations of loss developing methods, balancing (credibility weighted) methods and frequency/severity methods are utilized for the estimation of gross ultimate losses. In particular, the methods being utilized include Loss Development, Cape Cod, Bornhuetter-Ferguson, Expected Loss Ratio, frequency-severity as well as stochastic/bootstrap approach for quantification of uncertainty.

Premium Reserves

Gross UPR is calculated on a pro-rata basis at a policy level. The UPR ratio is the number of days remaining from the valuation date (i.e. unearned period) to the contract expiry date divided by the number of days between the inception and expiry date (i.e. policy duration period) of the contract. Maintenance periods are included for engineering contracts and for proportional treaties the expiry date is assumed to be 365 days later to account for the underlying assumed annual contracts.

SII Valuation

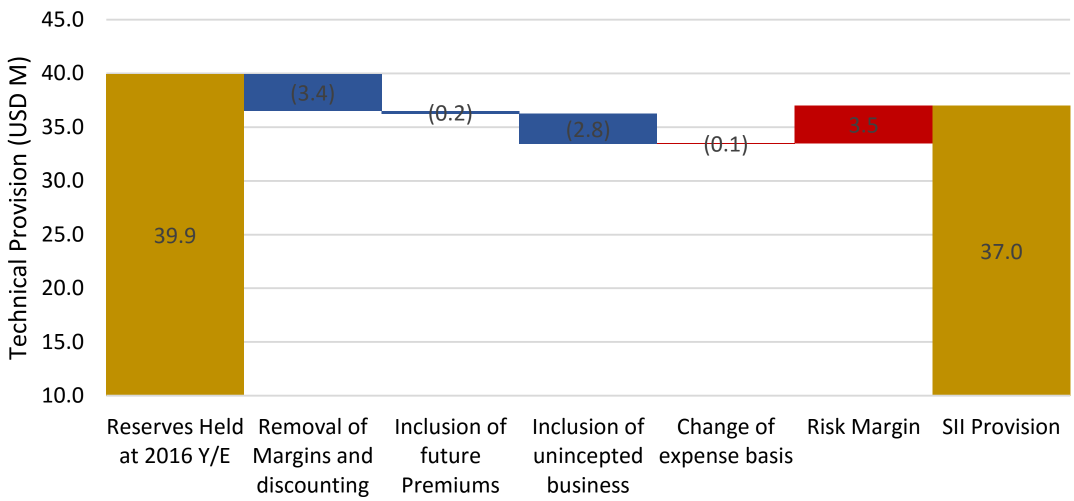
Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the previous regulatory regime, there are other areas where there are major changes including:

- Movement to a cash flow basis for valuation purposes
- Removal of any implicit or explicit margins within technical provisions to give a “true best estimate” for solvency purposes
- Removal of the requirements to hold an unearned premium reserve and to allow for other non-monetary items. These are replaced by “premium provisions”, valued on a best estimate basis. This also includes a requirement to take account of all future premium cash inflows
- Movement to recognizing contracts on a “legal obligation basis”. This will mean the inclusion of business currently not valued as part of technical provisions - for example 1st January renewals entered into prior to a 31/12 valuation
- Introduction of discounting
- Introduction of governance requirements for an explicit “actuarial function” with defined responsibilities
- Significant increases to documentation and validation requirements

- Introduction of explicit links to other areas of Solvency II such as internal models
- Introduction of the principle of proportionality that underlies the calculations

Impact on Results

The impact on technical provisions can be seen below.



The change in approach to technical provisions impacts the solvency balance sheet.

The two key impacts are:

- The balance sheet will appear to "shrink" as technical provisions move to be net of future premiums
- The underlying reserving basis is likely to be weaker as the combined impact of a) recognizing profit on all bound exposures (as opposed to only on earned business), b) the removal of reserve margins and c) discounting will tend to outweigh the increases required in respect of additional expenses and risk margin.

For Cyprus Branch, the year-end 2016 net technical provisions stand roughly at USD 28.1M. Technical provisions including risk margin for all material solvency II lines of business are given in the appendices.

The gross of reinsurance reserves held at 2016 year-end amounted to USD 39.9M from which a margin for prudence was removed in order to give a "true best estimate" for solvency purposes. The impact of the unearned incepted and uninspected business elements and discounting reduced reserves further while the change of expense basis and risk margin have increased the required reserves.

E. Capital Management

E.1 Own Funds

USD'000	2016
Ordinary Share Capital	42,189
Other own fund items approved	436
Reconciliation Reserve	(5,894)
Basic Own Funds	36,731

Trust Re Cyprus has USD 42M paid up share capital which qualifies as Tier 1 own funds. A reconciliation reserve from the adjustments in the accounting valuation of the balance sheet and the QIS5 valuation is also taken into consideration. Other own fund include a General Reserve and an Investment fair valuation reserve. These disclosed reserves are also part of Tier 1 own funds. Trust Re Cyprus has no Tier 2 or 3 own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company's Solvency Capital Requirement and Minimum Capital requirement as at 31st December 2016 are USD 30.8M and USD 7.7M.

The table below shows the components of SCR,

USD '000	2016
Solvency Capital Requirement	**30,772**
Basic Solvency Capital Requirement	**29,767**
Underwriting Risk	**23,869**
Premium & Reserve	16,601
CAT risk	13,496
Diversification	*(6,228)*
Market Risk	**5,827**
Interest rate risk	1,518
Equity risk	1,732
Property risk	849
Spread risk	3,625
Concentration risk	285
Diversification	*(2,182)*
Counterparty Default Risk	**6,412**
Type 1	5,815
Type 2	770
Diversification	*(173)*
Diversification	***(6,341)***
Operational Risk	**1,005**

The projected SCR and MCR for the year 2017 are 31.7 M and 7.9 M respectively.

USD '000	2016
Available Capital	36,731
SCR	30,772
MCR	7,693
Solvency Ratio	119.4%
BSCR	29,767

The eligible amount of Tier 1 own funds (USD 36M) comply with both the MCR and SCR requirements. Own funds stand at 473% of MCR and 119% of SCR.

E.3 Any Other Disclosure

The Company applies the standard formula and does not have any internal model for solvency calculations and there is no breach of Solvency Capital Requirement.

Appendix: Annual Quantitative Reporting Templates

QRT – Balance Sheet

Assets (Amounts in USD)	**Solvency II value**	**Statutory accounts value**
Deferred acquisition costs		757,133
Property, plant & equipment held for own use	3,395,866	3,395,866
Investments (other than assets held for index-linked and unit-linked contracts)	59,095,206	59,095,206
Property (other than for own use)	2,978,102	2,978,102
Equities	106,468	106,468
Equities - listed	106,468	106,468
Equities - unlisted		
Bonds	54,121,967	54,121,967
Government Bonds	4,838,720	4,838,720
Corporate Bonds	49,283,247	49,283,247
Deposits other than cash equivalents	1,888,669	1,888,669
Reinsurance recoverable from:	8,858,877	11,434,083
Non-life and health similar to non-life	8,858,877	11,434,083
Non-life excluding health	8,858,877	11,434,083
Deposits to cedants	53,264	53,264
Insurance and intermediaries receivables	1,635,716	9,144,704
Cash and cash equivalents	10,966,635	10,966,635
Any other assets, not elsewhere shown	1,285,150	1,285,150
Total assets	85,290,714	96,132,041
Liabilities		
Technical provisions – non-life	37,000,153	39,923,246
Best Estimate	33,498,829	
Risk margin	3,501,324	
Provisions other than technical provisions	556,946	556,946
Deposits from reinsurers	6,923	6,923
Financial liabilities other than debts owed to credit institutions	56,698	56,698
Reinsurance payables	10,939,149	12,963,652
Total liabilities	48,559,869	53,507,465
Excess of assets over liabilities	36,730,845	42,624,576

QRT – Premiums, Claims and Expense

Premiums, Claims and Expense (Amounts in USD)	Proportional Reinsurance			Non-Proportional Reinsurance			Total
	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Casualty	Marine, aviation, transport	Property	
Premiums written							
Gross - Proportional reinsurance accepted	134,073	1,071,164	65,169				1,270,406
Gross - Non-proportional reinsurance accepted				726,198	8,500,460	11,692,970	20,919,628
Reinsurers' share	20,950	348,634	17,504	184,953	2,051,856	4,142,630	6,766,527
Net	113,123	722,530	47,665	541,245	6,448,604	7,550,340	15,423,507
Premiums earned							
Gross - Proportional reinsurance accepted	164,666	1,402,591	56,434				1,623,691
Gross - Non-proportional reinsurance accepted				684,673	7,948,386	11,918,672	20,551,731
Reinsurers' share	25,539	409,738	15,614	178,159	1,856,251	4,130,641	6,615,942
Net	139,127	992,853	40,820	506,514	6,092,135	7,788,031	15,559,480
Claims incurred							
Gross - Proportional reinsurance accepted	4,839	25,523	64,499				94,861
Gross - Non-proportional reinsurance accepted				708,918	8,270,401	9,066,161	18,045,480
Reinsurers' share	3,737	18,211	47,112	188,078	1,749,654	2,150,847	4,157,639
Net	1,102	7,312	17,387	520,840	6,520,747	6,915,314	13,982,702
Expenses incurred	23,163	225,629	12,235	93,064	1,144,744	1,932,770	3,431,605
Administrative expenses							
Gross - Direct Business							
Gross - Proportional reinsurance accepted	12,587	100,561	6,118				119,266
Gross - Non-proportional reinsurance accepted				68,175	798,023	1,097,736	1,963,935
Reinsurers' share							
Net	12,587	100,561	6,118	68,175	798,023	1,097,736	2,083,200
Claims management expenses							
Gross - Direct Business							
Gross - Proportional reinsurance accepted	530	5,942	189				6,662
Gross - Non-proportional reinsurance accepted				2,456	18,915	56,970	78,340
Reinsurers' share							
Net	530	5,942	189	2,456	18,915	56,970	85,002
Acquisition expenses							
Gross - Direct Business							
Gross - Proportional reinsurance accepted	54,330	329,660	18,150				402,140
Gross - Non-proportional reinsurance accepted				47,356	717,468	1,298,249	2,063,073
Reinsurers' share	44,284	210,534	12,222	24,923	389,662	520,185	1,201,810
Net	10,046	119,126	5,928	22,433	327,806	778,064	1,263,403

QRT – information Technical Provisions

Premiums and Claims expense by Line of Business (Amounts in USD)	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
Premium provisions							
Gross - Total	(23,352)	36,765	(18,095)	(1,028,278)	94,077	(90,170)	(1,029,053)
Gross - direct business							
Gross - accepted proportional reinsurance business	(23,352)	36,765	(18,095)				(4,682)
Gross - accepted non-proportional reinsurance business				(1,028,278)	94,077	(90,170)	(1,024,371)
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	(2,911)	8,328	(4,555)	(259,591)	55,331	193,456	(9,942)
Net Best Estimate of Premium Provisions	(20,441)	28,437	(13,540)	(768,687)	38,746	(283,626)	(1,019,111)
Claims provisions							
Gross - Total	91,033	1,853,427	49,253	295,537	11,392,523	20,846,112	34,527,885
Gross - direct business							
Gross - accepted proportional reinsurance business	91,033	1,853,427	49,253				1,993,713
Gross - accepted non-proportional reinsurance business				295,537	11,392,523	20,846,112	32,534,172
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	11,363	469,571	12,174	113,747	2,911,916	5,350,047	8,868,818
Net Best Estimate of Claims Provisions	79,670	1,383,856	37,079	181,790	8,480,607	15,496,065	25,659,067
Total Best estimate - gross	67,681	1,890,192	31,158	(732,741)	11,486,600	20,755,942	33,498,832
Total Best estimate - net	59,229	1,412,293	23,539	(586,897)	8,519,353	15,212,439	24,639,956
Risk margin	10,871	188,835	5,060	24,806	1,157,226	2,114,525	3,501,323
Technical provisions - total	78,552	2,079,027	36,218	(707,935)	12,643,826	22,870,465	37,000,153
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	8,452	477,899	7,619	(145,844)	2,967,247	5,543,504	8,858,877
Technical provisions minus recoverable from reinsurance/SPV and Finite Re- total	70,100	1,601,128	28,599	(562,091)	9,676,579	17,326,961	28,141,276

QRT – Triangle for Paid Claims and Estimated Claims Provisions

(Amounts in USD)

Gross Claims Paid (non-cumulative)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10&+	In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
N-9	R0160	-	-	-	-	-	-	-	-	-	-		-	-
N-8	R0170	-	-	-	-	-	-	-	-	-			-	-
N-7	R0180	-	-	-	-	-	-	-	-				-	-
N-6	R0190	-	-	49,225	159,104	44,043	14,809	4,953					4,953	272,133
N-5	R0200	-	183,441	633,510	1,281,194	41,706	4,121						4,121	2,143,972
N-4	R0210	-	(1,883,793)	5,077,985	4,561,351	1,869,756							1,869,756	9,625,299
N-3	R0220	-	1,103,568	14,258,034	6,345,767								6,345,767	21,707,368
N-2	R0230	-	1,614,114	4,418,932									4,418,932	6,033,047
N-1	R0240	-	3,074,190										3,074,190	3,074,190
N	R0250	-											-	-
												Total	**15,717,720**	**42,856,009**

Gross undiscounted Best Estimate Claims Provisions

Year		Development year 0	1	2	3	4	5	6	7	8	9	10&+	Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
N-9	R0160										-		-
N-8	R0170									-			-
N-7	R0180								-				-
N-6	R0190							129,555					129,519
N-5	R0200						108,986						108,954
N-4	R0210					4,820,564							4,819,167
N-3	R0220				6,131,057								6,129,281
N-2	R0230			10,275,725									10,272,790
N-1	R0240		12,211,415										12,207,844
N	R0250	860,586											860,333
												Total	**34,527,888**

QRT – Own Funds

Own Funds **(Amounts in USD)**	**Total**
Ordinary share capital (gross of own shares)	42,188,984
Reconciliation reserve	(5,893,733)
Other own fund items approved by the supervisory authority as basic own funds not specified above	435,594
Total basic own funds after deductions	36,730,845
Ancillary own funds	
Available and eligible own funds	
Total available own funds to meet the SCR	36,730,845
Total available own funds to meet the MCR	36,730,845
Total eligible own funds to meet the SCR	36,730,845
Total eligible own funds to meet the MCR	36,730,845
SCR	30,772,393
MCR	7,693,098
Ratio of Eligible own funds to SCR	119%
Ratio of Eligible own funds to MCR	477%

QRT- Minimum Capital Requirement

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
Marine, aviation and transport insurance and proportional reinsurance	59,229	113,123
Fire and other damage to property insurance and proportional reinsurance	1,412,292	722,530
General liability insurance and proportional reinsurance	23,539	47,665
Non-proportional casualty reinsurance	(586,897)	541,245
Non-proportional marine, aviation and transport reinsurance	8,519,353	6,448,604
Non-proportional property reinsurance	15,212,438	7,550,340

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	6,943,555

Overall MCR calculation	**2016**
Linear MCR	6,943,555
SCR	30,772,393
MCR cap	13,847,577
MCR floor	7,693,098
Combined MCR	7,693,098
Absolute floor of the MCR	3,852,000
Minimum Capital Requirement	7,693,098