2018

TRUST RE

Cyprus Branch

Solvency & Financial Condition Report (SFCR)

Prepared: April 2018

Contents

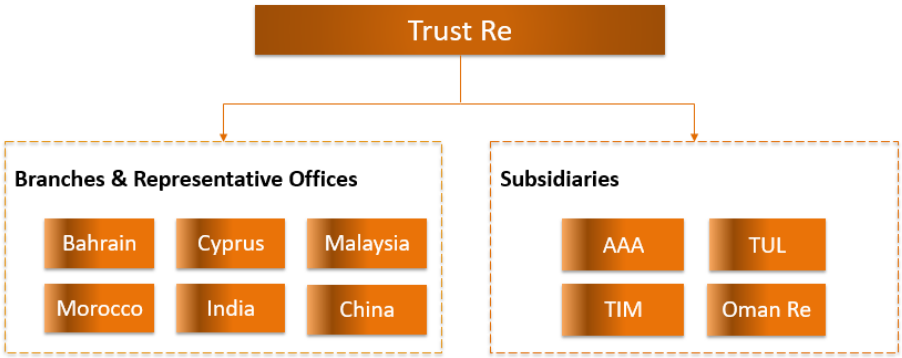
Executive Summary

Scope - The 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 was prepared in April 2018 and updated in February 2019.

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 2017 and 2016 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 structure and geographical presence is best illustrated in the diagram below.



* China Representative Office is under formation

Rating

The Company received its rating affirmation of A- with stable outlook from both S&P and AM Best during 2017. S&P also affirmed the assessment of Trust Re's ERM as 'adequate with strong controls'.

The rating was withdrawn in the end of 2018

Performance

The Branch revenue account extract for years 2016-2017 along with ratios on Operational Performance is summarised below.

INCOME STATEMENT	Actual 31-12-2016 USD' 000	Actual 31-12-2017 USD' 000
Underwriting results		
Cyprus treaty business	766	3,647
Other business	(2,126)	1,616
Total	**(1,360)**	**5,263**
Investment and other income	**1,338**	**4,470**
Total income	**(22)**	**9,733**
Non-technical expenses	110	134
Profit before tax	**(132)**	**9,599**
Tax	(320)	1,134
Profit after tax	**188**	**8,465**
Ratios on technical result		
Retention ratio	69.5%	71.2%
Commission ratio	7.7%	8.0%
Expense ratio	13.4%	11.4%
Loss Ratio	87.6%	57.1%
Combined ratio	108.7%	76.4%

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 at its geographical scope.

As of 31st December 2017, the Company had cash and Investments totalling to USD 72.5M. The following are the breakdown of investment income for 2017.

USD'000	2017
Interest on bank deposits	80
Interest on bonds	1,452
Profit/(loss) on sale of investment	155
Unrealized gain/(loss) on revaluation of investment	585
Unrealized gain/(loss) on revaluation of investment Property	1,621
Total Return on Investments	3,893

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).

As part of the System of Governance arrangements, the Company has implemented comprehensive Discretionary Authority Limits (DAL) applicable to the whole organization.

The Cyprus Branch maintains an in-house underwriting team while full support of provided by the head office via an outsourcing policy.

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

The Company's Internal Control Environment is explained below.

The Compliance Function of Trust Re Cyprus Branch 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** is a key function under solvency II and has responsibilities ranging from coordination of calculation of technical provisions, assessing data quality, providing opinion on underwriting and reinsurance, and support risk management. 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. 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 weighted average modified duration of 2.7 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.

<u>Risk Mitigation</u>

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

Aggregate & CAT Exposure - Market standard stochastic models are used to model Trust Re's aggregate exposures while the CAT modelling stage is outsourced. The classes of business modeled for the branch are: Proportional Treaty Engineering and property, Non-Proportional Treaty Engineering and Property.

Data Quality - The data procedures are governed by specific data policies from data entry stage to use of data. The four eye principle is applied on the data entry and preparation stages and data checks on reasonableness, consistency and completeness are performed on a regular basis.

Information Security - The Company has an appointed Information Security Officer (ISO) who is responsible for the implementation of the Information Security Framework (ISO Framework). In addition to the Information Security Framework, the Company has also initiated a 'Data Protection Project' to ensure compliance with the EU General Data Protection Regulation.

D. Valuation for Solvency Purposes

The Branch balance sheet under existing IFRS standards and Solvency II regime (for the year ended 31-12-2017) is summarized below:

		S II
USD' 000	**2017**	**2017**
ASSETS	108,562	91,782
Fixed Assets - Net book Value	5,122	5,122
Investments	65,081	65,081
Total Non-Current Assets	70,204	70,204
Inward Pipeline Treaty Premiums	12,649	147
Accounts Receivable	3,170	3,170
Other Debtors & Prepayments	1,599	1,599
Cash & Bank Balances	7,405	7,405
Total Current Assets	24,824	12,322
Reinsurance Technical Provisions	12,807	9,256
Gross DAC	727	-
Total Reins. Share of Technical Reserves	13,534	9,256

		S II
USD' 000	**2017**	**2017**
LIABILITIES	59,251	45,816
Other Provisions	343	0
Gross Technical Provisions	41,620	32,556
Best Estimate	-	30,127
Risk Margin	-	2,429
Total Gross Technical Reserves	41,963	32,556
Reinsurance Balances Payable	17,240	13,211
Other Payable and Accrued Expenses	721	721
Total Current Liabilities	17,961	13,932
NET ASSETS (Assets - Liabilities)	48,638	45,293
Shareholders' Equity	48,638	45,293
Own Funds	-	45,293
Paid Up Capital	37,903	-
Fair Value & Other Reserves	10,735	-

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 91.8M as compared to USD 108.6M under IFRS
- Total Liabilities under SII are USD 46.5M as compared to USD 59.9M under IFRS
- Available capital (Own Funds) under SII are USD 45.3M as compared to USD 48.6M under IFRS

Technical Provisions

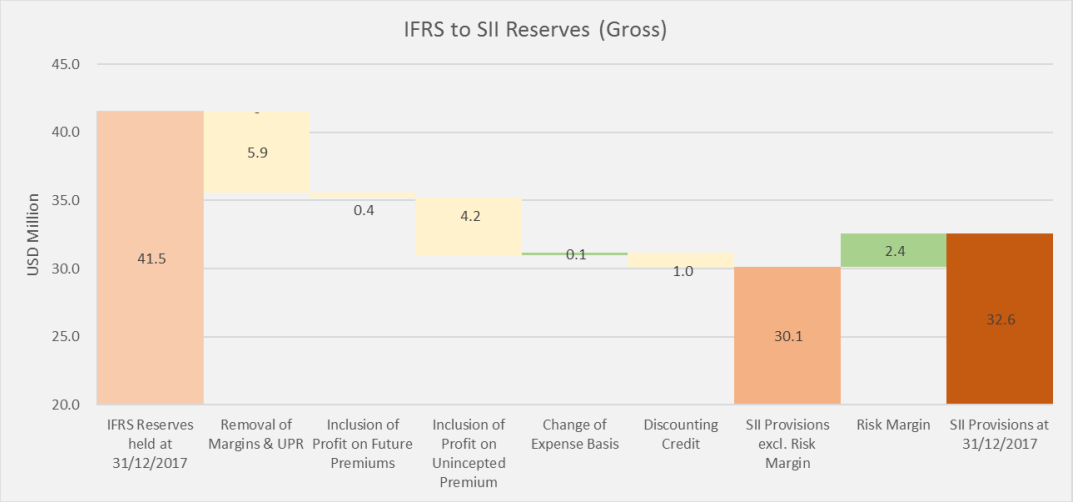
Trust Re Cyprus adopts a prudent reserving approach with formalized actuarial techniques. The methodology adopted for claim and premium reserves are explained below.

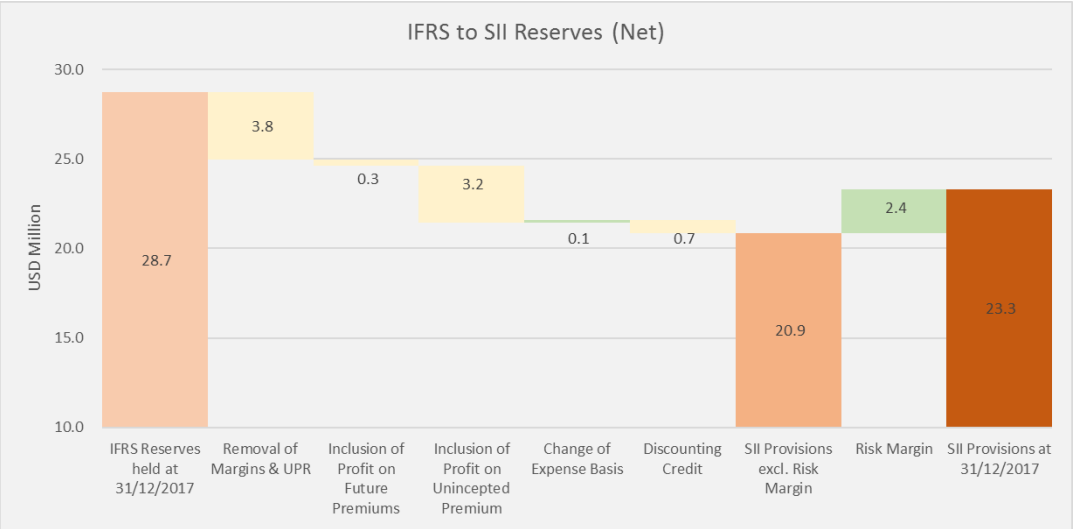
Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the previous regulatory regime, there are other areas where there are major changes including:

- 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 2017 net technical provisions stand roughly at USD 23.3M. Technical provisions including risk margin for all material solvency II lines of business are given in the appendices.

E. Capital Management

USD'000	2017
Ordinary Share Capital	37,903
Reconciliation Reserve	7,390
Basic Own Funds	45,293

Trust Re Cyprus has USD 37.9M paid up share capital out of which USD 32.9M qualifies as Tier 1 own funds and USD 5M qualifies as Tier 2 own funds. A reconciliation reserve from the adjustments in the accounting valuation of the balance sheet and the QIS5 valuation of $7.4M is also taken into consideration, resulting in Own Funds of $45.3M.

The Company's Solvency Capital Requirement and Minimum Capital requirement as at 31st December 2017 are USD 30.5M and USD 7.6M respectively.

The eligible amount of Tier 1 own funds (USD 40.3M) comply with both the MCR and SCR requirements. Tier 1 Own funds stand at 529% of MCR and 132% of SCR. The total eligible own funds (USD 45.3M) stand at 595% of MCR and 149% of SCR.

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

- Underwriting Risk – USD 25.9M
- Market Risk - USD 7.2M
- Counterparty Risk – USD 1.8M
- Operational Risk – USD 0.97M

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%, as per Board set Risk Appetite 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 2017 and 2016 Gross Written Premium split is shown below.

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

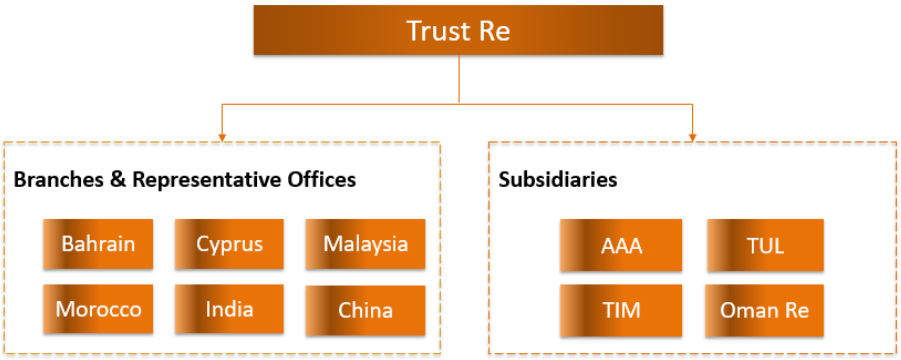
The Branch's underwriting strategy is based on the following guidelines

- Focusing on XOL business utilizing full capacity on profitable accounts, while trying to achieve a balance between Proportional and Non-Proportional business
- Continue providing lead quotations where capacity permits
- Diversify portfolios geographically targeting a balance between different regions
- 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

Trust International Insurance and Reinsurance Company B.S.C. (c) ("the Company" or "Trust Re") is a closed joint stock company registered in the Kingdom of Bahrain, with authorized capital of USD 500 million, and issued and paid-up capital of USD 250 million. 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, Cyprus and Turkey. To accommodate this market spread, Trust Re has established Branch Offices in Cyprus and Labuan (Malaysia), and Representative Offices in Morocco, China and India. It also has established subsidiaries across multiple regions. Trust Re structure and geographical presence is illustrated in the diagram below.



* China Representative Office is under formation

A brief outline of the Company'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.
- Trust Re's representative office in China will be responsible for representing and promoting Trust Re group in China (including Mainland China, Hong Kong, Macau and Taiwan).

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

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.

Business Portfolio

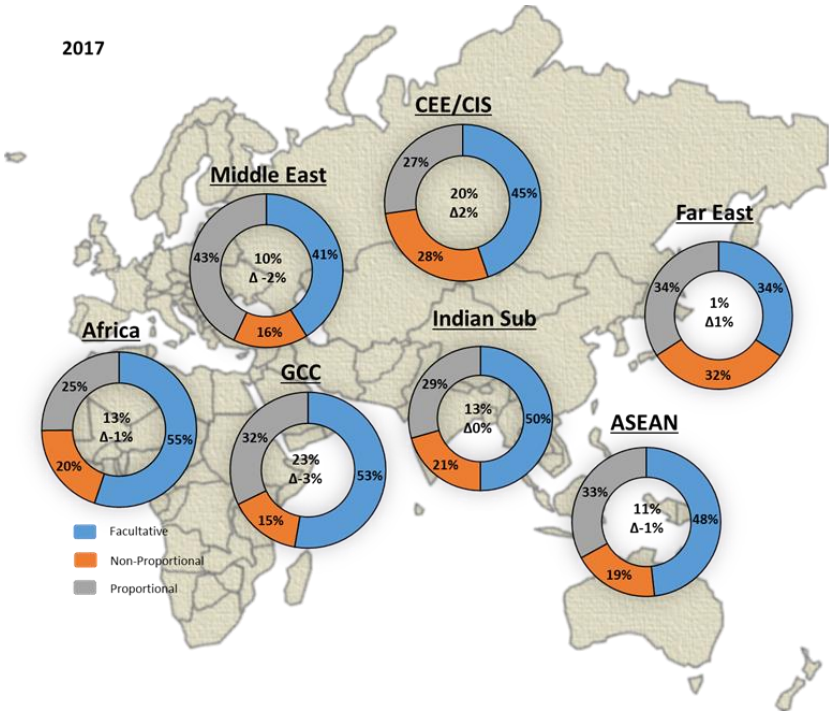
Trust Re Cyprus Branch provides reinsurance protection to direct insurance companies in its geographical area of operation in the following Treaty lines of business:

- Property
- Engineering
- Accident
- Marine, Aviation and Transportation
- Motor

The Branch also has a small run-off business from various facultative and treaty lines of business.

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.

As can be seen below, the total Trust Re's 2017 Gross Written Premium split of the Company is well diversified regionally.



More specifically the figures shown above represent the percentage split of Trust Re's 2017 portfolio Gross Written Premium (GWP) into the various marketing units and the split of those regions into the various types of reinsurance (i.e. 53% of the GCC premium stems from Facultative reinsurance business).

Trust Re's External Auditor is PricewaterhouseCoopers ME LTD (Bahrain) and Supervisory Authority is Central Bank of Bahrain. The Supervisory Authority for Trust Re Cyprus is Insurance Companies Control Service (ICCS), Cyprus.

Rating

In 2017, **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 maintains controls for its main risks and therefore S&P assessment of Trust Re's **ERM** is **'adequate with strong controls'**

On 25th August 2017, **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.

The rating was withdrawn in the end of 2018.

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

The following issues can pose some challenges and opportunities:

1. Insurance Regulations

Key global insurance regulations include the following.

- The International Accounting Standard Board (IASB) issued the new Insurance Accounting Standard, IFRS 17 Insurance Contracts, on 18 May 2017, which will have to be applied for reporting periods starting on 1st January 2021.
- The new EU data protection framework called the General Data Protection Regulation (GDPR) was adopted on 8 April 2016 and will take effect on 25 May 2018.

2. Increased Competition in the Reinsurance Market

Rate reductions, overcapitalization, and increased competition, along with currency volatility, could pose major challenges to the Cyprus Branch in terms of profitability.

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

- Current expectation for the Property business is the beginning of an Early Hard market where by rates are expected to rise over this year reaching the highest profitability level in 2020/2021 after which the cycle changes in rate start to fall in 2022. For the casualty business, this upward trend in rates is expected to come in 2019.
- Due to major US catastrophe events this year global retro market will harden resulting in upward rate movement on our cat programs
- 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.

A.2 Underwriting Performance

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

In USD'000	2016	2017
Gross Written premium	22,190	31,500
Net Written premium	15,424	22,428
Net Earned premium	15,559	22,334
Net Incurred Claims	13,636	12,741
Total Cost of insurance	14,836	14,527
Gross Underwriting Profit/(Loss)	723	7,808
Less Operational Expenses	2,083	2,545
Underwriting Result	(1,360)	5,263

The Branch produces written premium in excess of USD 30M. The increase in 2017 Gross Written Premium was observed across all lines of business, but specifically the Non-Proportional Property book, which had close to 50% increase in the top line.

The underwriting profit improved from -$1.4m in 2016 to $5.2m in 2017. This was due to an improvement in the combined ratio of 32%, attributable to various components explained below in this section.

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INCOME STATEMENT	Actual 31-12-2016 USD' 000	Actual 31-12-2017 USD' 000
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Commission ratio	7.7%	8.0%
Expense ratio	13.4%	11.4%
Loss Ratio	87.6%	57.1%
Combined ratio	108.7%	76.4%

- 2017 had better loss experience compared to 2016, when the Branch's portfolio experienced a few large losses
- The Indian run-off business experience improved, as no new losses were reported for the short-tail lines (Energy Onshore Downstream and Property)
- Commission ratio remained stable over the two year period
- There was an improvement in the expense ratio of around 2%

Underwriting Performance by SII Line of Business

USD '000		*Marine, Aviation and Transport insurance*	*Fire and other damage to property insurance*	*General Liability*	*Non-proportional Casualty reinsurance*	*Non-Proportional Marine, Aviation and Transport insurance*	*Non-Proportional Property Reinsurance*	*Total*
2017	Net Earned Premium	116	1,504	67	6,133	2,390	12,125	**22,334**
	Net Acquisition Cost	38	257	20	476	139	856	**1,786**
	Net Incurred Claims	171	539	30	5,899	1,073	4,992	**12,705**
	Expenses	12	134	9	766	202	1,459	**2,581**
	Underwriting Result	**(105)**	**574**	**8**	**(1,008)**	**977**	**4,818**	**5,263**
2016	**Underwriting Result**	**116**	**768**	**12**	**(90)**	**(1,359)**	**(806)**	**(1,360)**

Non-Proportional Property business and Non-Proportional Marine, Aviation and Transport had significant improvements in the underwriting performance. Both lines of business experience large losses in the previous year.

Non-Proportional Property business also had a 50% increase in Gross Written Premium, where the Branch utilizes full capacity on profitable accounts.

A.3 Investment Performance

As of 31st December 2017, the Company had cash and Investments totalling to USD 72.5M, break down which is summarized below.

Asset Allocation	2017
Cash	10.1%
Fixed Income	83.2%
Equities	0.2%
Real Estate	6.5%
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 2017.

USD'000	2017
Interest on bank deposits	80
Interest on bonds	1,452
Profit/(loss) on sale of investment	155
Unrealized gain/(loss) on revaluation of investment	585
Unrealized gain/(loss) on revaluation of investment Property	1,621
Total Return on Investments	3,893

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	2017
Bank charges and interest	(19)
Financial expenses	**(19)**
Exchange Difference - Profit	560
Unrealized gain on available for sale securities	585
Profit on sale of available for sale investments	155
Interest earned	1,532
Other Income	17
Financial income	**2,849**
Technical Expenses	(2,545)
Other Admin and General Expenses	(115)
Net Finance Income/Expense	**170**

The reasoning for the other Income and Expense incurred during 2017 can be seen below:

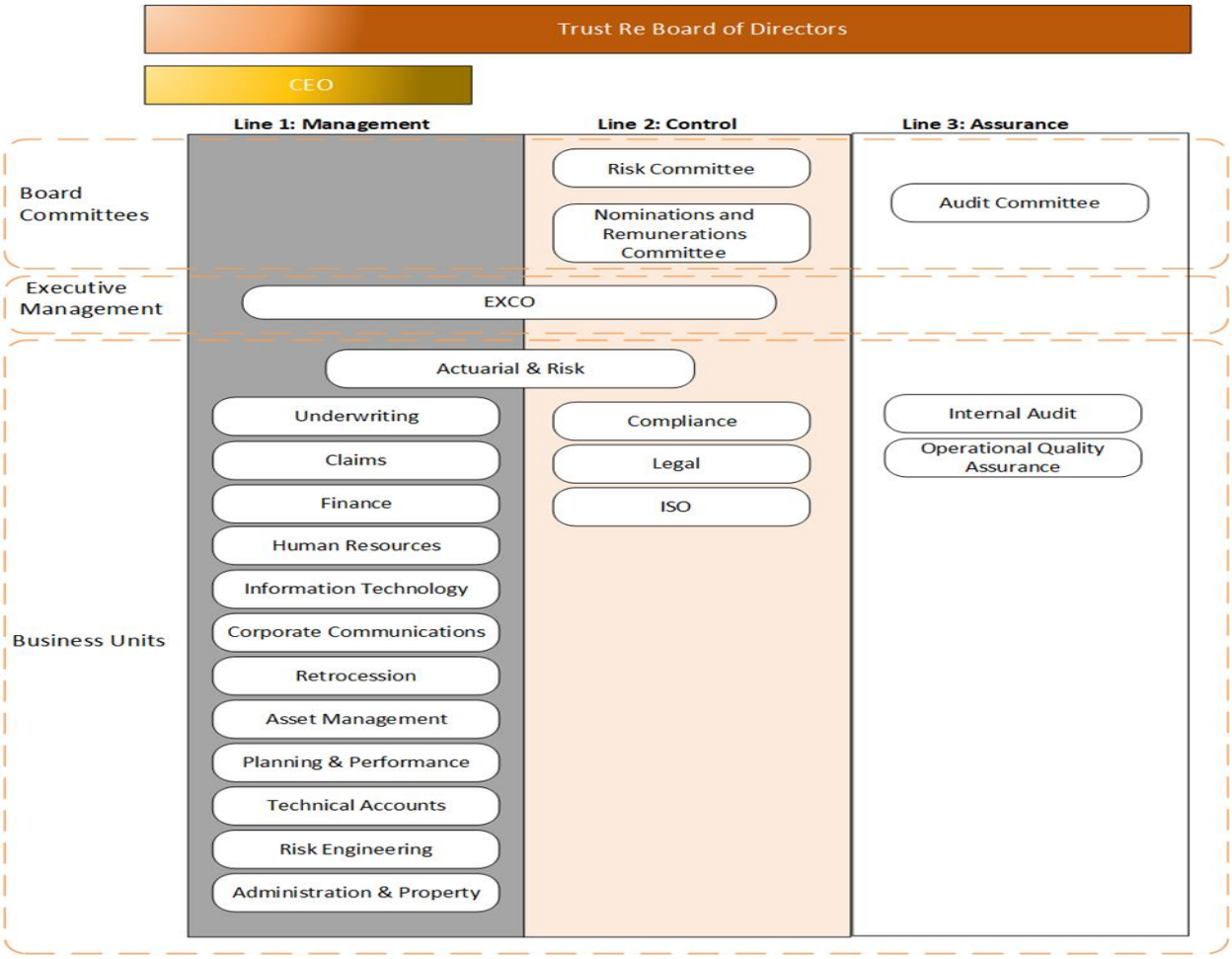
- Exchange Profit for the year 2017 was due to the appreciation of the EURO against USD during the year.
- The Company monitors investment prices and considering future returns, certain investments were disposed of during the year amounting to USD 7.6M and earned a profit of USD 155K on the disposal.
- The Branch's main investment portfolio is in coupon paying bonds. The Branch earned USD 1.4M of coupon payments in bonds during the year and USD 80K interest on bank deposits.
- The Company earned management fees of approximately USD 17k on various re-insurance contracts.
- 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 Corporate Governance framework. 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 of risk and therefore includes all staff and management working within operational business units.

The second line of defense is responsible for coordinating, overseeing and controlling risks to ensure 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) and other relevant critical functions.

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 GCEO' 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: ○ Independent directors, and ○ Non-executives	▪ The Committee shall have at least three members ▪ majority of the members of the committee including the Chairman shall be: ○ Independent directors, and ○ 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) is responsible for the Corporate Services Pillar which includes Administration and Property, Human Resources, Corporate Communications, Information Technology and Planning 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.

Management Committee - The Management Committee assists the EXCO in the oversight of day-to-day implementation of the Company's overall Philosophy, Mission, Strategy, Policies and Procedures, targets and objectives.

Discretionary Authority Limits (DAL)

As part of the System of Governance arrangements, the Company has implemented a comprehensive DAL applicable to the whole organization. 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 DAL secretary 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 while full support is provided by the head office via an outsourcing policy. 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

In addition to the aforementioned key functions and 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 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.

Controlled Risk-Taking - 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.

Effective Strategic Risk Management - 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 for risk based decision making.

Clear Accountability and Responsibility - 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.

Protection of Company's Balance Sheet from Shock Events - 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.

Independent Risk Based Audit - 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 program.

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.

Appendix B shows the Company's RML structure.

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, significance, escalation and 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 includes Risk Planning, Risk Identification, Risk Assessment, Risk Treatment, Risk Reporting, and Risk Assurance.

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	Annually
Risk Register Report	Ongoing
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
Financial Condition Report (FCR)	Annually
Solvency & Financial Conditions Report (SFCR)- Solvency II	Annually
Regular Supervisory Report (RSR)	Annually
Quantitative Reporting Templates (QRTs)	Quarterly/Annually
National Specific Templates (NSTs)	Quarterly/Half-Yearly/Annually
European Central Bank Add-Ons	Quarterly/Annually
Actuarial Reserving Report	Annually
Actuarial Function Report	Annually

B.4 ORSA

One of the key components of Trust Re's risk assessment process 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 Company ensures that the ORSA process takes places concurrently with the Business Planning Process to ensure that all risks identified by the BOD during the business planning process are considered in the ORSA.

The EXCO and the BOD review the ORSA report and recommends a number of investigations and/or further scenarios and/or stress tests to gain better understanding of potential risks implications. Upon completion of this stage the BOD will approve the report which reflects their own view of ERM strategy and risks assessments as needed.

The ORSA report is used for decision-making taking advantage of the various scenarios and respective recommendations presented, satisfying the use test.

B.5 Internal Control System

As indicated earlier, the Company applies the "Three Lines of Defense" 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 is explained below.

Compliance Function

The Compliance Function of Trust Re's Cyprus Branch is outsourced to the Company Head Office located in the Kingdom of Bahrain, 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 and financial crime compliance monitoring of the Branch using a risk based approach.

A Head of Compliance and Money Laundering Compliance Officer ("Compliance Officer") who was approved by the Insurance Companies and Control Services 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 compliance function is also responsible for the following:

- 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 Credibility

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:

- IT Platform Replacements
- Process Reengineering
- Organization Change
- Performance Management
- Data Governance
- Development of new Capabilities
- Empowerment of Employees
- Innovation/Continuous Improvement

These developments incorporate large and complex projects/programs with accompanied wide range of challenges. Any challenges and risks 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.

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

Actuarial function is a key function under solvency II and has responsibilities ranging from coordination of calculation of technical provisions, assessing data quality, providing opinion on underwriting and reinsurance, and support risk management.

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 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.

The Actuarial function is involved in the ORSA process. This includes developing and maintaining a multi-year forecast model to generate projection of the underwriting results. The forecast model consists of key underwriting assumptions.

The Actuarial function also supports the internal model process, in regards to the calibration of the reserving risk module by providing key inputs such as coefficient of variations.

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 45% and CAT risk is 55% 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.

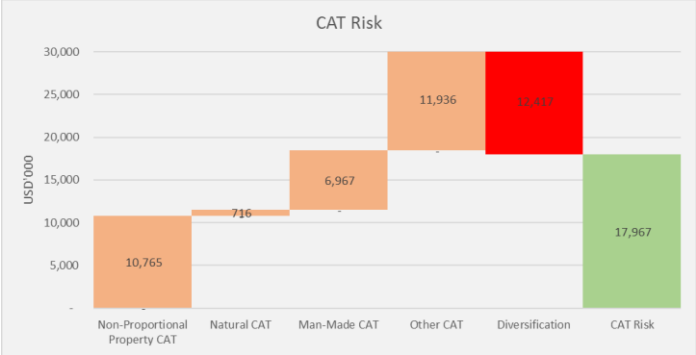
Trust Re Cyprus Branch's underwriting portfolio is mostly a Non-Proportional book, and Non-Proportional Property Reinsurance being the highest. As mentioned earlier Non-Proportional lines have the highest volatility factors, making Premium & Reserve risk a key risk driver.

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 Trust Re Cyprus Branch, Non-Proportional Property and Non-Proportional motor Vehicle Liability are the two largest CAT components. This is expected since the underwriting book has more Non-proportional business, as well as the fact the risk charges for the Non-proportional CAT are the highest going up to 2.5 times the expected gross earned premium.



For the Branch the contribution of individual components in 2017 is as follows: NAT CAT – 2.4%, Man-Made – 22.9%, Non-Proportional Property – 35.4%, and Other CAT risk – 39.4%.

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.

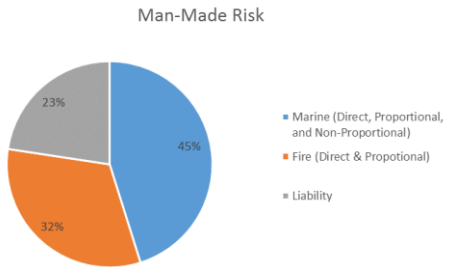
For EEA regions, risk charges for each type of natural event are applied to the sum insured for each zone. These charges are pre-determined and are based on how prone a zone is to any particular event and diversification is allowed for between zones in every country. For Non-EEA regions, all countries are applied a same factor for each type of natural event. Reinsurance recoveries (net of reinstatements), based on the Company's retro program, are allowed for on the calculated gross losses.

Since Natural CAT risk capital is only calculated on proportional business, this only has a minimal impact for Trust Re Cyprus Branch's capital requirements.

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. The scenario for Motor is based on Direct and Proportional business with number of vehicles above a sum insured of EUR 24m. The scenarios for Marine, Aviation, and Fire consider the full maximum sum insured to be the Gross Loss. The scenario for General Liability and Credit & Surety is based on a factor applied to the expected Gross Earned Premium.

Trust Re Cyprus Branch only has Marine, Fire, and General Liability exposure.



Non-Proportional Property Reinsurance CAT

The capital charge for catastrophe risk of Non-Proportional Property Reinsurance is equal to an instantaneous loss in relation to each reinsurance contract that covers this line. A risk factor of 2.5 times is applied to the expected gross earned premium to calculate the gross loss. A diversification benefit is allowed calculated based on the regional breakup of the premium for this line. Reinsurance recoveries (net of reinstatements), based on the Company's retro program, are allowed for on the calculated gross losses.

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, where the risk factor is 2.5 times of the expected gross earned premium for following 12 months. This makes this CAT risk category to contribute the most to the Non-Life Cat Risk.

C.2 Counterparty Default Risk

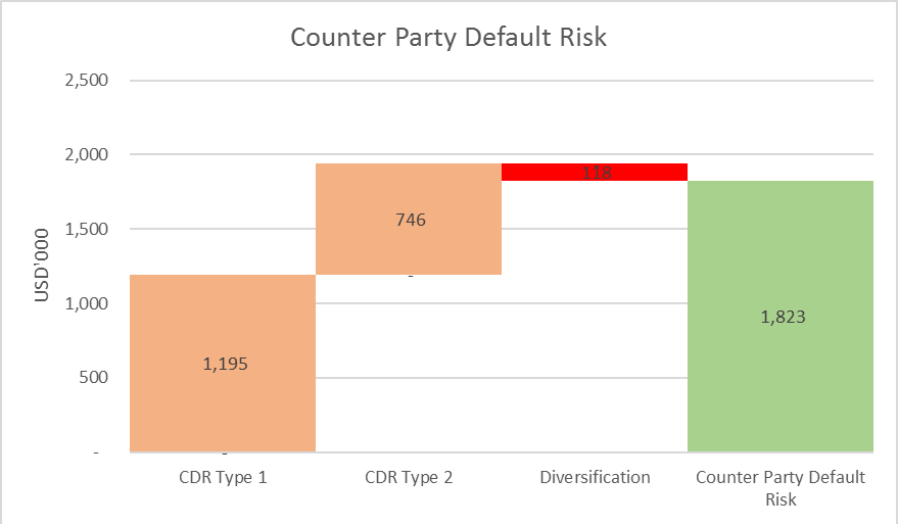
The Counterparty Default risk is calculated based on the exposure to each of the credit counterparties (bank, reinsurer etc.) and their related credit rating.

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.

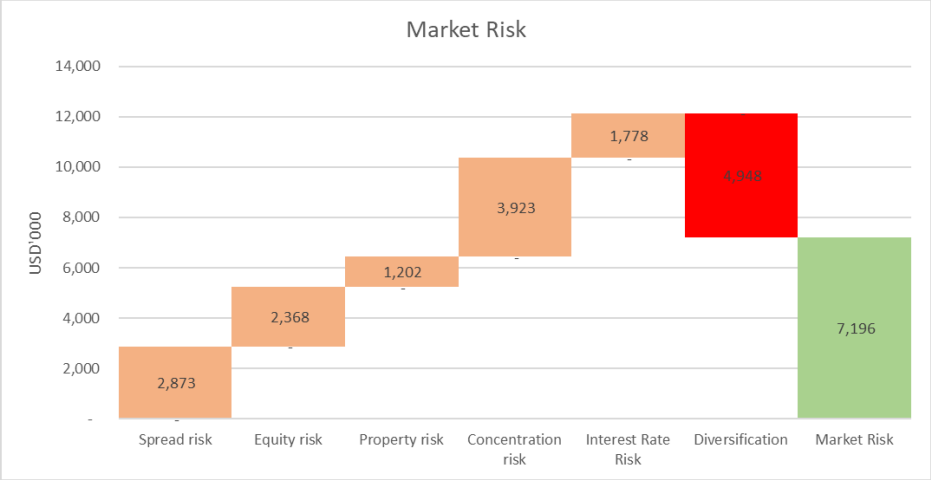
Type 2 exposures covers counterparty that do not qualify for type 1 and will not be covered in spread risk. They are usually diversified and likely to be unrated (includes intermediaries), in addition to other criteria.

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.

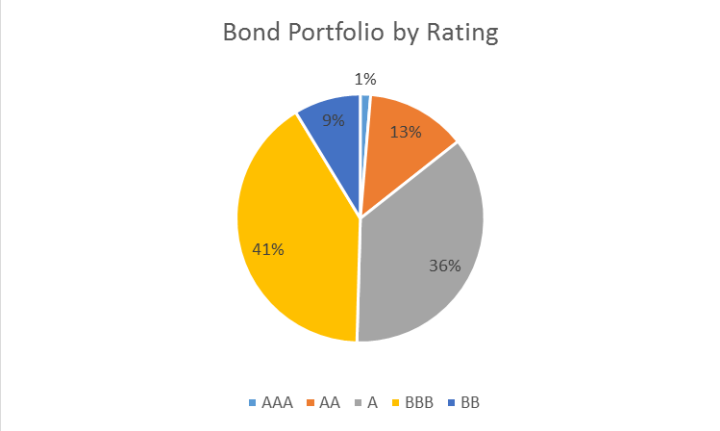


Spread Risk

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 fixed factor plus a factor applied on duration in excess of 5 years.

The Branch's investment portfolio only has standard corporate bonds with a weighted average modified duration of 2.7 years and 90% of the bond portfolio is rated BBB or above.



Concentration Risk

Concentration risk is applied to assets considered in spread risk, equity risk, and property risk, but excludes assets considered in counterparty default risk, i.e, cash holdings that come under counterparty type 1 exposures.

Concentration risk calculation is based on excess exposure, of any single name exposure, beyond a threshold defined by the regulator. For Bonds and Deposits, the threshold is based on the credit quality, with lower rating having a lower threshold and higher ratings having a higher threshold (3% for A or above and 1.5% for BBB or below) and risk charge on the excess for Non-EEA government bonds is lower than standard bonds at all ratings. On the other hand, Property holdings have a threshold of 10%.

Trust Re Cyprus Branch's fixed income portfolio includes two Fund Investments, which with a look-through approach give a diversified portfolio. Therefore, Bond's do not incur any concentration risk charge.

Trust Re Cyprus Branch's concentration risk is mainly driven by a deposit with a bank in Cyprus. Maintaining the funds in a deposit account rather than a current account provides interest income as well as capital saving on the Counter Party risk, where the charge is higher than concentration risk.

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.

Equity risk

Equity risk charge is applied for the unexpected market volatility. Trust Re Cyprus Branch only has one equity holding accounting for less than 1% of the total investable portfolio. Thus, as seen above Equity risk is not a key Market risk driver.

Property risk

Property risk charge is calculated by applying a fixed factor on the market value of the property. Trust Re Cyprus Branch owns commercial property both for own use and investment purpose. The risk capital requirement is not the main key driver for Market Risk and the management accepts the risk charge on Property.

C.4 Operational Risk

Operational Risk is calculated as the minimum of either 30% of the basic solvency capital requirement (BSCR) or an operational risk provision.

The Operational Risk provision is the maximum of either Operational risk provision of earned premiums (which is 3% of Gross Earned Premium) or Operational Risk provision of technical provisions (which is 3% of Gross technical Provisions).

For Trust Re Cyprus Branch, the resulting Operational risk is the Operational risk provision based on earned premiums.

C.5 Any Other Information

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. The property again saw some appreciation in the last quarter of 2017.

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 sub module 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. The scenarios are quantitatively assessed by calculating the impact on the solvency ratio, and management actions are recommended accordingly.

Aggregate & CAT Exposure - Market standard stochastic models are used to model Trust Re's aggregate exposures while the CAT modelling stage is outsourced. The classes of business modeled for the branch are: Proportional Treaty Engineering and property, Non-Proportional Treaty Engineering and Property.

Data Quality - The data procedures are governed by specific data policies from data entry stage to use of data. The four eye principle is applied on the data entry and preparation stages and data checks on reasonableness, consistency and completeness are performed on a regular basis.

Information Security - The Company has an appointed Information Security Officer (ISO) who is responsible for the implementation of the Information Security Framework (ISO Framework). In addition to the Information Security Framework, the Company has also initiated a 'Data Protection Project' to ensure compliance with the EU General Data Protection Regulation.

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) and Solvency II regime (for the year ended 31-12-2017) is summarized below:

		S II
USD' 000	**2017**	**2017**
ASSETS	108,562	91,782
Fixed Assets - Net book Value	5,122	5,122
Investments	65,081	65,081
Total Non-Current Assets	70,204	70,204
32.556+1Inward Pipeline Treaty Premiums	12,649	147
Accounts Receivable	3,170	3,170
Other Debtors & Prepayments	1,599	1,599
Cash & Bank Balances	7,405	7,405
Total Current Assets	24,824	12,322
Reinsurance Technical Provisions	12,807	9,256
Gross DAC	727	-
Total Reins. Share of Technical Reserves	13,534	9,256

		S II
USD' 000	**2017**	**2017**
LIABILITIES	59,251	45,816
Other Provisions	343	0
Gross Technical Provisions	41,620	32,556
Best Estimate	-	30,127
Risk Margin	-	2,429
Total Gross Technical Reserves	41,963	32,556
Reinsurance Balances Payable	17,240	13,211
Other Payable and Accrued Expenses	721	721
Total Current Liabilities	17,961	13,932
NET ASSETS (Assets - Liabilities)	48,638	45,293
Shareholders' Equity	48,638	45,293
Own Funds	-	45,293
Paid Up Capital	37,903	-
Fair Value & Other Reserves	10,735	-

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 91.8M as compared to USD 108.6M under IFRS
- Total Liabilities under SII are USD 46.5M as compared to USD 59.9M under IFRS
- Available capital (Own Funds) under SII are USD 45.3M as compared to USD 48.6M under IFRS

Note:
The 2017 Balance Sheet reflects an adjustment in tax liability that occurred in January 2019.

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 Actuarial function prepares a report ("Actuarial Valuation of Technical Provisions") explaining the valuation of IFRS reserves, and an "Actuarial Function Report" explaining the valuation of Solvency II reserve.

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 IFRS premium reserves are calculated on a pro-rata basis at a policy level. The unearned 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

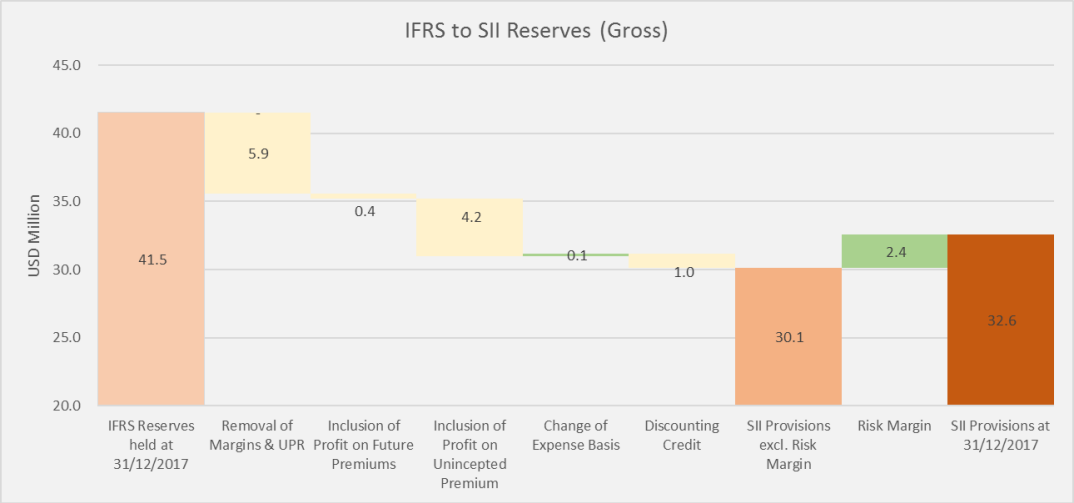
Whilst some of the approaches and techniques applied under Solvency II are similar to those followed under the previous regulatory regime, there are other areas where there are major changes including:

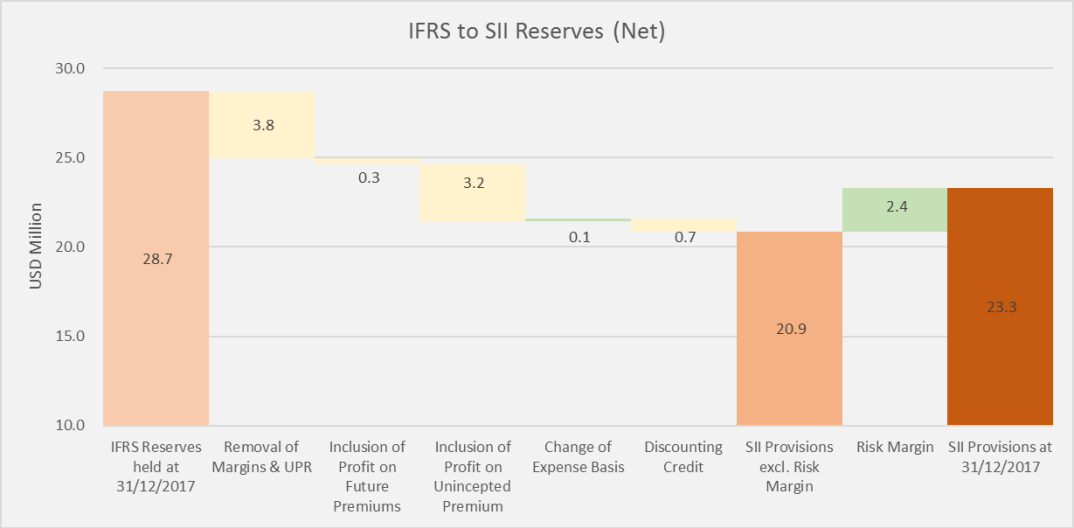
- Movement to a cash flow basis for valuation purposes

- 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.





For Cyprus Branch, the year-end 2017 net technical provisions stand roughly at USD 23.3M. Technical provisions including risk margin for all material solvency II lines of business are given in the appendices.

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.

The gross of reinsurance reserves held at 2017 year-end amounted to USD 41.5M 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	2017
Ordinary Share Capital	37,903
Reconciliation Reserve	7,390
Basic Own Funds	45,293

Trust Re Cyprus has USD 37.9M paid up share capital out of which USD 32.9M qualifies as Tier 1 own funds and USD 5M qualifies as Tier 2 own funds. A reconciliation reserve from the adjustments in the accounting valuation of the balance sheet and the QIS5 valuation of $7.4M is also taken into consideration, resulting in Own Funds of $45.3M.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company's Solvency Capital Requirement and Minimum Capital requirement as at 31st December 2017 are USD 30.5M and USD 7.6M.

The table below shows the components of SCR.

USD '000	2017
Solvency Capital Requirement	**30,464**
Basic Solvency Capital Requirement	**29,498**
Underwriting Risk	**25,852**
Premium & Reserve	14,632
CAT risk	17,967
Diversification	-6,746
Market Risk	**7,196**
Interest rate risk	1,778
Equity risk	2,368
Property risk	1,202
Spread risk	2,873
Concentration risk	3,923
Diversification	-4,948
Counterparty Default Risk	**1,823**
Type 1	1,195
Type 2	746
Diversification	-118
Diversification	**-5,417**
Operational Risk	**966**

USD '000	2017
Available Capital	45,293
SCR	30,464
MCR	7,616
Solvency Ratio	149%
BSCR	29,498

The eligible amount of Tier 1 own funds (USD 40.3M) comply with both the MCR and SCR requirements. Tier 1 Own funds stand at 529% of MCR and 132% of SCR. The total eligible own funds (USD 45.3M) stand at 595% of MCR and 149% 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 as at 31st December 2017.

Further details of the risk and capital profile are available in note 2 of the financial statements.

Appendix A: Annual Quantitative Reporting Templates

QRT – Balance Sheet 31st Dec 2017

Assets	**Solvency II value**	**Statutory accounts value**
Deferred acquisition costs		727,394
Property, plant & equipment held for own use	5,122,456	5,122,456
Investments (other than assets held for index-linked and unit-linked contracts)	72,069,215	72,069,215
Property (other than for own use)	4,764,495	4,764,495
Equities	112,513	112,513
Equities - listed	112,513	112,513
Equities - unlisted		
Bonds	60,725,645	60,725,645
Government Bonds	6,536,610	6,536,610
Corporate Bonds	54,189,036	54,189,036
Deposits other than cash equivalents	6,466,561	6,466,561
Reinsurance recoverables from:	9,256,070	12,806,799
Non-life and health similar to non-life	9,256,070	12,806,799
Non-life excluding health	9,256,070	12,806,799
Deposits to Cedants	146,798	146,798
Insurance and intermediaries receivables	3,170,493	15,672,447
Cash and cash equivalents	938,726	938,726
Any other assets, not elsewhere shown	1,077,809	1,077,809
Total assets	**91,781,566**	**108,561,643**
	Solvency II value	**Statutory accounts value**
Liabilities		
Technical provisions – non-life	32,556,019	41,620,166
Technical provisions – non-life (excluding health)	32,556,019	41,620,166
Technical provisions calculated as a whole	0	
Best Estimate	30,127,026	
Risk margin	2,428,993	
Other technical provisions		342,594
Deposits from reinsurers	26,619	26,619
Insurance & intermediaries payables	2,847,616	6,875,928
Deferred Tax Liability	672,446	672,446
Reinsurance payables	10,337,194	10,337,194
Any other liabilities, not elsewhere shown	48,755	48,755
Total liabilities	**46,488,650**	**59,923,702**
Excess of assets over liabilities	**45,292,917**	**48,637,940**

QRT – Premiums, Claims and Expense by Line of Business

	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	122,117	2,541,579	107,076	-	-	-	2,770,772
Gross - Non-proportional reinsurance accepted	-	-	-	8,697,257	2,500,771	17,531,045	28,729,073
Reinsurers' share	16,369	973,690	28,155	2,559,552	329,877	5,163,723	9,071,366
Net	105,748	1,567,889	78,921	6,137,705	2,170,894	12,367,322	22,428,479
Premiums earned							
Gross - Proportional reinsurance accepted	135,750	2,647,729	90,201				2,873,680
Gross - Non-proportional reinsurance accepted				8,670,614	2,752,212	17,123,040	28,545,866
Reinsurers' share	19,648	1,143,759	23,243	2,537,957	362,127	4,998,508	9,085,242
Net	116,102	1,503,970	66,958	6,132,657	2,390,085	12,124,532	22,334,304
Claims incurred							
Gross - Proportional reinsurance accepted	201,483	992,378	43,065				1,236,927
Gross - Non-proportional reinsurance accepted	-	-	-	8,182,763	1,235,713	7,514,638	16,933,113
Reinsurers' share	29,999	453,198	12,962	2,283,434	163,211	2,522,662	5,465,466
Net	171,484	539,180	30,103	5,899,328	1,072,502	4,991,976	12,704,574
Expenses incurred	49,630	390,986	29,288	1,241,708	341,013	2,314,414	4,367,039
Administrative expenses							
Gross - Proportional reinsurance accepted	11,318	132,274	9,337				152,929
Gross - Non-proportional reinsurance accepted	-	-	-	749,400	199,082	1,443,630	2,392,112
Reinsurers' share							0
Net	11,318	132,274	9,337	749,400	199,082	1,443,630	2,545,041
Claims management expenses							
Gross - Proportional reinsurance accepted	400	1,971	86				2,457
Gross - Non-proportional reinsurance accepted	-	-	-	16,254	2,455	14,927	33,636
Reinsurers' share							0
Net	400	1,971	86	16,254	2,455	14,927	36,093
Acquisition expenses							
Gross - Proportional reinsurance accepted	47,045	578,504	29,421				654,970
Gross - Non-proportional reinsurance accepted	-	-	-	803,379	194,937	1,478,664	2,476,980
Reinsurers' share	9,134	321,763	9,555	327,325	55,460	622,808	1,346,045
Net	37,911	256,741	19,865	476,053	139,477	855,857	1,785,905
Total expenses							4,367,039

QRT – Premiums, Claims and Expense by Country

	Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		RU	BG	GR	CZ	HR	
Premiums written							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted		0	70,416	550,804	0	711,595	1,332,815
Gross - Non-proportional reinsurance accepted		11,034,050	5,506,215	2,410,739	1,547,970	597,416	21,096,390
Reinsurers' share		2,976,655	1,645,172	830,534	418,395	381,546	6,252,301
Net	0	8,057,395	3,931,459	2,131,009	1,129,575	927,466	16,176,903
Premiums earned							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted		0	36,590	536,646	0	553,068	1,126,304
Gross - Non-proportional reinsurance accepted		11,299,538	4,961,304	2,410,739	1,121,132	554,886	20,347,599
Reinsurers' share		2,964,532	1,490,940	821,910	308,362	333,088	5,918,832
Net	0	8,335,005	3,506,954	2,125,474	812,770	774,866	15,555,070
Claims incurred							
Gross - Direct Business							0
Gross - Proportional reinsurance accepted		0	28,150	453,186	0	260,285	741,621
Gross - Non-proportional reinsurance accepted		4,296,086	7,003,243	-215,971	142,628	0	11,225,986
Reinsurers' share		993,949	1,983,601	70,124	28,691	67,123	3,143,488
Net	0	3,302,137	5,047,792	167,091	113,937	193,161	8,824,118
Expenses incurred		1,412,445	785,127	507,649	198,909	231,906	3,136,036
Other expenses							
Total expenses							3,136,036

QRT – information Technical Provisions

	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
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross - Total	21,723	640,241	-8,959	269,691	-295,293	-3,103,269	-2,475,866
Gross - accepted proportional reinsurance business	21,723	640,241	-8,959				653,005
Gross - accepted non-proportional reinsurance business				269,691	-295,293	-3,103,269	-3,128,871
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	2,679	301,498	-2,290	63,496	-37,364	-777,649	-449,630
Net Best Estimate of Premium Provisions	19,044	338,743	-6,669	206,195	-257,929	-2,325,620	-2,026,236
Claims provisions							
Gross - Total	121,112	2,907,652	245,341	12,555,616	1,936,828	14,836,343	32,602,892
Gross - accepted proportional reinsurance business	121,112	2,907,652	245,341				3,274,105
Gross - accepted non-proportional reinsurance business				12,555,616	1,936,828	14,836,343	29,328,787
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	15,886	1,520,387	102,450	3,775,919	275,173	4,015,885	9,705,700
Net Best Estimate of Claims Provisions	105,226	1,387,265	142,891	8,779,697	1,661,655	10,820,458	22,897,192
Total Best estimate - gross	142,835	3,547,893	236,382	12,825,307	1,641,535	11,733,074	30,127,026
Total Best estimate - net	124,270	1,726,008	136,222	8,985,892	1,403,726	8,494,838	20,870,956
Risk margin	11,516	286,049	19,058	1,034,041	132,349	945,980	2,428,993
Amount of the transitional on Technical Provisions							
Technical provisions - total							
Technical provisions - total	154,351	3,833,942	255,440	13,859,348	1,773,884	12,679,054	32,556,019
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	18,565	1,821,885	100,160	3,839,415	237,809	3,238,236	9,256,070
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	135,786	2,012,057	155,280	10,019,933	1,536,075	9,440,818	23,299,949

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	-	-	49,225	159,104	44,043	14,809	4,953	19,329					19,329	291,462
N-6	R0190	-	183,441	633,510	1,281,194	41,706	4,121	25,057						25,057	2,169,029
N-5	R0200	-	(1,883,793)	5,077,985	4,561,351	1,869,756	1,258,099							1,258,099	10,883,398
N-4	R0210	-	1,103,568	14,099,058	6,198,398	2,208,756								2,208,756	23,609,779
N-3	R0220	-	1,995,053	4,419,222	6,322,105									6,322,105	12,736,380
N-2	R0230	-	3,074,190	5,946,133										5,946,133	9,020,323
N-1	R0240	-	613,631											613,631	613,631
N	R0250	-												-	-
													Total	16,393,109	59,324,001

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								20,821					19,866
N-6	R0190							152,830						147,803
N-5	R0200						4,288,535							4,158,225
N-4	R0210					4,672,167								4,523,891
N-3	R0220				7,583,831									7,352,344
N-2	R0230			8,456,112										8,194,040
N-1	R0240		7,997,320											7,749,038
N	R0250	472,642												457,685
													Total	32,602,892

QRT – Own Funds

Own Funds (Amounts in USD)	Total
Ordinary share capital (gross of own shares)	37,902,590
Reconciliation reserve	7,390,331
Total basic own funds after deductions	45,292,921
Ancillary own funds	
Available and eligible own funds	
Total available own funds to meet the SCR	45,292,921
Total available own funds to meet the MCR	45,292,921
Total eligible own funds to meet the SCR	45,292,921
Total eligible own funds to meet the MCR	45,292,921
SCR	30,463,740
MCR	7,615,935
Ratio of Eligible own funds to SCR	148.7%
Ratio of Eligible own funds to MCR	594.7%

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	124,270	105,748
Fire and other damage to property insurance and proportional reinsurance	1,726,008	1,567,888
General liability insurance and proportional reinsurance	136,223	78,921
Non-proportional casualty reinsurance	8,985,892	6,137,705
Non-proportional marine, aviation and transport reinsurance	1,403,726	2,170,894
Non-proportional property reinsurance	8,494,838	12,367,322

Linear formula component for non-life insurance and reinsurance obligations	
MCR_L Result	**7,131,791**

Overall MCR calculation	**2017**
Linear MCR	7,131,791
SCR	30,463,740
MCR cap	13,708,683
MCR floor	7,615,935
Combined MCR	7,615,935
Absolute floor of the MCR	4,189,680
Minimum Capital Requirement	**7,615,935**

Appendix B: Risk Management Liaison 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 Communications	1	1	-
7	Cyprus Branch	1	1	-
8	EXCO	1	-	-
9	Facultative – Aviation	1	-	-
10	Facultative – Energy	1	1	1
11	Facultative – Marine	1	1	1
12	Facultative – Property & Engineering	2	2	-
13	Facultative – Specialty Lines	1	1	1
14	Facultative – Surety Bonds	1	1	-
15	Finance	1	1	-
16	Human Resources	1	1	1
17	Internal Audit	1	1	-
18	IT	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	-