UNIVERSAL LIFE

SOLVENCY AND FINANCIAL CONDITION REPORT

FOR THE YEAR ENDING 31 DECEMBER 2016

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Executive Summary

Universal Life Insurance Public Company Limited (Universal Life) is an insurance company licensed in Cyprus to transact life and accident & health business. Universal Life, owned by Cypriot shareholders, is an established insurance company with a 47 year history in the Cyprus market. It is one of the top life insurance companies in Cyprus and the undisputed leader in the Accident & Health insurance sector with a highly experienced sales force in Cyprus distributing the Company's life and health products.

The purpose of this report is to satisfy the public disclosure requirements under the European Union Directive 2009/138 (Solvency II Directive) transposed into local legislation (Law on Insurance and reinsurance Services and Other Related Business of 2016) including the EU Delegated Regulation 2015/35 supplementing the above Directive. The elements of the disclosure relate to business performance, governance (including risk management), risk profile, solvency and capital management over the reporting period.

The Company has performed reasonably well during the year ending 31 December 2016. The profits before tax for both lines of business (Life and Accident & Health) for the year, as per the financial statements, were €2.830k (compared to the profits for the year 2015 of €3.877k). These profits mainly arise from underwriting gains and expense margins within the business written and less so from investment income and gains as yields from assets continue to slide due to the current economic conditions.

Over the last few years, the Company with the supervision and full support from its Board of Directors has strengthened its corporate governance framework and has established a strong risk management framework, in readiness for the Solvency II Directive which became effective on 1 January 2016. The Company's system of governance including the risk management system is discussed in section B of this report. They were no material changes in the governance system of the Company compared to the previous year.

The Company's risk profile is driven by the characteristics of its asset portfolio and the nature of its insurance business. Life business is more geared towards long term savings products, with protection cover (death, disability, dread disease) being an important element for parts of the portfolio. The large portfolio of stand-alone health insurance business is also an important driver of the overall risk profile. As typified in the standard formula Solvency Capital Requirement (SCR) calculations the market risk component (given the current asset mix and composition) is about 57% of the total while insurance risks (life and health) make up about 37% of the total. This profile has not significantly changed during the year and a similar profile was captured in the previous year.

The capital and solvency position of the Company is strong. All elements of its own funds are of the highest quality (tier 1 capital) and the solvency ratio, being defined as the solvency value of excess of assets over liabilities divided by the SCR, as at 31 December 2016 was 161% compared to 158% as at the end of the previous year.

The Company continues its efforts to expand its business through both traditional and alternative channels, as well as improve its financial performance.

Dr Andreas K. Kritiotis
Chief Executive Officer

A. Business and Performance

A.1. Business

A.1.1 Name and legal form

Universal Life Insurance Public Company Limited ("Company") is a company incorporated, registered and licensed in Cyprus. It is a public company limited by shares. The address of the registered office is:

Universal Tower
85 Dhigenis Akritas Avenue
1070 Nicosia
Cyprus

A.1.2 Supervisory Authority details

The authority responsible for the Company's financial supervision is the Insurance Control Service of the Ministry of Finance, Cyprus with the following contact details:

Insurance Companies Control Service
P.O. Box 23364
1682 Nicosia
Cyprus

Tel: (357) 22602990
E-mail: insurance@mof.gov.cy

A.1.3 External auditor

The Company's external auditor is Ernst & Young Cyprus Ltd with the following contact details:

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinos Avenue
P.O. Box 21656
1511 Nicosia
Cyprus

Tel: (357) 22209999
Email: ey.cyprus@cy.ey.com

A.1.4 Shareholders of qualifying holdings

The persons (natural or legal), who were holders of qualifying holdings (10% or more of the share capital) in the Company at the end of the financial year were:

Photos Photiades Group Ltd	54,07%
Magnum Investments Ltd	24,76%

A.1.5 Material lines of business and geographical areas

Universal Life is licensed to carry two classes of business, Life and Accident & Health.

The primary long term business is life insurance providing death, disability and dread disease cover both under pure protection cover type policies (term assurances) and investment type policies (unit-linked and with-profits endowment). The primary short term business is medical expenses or health insurance.

All business is conducted in Cyprus.

A.2. Underwriting Performance

The underwriting results including income and gains arising from investments for the two classes of insurance business transacted by the Company as appearing in the financial statements are shown in the following table. Comparison figures with the previous financial year are also presented.

	Life Business		**Accident & Health Business**	
	2016 **€000**	2015 €000	**2016** **€000**	2015 €000
Gross Premium Income	45.458	44.980	36.324	31.438
Income and gains from investments	7.018	8.458	13	10
Reinsurance Expenses	(3.033)	(2.257)	(21.191)	(18.074)
Claims (net of reinsurance)	(34.351)	(44.437)	(7.935)	(6.960)
Management Expenses and Commissions	(10.696)	(10.328)	(7.154)	(6.973)
(Increase)/Decrease in Technical Reserves	(938)	7.912	(685)	108
Profit before tax	**3.459**	4.328	**-629**	-451

A.3. Investment Performance

A.3.1 Income and expenses arising from investments by asset class

Income and expenses arising from investments by asset class are analysed as follows:

- Investment Properties: Rental income amounted to €111k, the same as in the previous reporting period.
- Debt securities (direct holdings): An immaterial amount of interest was received in the year compared to €26k in the previous reporting period.
- Equity shares (direct holdings): Dividend income amounted to €456k compared to €176k in the previous reporting period.
- Debt securities (indirect holdings), equity shares (indirect holdings), multi asset funds and money market funds: The Company does not receive income from these investments as the income from the underlying assets is accumulated within these investments with a positive effect on its value.

The Company does not hold any investments in securitisation.

A.3.2 Gains / losses recognised directly in equity

Gains of €95k relating to the revaluation of office properties (and deferred taxation thereon) were recognised directly to equity in 2016 compared to €68k in the year 2015.

A.4. Performance of other Activities

The Company is the sole shareholder of property company subsidiaries and a general insurance agency. The financial performance of these companies led to losses of €528k (primarily due to property holdings being devalued and also due to small operational losses). The performance of these subsidiaries in the previous reporting period was similar with losses recorded at €344k.

B. System of Governance

B.1. General Information on the System of Governance

Universal Life is committed to implementing a sound governance framework, in order to ensure the sound and prudent management of the business and its effective and continuous operation. To achieve this, the Company operates within a set of governance principles, that:

- Establish strategic objectives and a set of corporate values that are communicated throughout the Company
- Set and enforce clear lines of responsibility and accountability throughout the Company
- Ensure that Board of Directors members and senior management are qualified for their positions, have a clear understanding of their role and are able to exercise sound independent judgment about the affairs of the Company and that Fit and Proper requirements are met
- Ensure that there is appropriate oversight of the Company's activities by Senior management
- Effectively utilize the work conducted by internal and external auditors, as well as other control functions, given their critical contribution to sound governance
- Ensure that compensation policies and practices are consistent with the Company's ethical values, objectives, strategy and control environment
- Conduct corporate governance in a transparent manner
- Continue to balance the needs of its shareholders

The Board of Directors bears the ultimate responsibility for ensuring that Corporate Governance arrangements within the Company are sufficient and appropriate to the size, nature and complexity of its business. The Board of Directors has delegated authority to various Committees that monitor and oversee specific aspects of the business. Delegation to specialized Committees does not in any way compromise the Board of Directors from collectively discharging its duties and responsibilities. Specifically the Board has regular and robust interaction with the Committees, requesting information from them proactively and challenging them when necessary.

B.1.1 Board Committees

Risk Committee

The purpose of the Risk Committee is to assist the Board of Directors in fulfilling its responsibility to exercise due care, skill and diligence regarding:

- Formulation of the Company’s overall risk strategies, risk policies and risk appetite.
- Oversight of the Company’s risk management framework.
- The adequacy and effectiveness of the Company’s risk management system.
- Effective oversight of material risks to which the Company is exposed.

The Committee consists of six Non-Executive Directors, two of whom are independent.

Strategy and Development Committee

The Strategy & Development Committee's main purpose is to act as an agile body that examines strategic issues, new opportunities or important developments concerning the Company, as well as deviations from planned course and give quick feedback and guidance to the Executive Management. The Committee is additionally responsible for evaluating the overall strategy proposed by the Chief Executive Officer (CEO) before presenting it to the Board of Directors for discussion.

The Committee consists of four Directors, three Non-Executive, non-independent Directors and the CEO.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities with respect to:

- The financial reporting processes
- The integrity of the financial statements and disclosures
- The compliance with legal and regulatory requirements
- The qualifications, independence and performance of the External Auditors
- The performance of the Internal Audit Department
- The system of internal controls

The Audit Committee consists of five Non-Executive Directors, three of whom are independent.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board of Directors with respect to:

- The Board Members and Executive Director's remuneration
- The formulation of remuneration practices that attract and retain Board Members, the Executive Directors and senior management through a remuneration system that supports the strategic aims of the Company

The Remuneration Committee consists of three Non-Executive Directors, two of whom are independent.

Nomination & Corporate Governance Committee

The purpose of the Nomination and Corporate Governance Committee is to:

- Identify individuals qualified to become Board members
- Recommend to the Board of Directors nominees for Board membership
- Recommend to the Board of Directors nominees to serve as members of its Committees
- Evaluate the Board of Director’s Committees and make recommendations to the Board for the creation or elimination of Board Committees
- Oversee and evaluate the implementation of the Company's corporate governance

The Nomination & Corporate Governance Committee consists of three Non-Executive Directors, one of whom is independent.

B.1.2 Governance Structure

The Governance framework is based on the ‘three lines of defence model’, in order to support the implementation of a robust internal control system.

The 1st Line of Defence – Business Management

Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and control within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

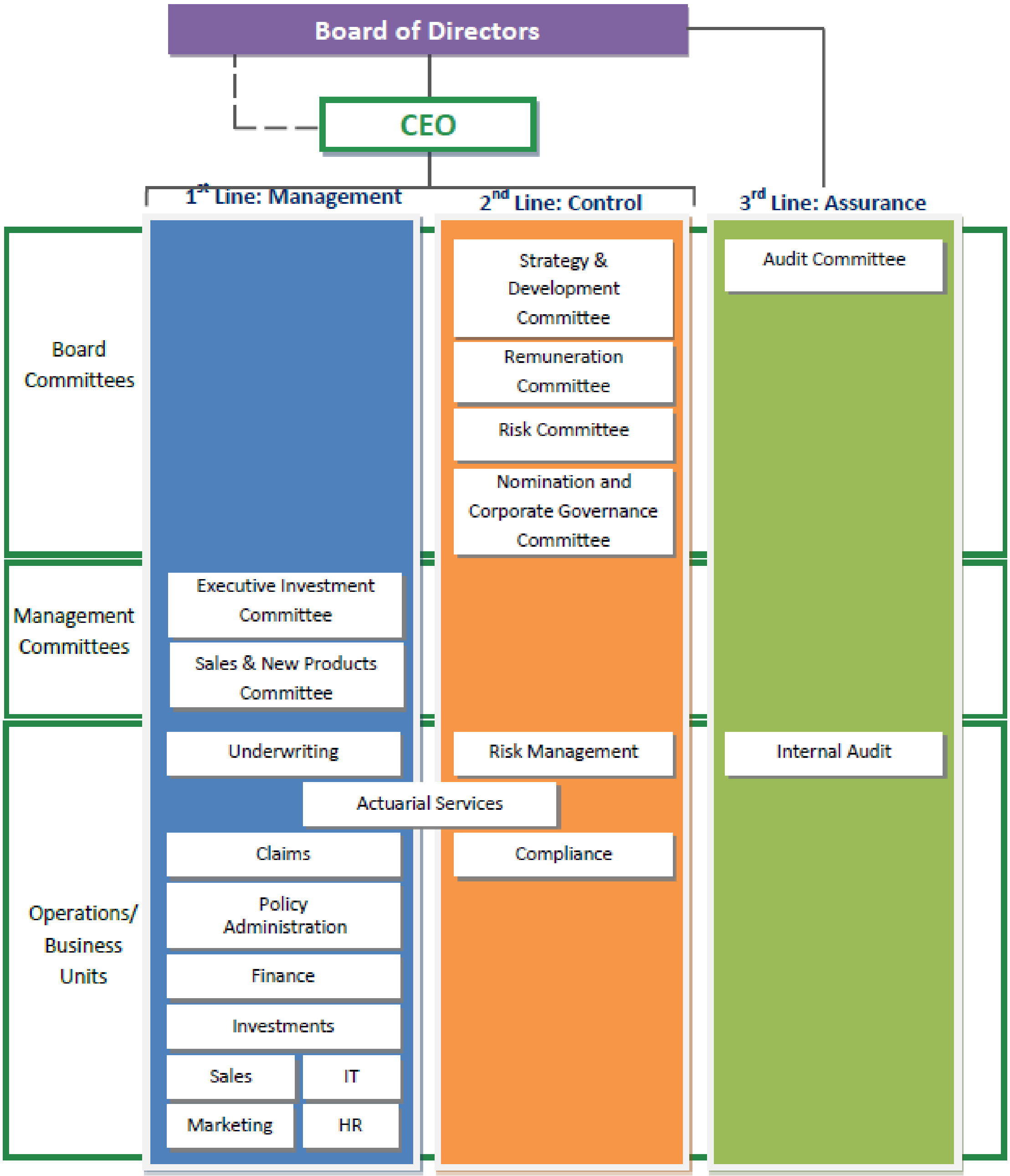
The 2nd Line of Defence – Oversight

The second line of defence is made up of the risk management function, the compliance function and the actuarial function advising on the technical aspects of risk management and modelling. They provide challenge and oversight on the activities of the first line of defence, hence contributing towards the adequacy and effectiveness of the overall risk management system.

The 3rd Line of Defence – Assurance

Internal Audit Function makes up the third line of defence providing independent and objective assurance on the effectiveness of governance, risk management and internal controls.

The three lines of defence, as implemented in the Company, are presented in the diagram below:



The organizational structure and reporting lines of the Company are designed to:

- Enable apportionment of responsibilities and clear accountabilities and responsibilities
- Facilitate prompt transfer of information to all persons who need it
- Prevent conflicts of interest, in cases where multiple tasks are performed by the same individual or organizational unit
- Ensure the prudent and effective management of the Company

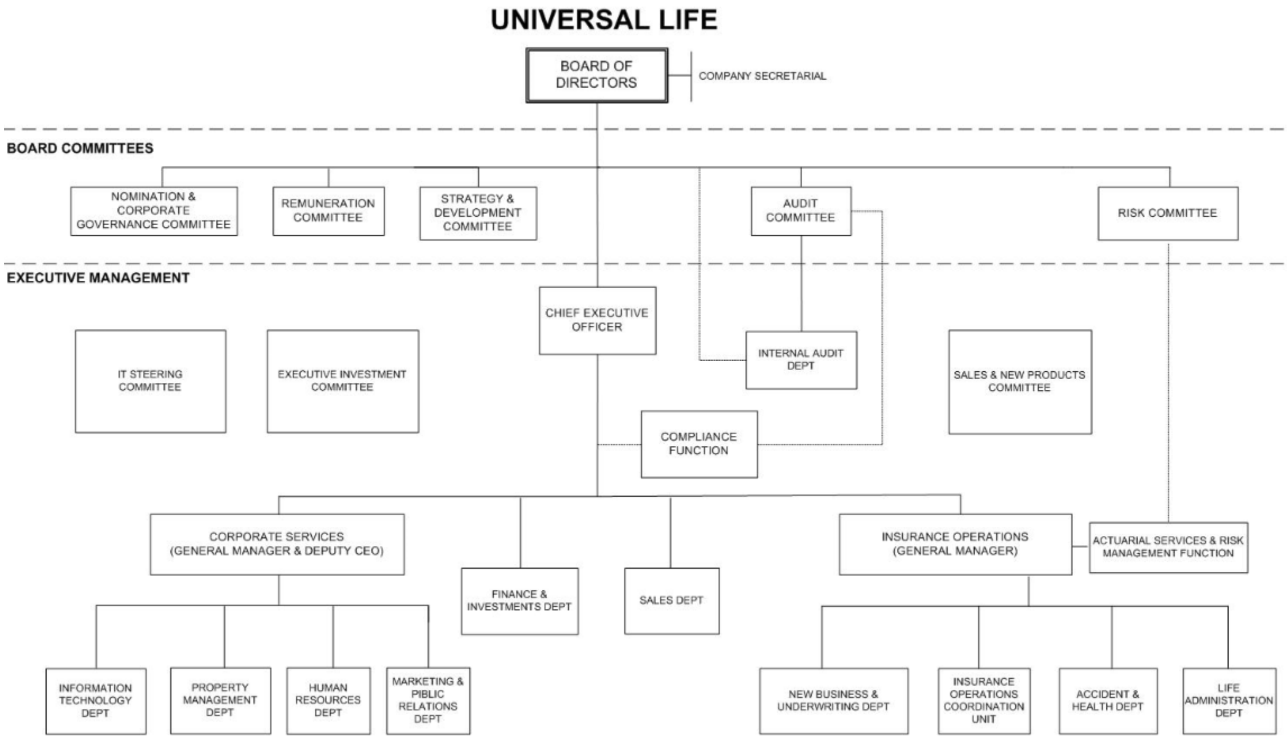
The three lines of defence are embedded within the organizational structure and reporting lines, in order to enforce an effective internal control system.

The Company's ultimate supervisory body is the Board of Directors. The Company's Senior Management, has the day to day responsibility for the implementation of the Board of Directors' approved strategy and reports to the Board through the CEO. Reporting to the Board of Directors is both structured, through planned meetings and regular quarterly reporting and ad hoc as required.

The Business Functions of the Company have the responsibility, through their Head/Senior Managers, for the implementation of the Board of Directors' strategy in their business functions. They report directly to the CEO or the General Managers with regards to their day-to-day duties. In order to minimise the probability of a potential conflict of interest and preserve their operational independence, the key control functions have additional direct reporting lines to the Board of Directors or Board Committees. These additional reporting lines are implemented in order to ensure that these functions have the ability to escalate important issues directly to the Board. Consequently, the Risk and Actuarial Functions have a reporting line to the Risk Committee and the Compliance Function to the Audit Committee.

The Company's Internal Audit provides independent assurance to the Board of Directors. The Internal Auditor reports to the Audit Committee and to the Board of Directors. The Internal Audit Function is administratively independent from all other functions and activities of the Company.

The organizational structure of the Company is presented in the diagram below:



B.1.3 Main roles and responsibilities of key functions

Internal Audit Function

The main responsibility of the Internal Audit Function is to evaluate the effectiveness of the Company's internal control system as well as the risk management and governance processes.

The Internal Audit Function evaluates the policies, procedures and systems which are in place in order to ensure:

- The reliability and integrity of information
- The compliance with policies, procedures, laws and regulations
- The safeguarding of the Company's assets
- The safeguarding of the Company's reputation
- The effective and efficient use of the existing resources
- The accomplishment of the set goals and objectives

It also provides consulting services and performs special assignments upon request by the Board of Directors, the Audit Committee or the Chief Executive Officer. Special investigations and any other assignment which is considered necessary by the Internal Auditor are also performed.

The Internal Audit Function reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

Compliance Function

The Compliance Function is responsible for ensuring that all actions undertaken by the Company are, at all times, in compliance with all applicable laws and regulations. Its principal role is to identify, assess, monitor and report the compliance risk exposure of the Company.

The Compliance Function reports to the Board of Directors through the Audit Committee and to the CEO.

Risk Management Function

The Risk Management Function is responsible for the design and implementation of an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report to the Board of Directors the risks to which the Company is or may be exposed (underwriting risk, market risk, credit risk, liquidity risk, compliance risk, operational risk etc). It is also responsible for carrying out the Company's Own Risk and Solvency Assessment (ORSA), which is performed at least annually.

The Risk Management Function reports to the Risk Committee and to the CEO.

Actuarial Function

The Actuarial Function is mainly responsible to coordinate the calculation of technical provisions, to provide judgment on the reliability and adequacy of the calculation of technical provisions, to express its opinion on the Company's underwriting policy and the adequacy of reinsurance arrangements and to contribute to the effective implementation of the risk management system.

The Actuarial Function reports to the Risk Committee.

B.1.4 Material changes in the system of governance that have taken place over the reporting period

No material changes in the system of governance have taken place over the reporting period.

B.1.5 Remuneration policy & practices regarding Directors and employees

The remuneration policy for the Board of Directors members and the senior executive management is reviewed and maintained by the Remuneration Committee. The Remuneration Committee/ Board of Directors are responsible for the implementation of the Remuneration Policy in the Company and specifically its application to Board members, senior management and key function holders and other staff whose professional activities have material impact on the undertaking's risk profile.

The Company's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or key function holders.

The Company's remuneration policy for its employees is based on the collective agreement that the Company has signed with the employees' Trade Union to which the majority of employees belong.

The remuneration of all staff employed by the Company complies with the following principles:

- It is in line with the Company's business and risk strategy, risk profile, objectives, values, risk Management practices, and long-term entity wide interests and performance
- It reflects the value that each individual adds to the Company
- It is fair and consistent across the business
- It is transparent and adequately disclosed to all members of staff
- It is free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin
- It complies with all tax and regulatory requirements
- The remuneration of employees involved in risk-taking activities such as underwriting, reinsurance ceding or investment management activities does not encourage unauthorised or unwanted risk-taking and is consistent with and promotes sound and effective risk management
- The remuneration structure is not based on short-term results

Fixed remuneration

Fixed Remuneration is the main element of remuneration and includes salary plus benefits for all employees and is designed to attract and retain talented individuals. Salaries are based on the importance of each individual's role in the Company, experience and market pay levels for similar roles. Benefits given to employees include 13th salary, contribution to the employees' retirement fund, contribution to the employees' medical fund and life and permanent disability insurance.

Variable remuneration

Variable remuneration can be given in the form of an annual bonus, according to performance, and cannot exceed one monthly salary for each individual. The bonus is subject to the individual's performance, based on the individual's targets and other performance criteria. In addition Sales personnel are also entitled to a bonus that is based on sales targets.

B.1.6 Material transactions during the year with shareholders, with persons who exercise a significant influence on the Company and with members of the Board of Directors

Directors, shareholders and related parties are beneficiaries of a number of insurance policies for which premiums amount to €699k. Additionally, emoluments of directors amounted to €350k.

B.2. Fit and Proper Requirements

To comply with the requirements of the law and the supervisory authority the Company has in place a Fit and Proper Policy that is approved by the Board of Directors and requires that the persons who effectively run the Company or hold other key positions meet specific criteria. The policy is also applied on the selected service providers in case the Company outsources any critical functions. The evaluation of the persons covered under the policy is performed at the beginning as well as annually during their appointment.

The Board of Directors' Nominations and Corporate Governance Committee has the responsibility for the assessment of the persons subject to the provisions of the Fit and Proper Policy. The assessment is performed prior to the appointment to the above positions and in line with the specific criteria, followed by a request to the supervisory authority for approval.

B.2.1 Fitness

The evaluation of a person's fitness takes into account their professional competence and suitability in the field of the activities conducted by the Company and the assessment is based on their previous experience, knowledge and professional qualifications.

Criteria for the Members of the Board of Directors, Chief Executive Officer and General Managers

The persons must hold a university degree, or equivalent qualification, or an acknowledged professional qualification in a field relevant to the duties that they will be performing and have a minimum of five years' experience in a managerial position relevant to their position in the company.

Additionally, the Board of Directors must collectively possess professional qualifications, knowledge and experience about:

- Insurance and financial markets
- Business strategy and business model
- System of governance
- Financial and actuarial analysis
- Regulatory framework and requirements

Criteria for persons holding key positions

The persons must hold a university degree, or equivalent qualification, or an acknowledged professional qualification in a field relevant to the duties that they will be performing and have a minimum of two years' experience in a managerial position relevant to their position in the company.

B.2.2 Propriety

For the evaluation of a person's properness the Company considers their honesty, integrity, reputation and financial soundness as well as whether they have been convicted of any criminal offences, have pending cases before the Court or are under investigation by any regulatory or professional bodies.

B.3. Risk Management System including the Own Risk and Solvency Assessment

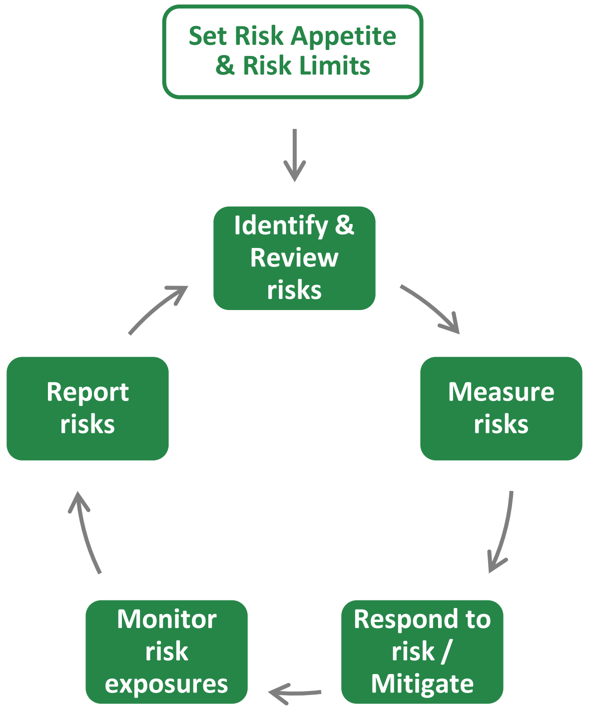
B.3.1 Risk Management System and the Three Lines of Defence Model

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

The Company adopts the 'three lines of defence' governance model as described in section B.1.2 above.

B.3.2 Risk Management Process

The Company follows a risk management process which involves all levels of its hierarchy from the Board of Directors down to the business employees. The process and steps are shown in the following diagram:



Setting the Risk Appetite and Risk Limits

The risk appetite of the Company is defined as the level of risk exposure or the level of potential adverse impact of an event that the Company is prepared to take or maintain in a given period. The risk appetite defines the size and types of risk that the Company is willing and able to take in order to achieve its mission, vision and business goals. The risk appetite is set by the Board of Directors following a recommendation from the Risk Committee and reflects shareholder aspirations and takes additionally the following stakeholders into consideration:

- Policyholders: The Company's risk appetite takes into account the interests of its policyholders as well as their reasonable expectations
- Regulator**:** The Company's risk appetite takes into account the requirements of the regulator
- Employees: The Company's risk appetite takes into account the interests of its employees

Individual and aggregate risk limits for every risk area (underwriting, investment, credit, liquidity, concentration, operational etc.) are set within the Company's risk appetite, strategy and business orientation.

Identifying and Reviewing Risk

Risk identification is the process followed by the Company to identify and record all material risk exposures that arise from its business activities. Risk identification is performed for both existing and emerging risks. The Risk Management Function of the Company coordinates the assessment of the existing risk profile with all relevant business users on a regular basis; through this process it is confirmed that all material sources of risk are receiving full consideration as well as whether the materiality of risk has changed since the last review. Any new risk exposures that may have emerged from changes to external or internal factors are also identified through this process.

The identification of emerging risks to the business is performed during the activities undertaken by the relevant business areas. The Risk Management Function monitors the internal and external environment that the Company operates in and identifies potential risks to its strategy. This is performed through monitoring developments in markets where the Company is currently exposed through its investments and insurance business for any potential future adverse development, by assessing the broad social, economic and financial trends worldwide to identify the potential for emergence of risk that is not currently measured or quantified and by analysing the major strategic decisions taken by the Company for identifying any potential impact on the Company's overall risk profile.

Measuring Risks

This process is performed on a quarterly basis and is carried out jointly by the Risk Management Function and the relevant business units. Risk measurement is documented in the Company's risk register and is reported to the Board of Director's Risk Committee. The process is carried out both quantitatively (detailed measurement of the risks involved using appropriate quantification techniques) and qualitatively (high level assessment based on expert judgement, prior experience and estimation of severity and impact of adverse events).

Responding to Risk / Mitigating

For each material risk assessed, a risk response is selected. The response can be either to accept risk or to avoid risk or to reduce risk or to transfer risk. Alternative mitigation options are considered and their appropriateness assessed in order to reduce effectively or transfer risk to a third party. The most commonly form of mitigation technique carried out by the Company is reinsuring insurance risks.

Monitoring Risk Exposures

All material risk exposures are monitored on an ongoing basis and any risks that fall outside the approved risk appetite of the Company are identified and appropriately escalated to the Board of Director's Risk Committee. Monitoring risk exposures is based on regular (at least once every quarter) comparison of actual exposures to the risk limits/appetite. Any limit breaches are promptly escalated to the Risk Management Function and to the Board of Director's Risk Committee. In this process key roles are undertaken by:

- Business Units - they directly manage and own their respective risk outcomes and are required to be aware of their exposure levels and limits at all times. Any breaches or near limit breaches are notified to the Risk Management Function. Action plans are prepared for the purpose of exposures returning within the set risk limits; and the
- Risk Management Function - it reviews risk exposures to verify that business units have remained within the limits, monitors risk limits and sets the process for adjusting risk limits. Also it supports business units/risk owners to implement action plans and/or mitigating plans for rectifying risk limit breaches and monitors the progress of these plans.

Reporting Risks

Regular reports (at least per quarter) on the risk exposures are provided by the business units to the Risk Management Function and the quarterly risk profile assessment is reported to the Board of Director's Risk Committee. Furthermore, ad hoc reporting of risk limit breaches followed by periodic progress reporting of action plans is conducted to the Risk Committee. All action plans in response to a limit breach and relevant approval by the Risk Committee are documented in a consistent manner and are subject to approval by the Board of Directors.

B.3.3 Own Risk Solvency Assessment

In calculating its solvency capital requirement, the Company uses the standard formula approach as prescribed in the Solvency II legislation and it assesses that this approach reflects at a reasonable level the size, nature and complexity of the risks assumed by the Company.

As part for the Company's aim to assess risks and determine its capital needs in the foreseeable future an Own Risk and Solvency Assessment (ORSA) is carried out at on an annual basis. The ORSA, which is also a legislative requirement, is carried out by the Risk Management Function and is reviewed and approved by the Board of Directors through its Risk Committee.

The ORSA forms an integral part of the management process and decision making framework of the Company and is used in the management of the business as it is a significant tool for understanding the risks the Company is exposed to. In particular, it is embedded in the Company's strategic, operational and risk management processes.

The ORSA is based on adequate measurement and assessment processes in a forward looking approach (at least on a 3 year horizon) and it encompasses all material risks that may have an impact on the Company's ability to meet its obligations under insurance contracts. The ORSA considers all risks that may lead to a material reduction in the current level of own funds or the protection offered to policyholders. Any material risks that are assessed not to be fully reflected in the standard approach in determining the Company's solvency capital requirement are particularly addressed in an ORSA exercise and their significance is established and quantified.

The ORSA process involves an assessment of all material risks and performance of various stress tests. These tests (which include sensitivity analysis of single risk factors and scenario analysis of a set of risk factors) are conducted in order to assess the Company's vulnerability to possible events or future changes in economic conditions which have unfavourable effects on its performance, solvency, liquidity or reputation and to determine the ability to withstand such changes. The impact of all stresses is quantified for the projection period in the future (at least 3 years) so as to identify any capital needs during the projection period. Any capital needs identified must be addressed by the Board of Directors and relevant action plans are formulated.

Any significant changes in the Company's risk profile caused by external or internal factors (e.g. introduction of a new line of business) may result in interim assessments (i.e. between the yearly ORSA exercises) taking the form of a full or partial ORSA exercise focusing on areas of significance.

B.3.4 Implementation of Risk Management System

The activity comprising the risk management system (as described in previous sections) is carried out by the business units and users (1st Line of Defence) within the Company, with the Risk Management Function reviewing and challenging the output.

The Company's Board of Directors is ultimately responsible for taking key decisions across the organization. The output of the risk management system is reviewed by the Board of Director's Risk Committee (and Audit Committee if necessary) with a summary of key items delivered to the Board of Directors. Following their review the integration of the risk management system in the decision making process is carried through to the business units by the Risk Management Function.

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

B.4. Internal control system

Taking into account the nature and scope of its operations, the Company has implemented an Internal Control System to manage risks to an acceptable level in order to ensure its efficient operation and the achievement of specific business objectives. The implementation of this system secures, among other things, the assets of the Company and the policyholders' interests, the correctness of transactions, the reliability of financial statements and the compliance with the relevant legislation.

The main procedures governing the Company's internal control system are the following:

- Clear organizational structure and allocation of responsibilities, including oversight and hierarchical approval of transactions.
- Establishment and monitoring of implementation of strategies and business plans and annual budgets for each major activity.
- Effective internal communication lines and reporting of important issues.

- Adoption and promotion of a Code of Conduct and Professional Code of Ethics.
- Regular update of staff through circulars, announcements and trainings for the proper conduct of the Company's policies.
- Effective segregation of duties and avoidance of assignment of duties / responsibilities that might lead to conflict of interests.
- Recording and continuously updating all business and support units' internal procedures.
- Management of investment portfolios under the supervision of the Executive Investment Committee with the support of external consultants.
- Preparation of financial statements and performance statistics on a regular basis.
- Sufficient support of operations with reliable and secure computer systems.
- Performance of audits on a regular basis by external auditors.
- Contingency planning with a comprehensive Business Continuity and Disaster Recovery Plan.
- Adequate insurance coverage for the Company's assets and for other risk (e.g. public liability).
- Implementation of a Risk Management Function.
- Implementation of a Compliance Function.
- Implementation of an Internal Audit Function.

B.5. Compliance Function

The Compliance Function has the necessary standing in the Company and is responsible to ensure that the Company conducts its business operations in compliance with the relevant laws and regulations. It assists the Chief Executive Officer and the Board of Directors to manage effectively the compliance risks faced by the Company.

The Compliance Function reports to the Chief Executive Officer and the Board of Directors through the Audit Committee. It is operationally independent from the Company's business and support units that are monitored and controlled by the function.

The main compliance activities are the following:

- Provision of advice to senior management on regulatory matters
- Communication to senior management of key areas of compliance risk, internal issues, progress and external developments
- Monitoring/overseeing of activities to ensure compliance with relevant legislation and regulations
- Performance of ongoing compliance risk assessment
- Provision of training to staff
- Liaison of the Company with the regulatory authorities on compliance matters
- Reporting to regulatory authorities as required

B.6. Internal Audit Function

B.6.1 Implementation of the internal audit function

Universal Life supports Internal Audit as an independent and objective assurance and consulting activity designed to add value by improving the Company's operations. Its primary role is to help the Board of Directors, the Audit Committee and the Executive Management in protecting the assets, the reputation and the sustainability of the Company. This is done by following a professional and constructive approach in evaluating the effectiveness and efficiency of the Company's governance, risk management, internal control system and operations, aiming at their improvement.

The Internal Audit function is implemented through the execution of the Audit Plan. The Internal Audit Function prepares a three year risk-based Audit Plan on an annual basis which is reviewed and approved by the Audit Committee. During its execution, the Audit Plan may be adjusted as necessary in response to changes relating to risks, operations, systems or the Company's business. Should the plan significantly change during the year, this will be resubmitted to the Audit Committee for approval.

Through the execution of the annual Audit Plan the Internal Audit activity evaluates the adequacy and effectiveness of controls encompassing the business' governance, operations and information systems. These include:

- Reliability and integrity of information
- Effectiveness and efficiency of operations
- Safeguarding of assets, and
- Compliance with laws, regulations and contracts

The Internal Audit also provides consulting services and special assignments upon request by the Board of Directors, the Audit Committee or the Chief Executive Officer. Special investigations and other assignments may also be performed in cases where the Internal Auditor considers necessary.

A written report is prepared by the Internal Auditor at the end of each internal audit assignment. The internal audit report includes the management's responses, the corrective action which will be taken and the estimated time for its completion. This report is distributed to the heads of business units involved, to the Chief Executive Officer and to all members of the Audit Committee.

The Internal Audit is also responsible for performing follow-up of all findings arising from the audit work until these are resolved through the implementation of the agreed management's actions.

B.6.2 Independence of the internal audit function

The independence and objectivity of the Internal Audit Function is safeguarded by the way in which the Internal Audit is organized and by the authorities which are assigned to it. Neither the Internal Auditor nor the Internal Audit staff have any direct operational responsibility or authority over any of the activities audited.

The Internal Auditor reports functionally to the Audit Committee and has free and unrestricted access to the Audit Committee.

The Audit Committee reviews and approves the Internal Audit Charter, the proposed annual Audit Plan, the Internal Audit budget as well as any staffing requirements and receives the internal audit reports. The Committee also decides about the appointment, replacement or dismissal of the Internal Auditor and evaluates the performance of the Internal Auditor and decides his salary and any other benefits.

The Internal Audit is not restricted in scope in any way and is empowered by the Audit Committee to audit all and every part of the Company. In carrying out any assignment, the Internal Audit has full, free and unrestricted access to all records, IT systems, operations, information, properties and personnel of the Company.

The Internal Audit Staff is committed to work to the highest ethical standards by applying and upholding integrity, objectivity, confidentiality and competency. The Internal Audit staff makes a balanced assessment of all the relevant circumstances and they are not influenced by their own interests or by any other party in forming their judgments. If independence or objectivity of the Internal Audit staff is impaired, the details of the impairment are disclosed to the Audit Committee.

B.7. Actuarial Function

The Company has an in–house actuarial team with fully and partly qualified actuaries who carry out the day-to-day actuarial activities including the calculation of technical reserves.

This team led by the Head of the Actuarial Function also carries out the responsibilities of the Actuarial Function for providing judgment on the reliability and adequacy of the calculation of technical provisions, for expressing opinion on the Company’s underwriting policy and reinsurance arrangements and for providing support for the implementation of the Company’s risk management system. For these tasks the Actuarial Function reports to the Risk Committee.

B.8. Outsourcing

The Company has in place an Outsourcing Policy that is approved by the Board of Directors. It ensures that the development and implementation of any proposal of outsourcing of any type of operation or activity of the Company is carried out in a manner that protects and serves the interests of the Company and its policyholders without reducing the quality of the system of governance or increasing the operational risk of the Company.

According to the policy the Company considers as critical or important all the key functions of the Company's system of governance, i.e. its internal audit, compliance, risk management and actuarial functions. In addition the following activities are considered to be critical or important:

- The design and pricing of insurance products
- Underwriting
- Portfolio management
- Claims handling
- Provision of regular or continuous support on compliance, internal audit, accounting, risk or actuarial support
- Provision of physical and electronic data storage
- Provision of on-going, day-to-day core information systems maintenance or support
- The Own Risk Solvency Assessment process

The policy clearly outlines all parties' responsibilities and describes the process to be followed whenever a business unit identifies the need to outsource critical or important activities or functions. With regards to outsourcing requirements the policy specifically addresses the importance of ensuring effective supervisory access of the outsourced activities by the regulator.

In 2016 the Company entered into an outsourcing agreement with Cisero Ltd, a company located in Cyprus, for the provision of overall compliance activities.

B.9. Adequacy of the System of Governance

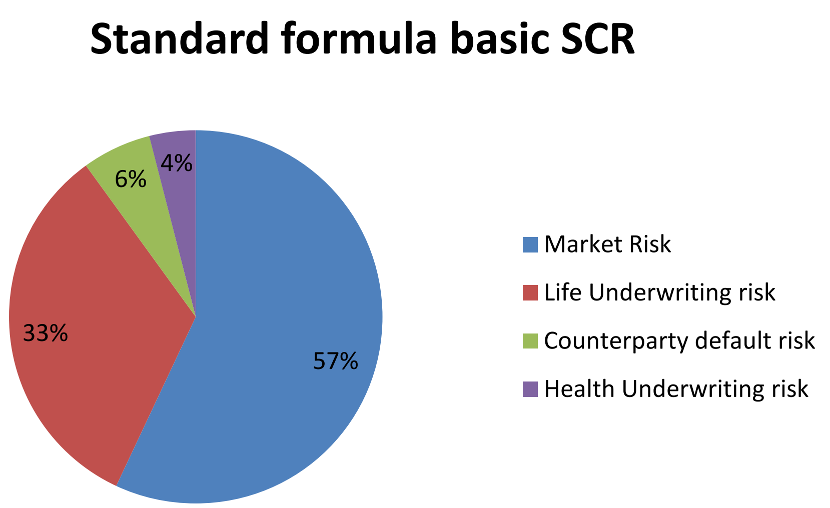
In assessing its system of governance the Company considers that all aspects of the system (as analysed in sections B.1. – B.8. above) are adequate and representative of the size, nature and complexity of the risks inherent in its business.

C. Risk Profile

C.1. Overall Risk Profile

The Company's overall risk profile is determined by the characteristics of its asset portfolio and the nature of its insurance business. Life business is more geared towards long term savings products, with protection cover (death, disability, dread disease) being an important element for parts of the portfolio. The large portfolio of stand-alone health insurance business is also an important driver of the overall risk profile.

The composition of the elements of the Solvency Capital Requirement (SCR), using the standard approach as prescribed by the legislation, provides a reasonable picture of the Company's risk profile. The following chart demonstrates the basic SCR composition of risks as at 31.12.2016:



C.2. Underwriting risk

C.2.1 Major drivers of underwriting risks

Underwriting risk is the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions. This could result from:

- Changes in the level, trend, or volatility of:
  - mortality rates
  - disability and morbidity rates
  - the expenses incurred in servicing insurance contracts
  - the rates of policy lapses, terminations, renewals and surrenders

- Fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements at the time of provisioning
- The significant uncertainty of pricing and provisioning assumptions related to extreme or irregular events

There were no material changes of the underwriting risks exposed by the Company over the year. Underwriting risk at 31 December 2016 represents 37% of the undiversified basic SCR (Life underwriting risk is 33% while health underwriting risk is 4%).

C.2.2 Assessment and risk mitigation techniques used for underwriting risks

The Company monitors and controls underwriting risks via various methods, including:

a. Using reinsurance to reduce exposure to mortality and morbidity risks;
b. Underwriting to increase the certainty that only insurable risks are accepted and that premiums reflect the unique circumstances of each risk;
c. The ORSA process which includes stress and scenario testing used to assess the risks under stressed conditions;
d. Lapse monitoring, which is conducted monthly;
e. Experience investigations covering expenses and claims, which are conducted at least annually;
f. Product design and pricing principles aiming to minimise adverse selection and using appropriate factors to differentiate between different levels of risk. For certain products and benefits (e.g. dread disease cover, health insurance) the Company retains the right to review premium rates at regular intervals.

The Company's reinsurance programme in relation to mortality and morbidity risk is on a surplus basis with a maximum retention per life and is split among two of the largest and highest credit-rated reinsurance companies in the world. For the health business reinsurance is on a quota share basis, again with a large and highly credible counterparty.

C.2.3 Risk sensitivity for underwriting risks

The Company carries out an assessment process for the materiality of risks as part of its ORSA process. Overall mortality/morbidity risks were classified as medium impact risks due to the use of appropriate risk mitigation techniques. The ORSA process also entails stress and scenario testing carried out for certain material risks projecting the impact on its solvency position over the future business planning period. In the 2016 ORSA the lapse/expense and expense inflation stresses were carried out and the results showed that the solvency ratio remained well above the minimum level in the projection period and not significantly below the tolerance level set by the Board of Directors.

C.3. Market risk

C.3.1 Major drivers of market risks

Market risk arises from the Company's investments in assets and other securities and includes the following categories:

- **Interest rate risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates or in the volatility of interest rates
- **Equity risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities
- **Currency risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates
- **Property risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate
- **Spread risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure

Concentration risk which arises from risk exposures with a loss potential large enough to threaten the solvency or the financial position of the Company is also reflected in the above categories.

There were no material changes of market risks faced by the Company over the year. The overseas investments asset portfolio remained well diversified, however the Company is still facing a challenge in its effort to reduce the local asset portfolio due to excessive exposure in real estate.

Market risk at 31 December 2016 represents 57% of the undiversified basic SCR.

C.3.2 Investment assets and prudent person principles as applied to market risks

Under the prudent person principle the Company's investment decisions are approved and monitored by the Executive Investment Committee (with the support of external consultants), which is authorised to do so by the Risk Committee of the Board of Directors through the relevant terms of reference. The Finance and Investment Department is responsible to execute the decisions of the Executive Investment Committee under the supervision of the Chief Investment Officer.

The Company follows strict and transparent procedures for the management of investment risk and the evaluation of new investment opportunities.

C.3.3 Assessment and risk mitigation techniques used for market risks

The Company monitors and controls market risks on a continuous basis through the Chief Investment Officer and its team in the Finance & Investments Department, monthly through Executive Investment Committee meetings and regularly by the use of external consultants offering advice on tactical and strategic asset allocations. Furthermore a risk measurement process is carried out on a quarterly basis by the Risk Management Function where individual and aggregate risk exposures are measured against the risk limits set by the Company's relevant risk policies. In addition, the ORSA process includes stress and scenario testing used to assess market risks under stressed conditions.

The Company does not directly use any derivatives for hedging purposes.

C.3.4 Risk sensitivity for market risks

The Company carries out stress and scenario testing as part of the ORSA process which includes stress testing for property risk (the key market risk), equity risk and for a property subsidiary, Universal Golf Enterprise plc, which is in the process of developing a large value golf project. For the 2016 ORSA, the solvency position at 31 December 2016 and the projected solvency position over the business planning period were re-calculated following adverse stresses. The analysis indicated that the Company can withstand severe shocks in the foreseeable future with solvency ratios being maintained above the minimum levels. All stresses (excluding the property stress) also indicated that solvency ratios in the projection period remain above the tolerance level set by the Board of Directors.

C.4. Credit risk

C.4.1 Major drivers of credit risk

Credit risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of the Company including any exposure resulting from reinsurance arrangements. The main categories of counterparty exposure are debts due from subsidiary companies, reinsurance recoverable and premiums due from policyholders.

Credit risk in the form of counterparty default at 31 December 2016 represented 6% of the undiversified basic SCR.

C.4.2 Prudent person principles as applied to credit risk

Under the prudent person principle the Company's reinsurance counterparties are always selected by considering their credit quality so that arrangements lead to effective risk transfer in respect to credit risk too. All reinsurers are rated at credit quality step 1.

C.4.3 Assessment and risk mitigation techniques used for credit risk

The Company monitors and controls credit risks on a regular basis through exposure reports. Credit ratings (where available) by major credit rating agencies are used to assess credit risks of counterparties.

To mitigate the risk of reinsurer counterparty default the Company selects large, reputable reinsurance companies with credit rating at least A by Standard and Poor's (or equivalent for other rating agencies).

C.4.4 Risk sensitivity for credit risk

Credit risk is assessed as not material with low impact in the ORSA assessment process. For this reason no specific stress and scenario testing is carried out for this particular risk.

C.5. Liquidity risk

C.5.1 Major drivers of liquidity risk

Liquidity risk is considered a distinct risk category in the Company's risk framework and risk strategy and it risk refers to the risk that the Company is unable to realise investments in order to settle its financial obligations when they fall due or is only able to do so at a substantial cost. Liquidity risk arises when there are circumstances where the Company has insufficient liquid or readily realisable assets to meet its commitments and is forced to rely on assets that cannot be realised at short notice at a reasonable value.

Liquidity risk is not captured in the standard SCR formula but the Company pays particular attention to this risk on its daily operations and during its ORSA process. Given the large concentration of local property assets, which at current economic conditions are considered illiquid assets, the Company faces a considerable liquidity risk in the short to medium term and this situation has not changed significantly over the year.

C.5.2 Prudent person principles as applied to liquidity risk

The Company is prudently taking into account liquidity requirements in any new investments in asset classes or individual holdings including collective investments. The Company's collective investments are all UCITS compliant, hence all readily realisable.

C.5.3 Assessment and risk mitigation techniques used for liquidity risk

Liquidity requirements are assessed on a regular basis (at least monthly) by monitoring the liability profile of the portfolio, lapse, surrender and transfer of funds behaviour of policyholders against the level of liquid assets in the portfolio (and parts of the portfolio, i.e. per fund).

In order to mitigate liquidity risk the Company has identified a number of contingency funding options so that it will properly manage and co-ordinate the actions required to dampen the effects of a liquidity problem. Also action plans are in place to reduce local property exposure which is the key driver of liquidity risk.

C.5.4 Expected profit included in future premiums (EPIFP)

The EPIFP is defined as the difference between the technical provisions (without a risk margin) calculated in accordance with the legislation and a calculation of the technical provisions (without a risk margin) under the assumption that the premiums relating to existing insurance policies that are expected to be received in the future are not received for any reason other than the insured event having occurred (regardless of the legal or contractual rights of the policyholder to discontinue the policy).

The EPIFP of the Company as at 31.12.2016 is €46.159k.

C.5.5 Risk sensitivity for liquidity risk

As part of the ORSA process, stress and scenario testing is conducted to assess the liquidity risk under stressed conditions during the projection period. These tests indicated that liquid asset shortfalls exist and the impact on the solvency position of the Company is quantified by assuming that assets are sold at a significant discount to their fair value (forced sale approach). The projected solvency ratios in such circumstances are expected to decline significantly as the available assets to meet the solvency capital requirement will be negatively influenced by the losses incurred in realising local property assets. Solvency ratios are expected to remain above the minimum level but well below the tolerance level set by the Board of Directors.

C.6. Operational risk

C.6.1 Major drivers of operational risks

Operational risk is considered a distinct risk category in the Company's risk framework and risk strategy. It is defined as the risk of loss resulting from inadequate or failed internal processes, personnel or systems, or from external events. Operational risk also incorporates risks resulting from outsourcing activities, regulatory and compliance treatment, continuity of business, Information Technology risk treatment and Information Security and project execution and compliance.

Operational risk as captured in the standard SCR formula at 31 December 2016 corresponded to 8% of the SCR.

There have been no material changes to the operational risks the Company is exposed to over the reporting period.

C.6.2 Assessment and risk mitigation techniques used for operational risks

Risks are identified across all business and support units and operational risk events are collected. The Risk Management Function of the Company undertakes the task for assessing the materiality of these risks.

The operational risk measurement process will provide the Company with a qualitative approach to assess potential risks of a primarily severe nature by conducting a structured assessment procedure with representatives of all business and support units. The measurement procedure will be carried out for all departments/units of the Company and is performed on an annual basis in cooperation with the Risk Management Function. The measurement of each operational risk is carried out by defining/assessing the potential impact of each risk and the probability of its occurrence, both captured in a 5 level scoring system.

The Company minimises operational risks mainly by:

a. Having a sound system of governance and risk management framework
b. Applying sound and robust internal controls
c. Having in place a comprehensive and regularly (at least annually) updated and tested Business Continuity Plan and Disaster Recovery Plan
d. Applying rigorous procedures under a comprehensive Information Security Policy
e. Continuous and effective training of staff and insurance intermediaries
f. Having a strong compliance culture
g. Applying a concrete outsourcing policy for critical and non-critical activities

C.6.3 Risk sensitivity for operational risk

Operational risk is considered as a low impact risk in the ORSA assessment process. For this reason no specific stress and scenario testing is carried out for this particular risk.

D. Valuation for Solvency purposes

D.1. Assets

D.1.1 Asset valuation for solvency purposes for each material class of asset

The following table provides the value of assets as at 31.12.2016:

	€000
Deposits and Cash & cash equivalents	21.101
Debtors and prepayments	21.261
Loans and receivables	5.250
Reinsurers' share in insurance contracts liabilities	6.559
Reinsurance receivables	411
Premium receivable and other insurance receivables	2.379
Taxation receivable	289
Investment properties	85.682
Debt securities/Bond funds	43.503
Equity shares/Equity funds	60.392
Multi asset funds	26.270
Money market funds	13.537
Investment in subsidiaries	48.528
Fixed assets	17.392
	352.554

Cash and cash equivalents, debtors and prepayments, loans and receivables, reinsurers' share in insurance contracts liabilities, premium receivable and other insurance receivables and taxation receivable are measured at the same basis as IFRS financial statements.

Investment properties are measured at fair value based on valuation models in which data significantly affecting the fair value is not based on observable market data.

Debt securities, equity shares, multi asset funds and money market funds are measured at fair value based on quoted prices in active markets as well as on valuation models in which all factors affecting the fair value are based on observable market data.

Investment in subsidiaries is the fair value of the participation in the subsidiaries.

Fixed assets are measured at fair value or cost less accumulated depreciation.

D.1.2 Solvency purposes and financial statements valuation differences by material class of asset

There are no differences between the valuation bases, methods and main assumptions used for solvency purposes and financial statement purposes.

However in the Company's financial statements total assets include intangible assets of €1.489k and deferred acquisition costs of -€90k that are not included in the balance sheet for solvency purposes. Additionally, reinsurers' share in insurance contracts liabilities for solvency purposes is calculated using a different method compared to the one used for financial statements purposes.

D.2. Technical Provisions

D.2.1 Calculation of technical provisions for solvency purposes

Technical provisions are calculated based on Solvency II regulation. They consist of the Best Estimate Liabilities (BEL) and the risk margin. BEL are calculated by projecting the expected cash flows associated with the existing insurance contracts and discounting them using the risk-free yield curve prescribed by European Insurance and Occupational Pensions Authority (EIOPA). As at 31 December 2016, the Company did not use matching or volatility adjustments.

The risk margin is the cost of providing an amount equal to the SCR required to support the insurance obligations over their lifetime. It was calculated using method 2 prescribed in the relevant EIOPA's guidelines by approximating the SCR for each future year using best estimate projections.

Technical provisions are calculated gross of reinsurance recoverables. Reinsurance recoverables relate to the amounts recoverable from reinsurance contracts and are calculated separately.

The table below shows the technical provisions by main line of business as at 31.12.16:

€000	Unit-Linked	With Profit	Other Life	Health SLT	Health NSLT	Total
Gross BEL	189.219	20.694	3.413	993	12.367	226.687
Risk Margin	14.907	1.630	269	78	157	17.041
Technical Provisions	**204.126**	**22.324**	**3.682**	**1.072**	**12.524**	**243.728**
Reinsurance Recoverables	(2.215)	-	(23)	361	8.436	6.559
Technical Provisions net of Recoverables	**206.341**	**22.324**	**3.705**	**711**	**4.088**	**237.169**

Technical provisions are based on assumptions and hence there is uncertainty regarding their value. Actual experience may differ to that assumed when calculating technical provisions. The main assumptions used relate to mortality, morbidity, claims ratio, expenses and lapses.

Mortality assumptions are based on reinsurers' data and the Company's experience while morbidity was solely based on reinsurers' rates. Claims and expense ratios for accident and health business (Health NSLT) are based on the Company's experience.

The expenses related to the life portfolio were analysed and broken down into initial and renewal expenses so as to estimate the renewal expense per policy. Expense inflation is estimated after considering past experience and the long term expectations for future expense inflation.

Lapse assumptions take into account past experience and are adjusted for any expected future changes.

D.2.2 Comparison of technical provisions for solvency purposes and gross insurance liabilities in financial statements

The table below shows the difference between gross insurance liabilities in financial statements (IFRS insurance liabilities) and technical provisions:

€000	Unit-Linked	With Profit	Other Life	Health SLT	Health NSLT	Total
Gross IFRS insurance liabilities	234.579	19.361	10.306	993	13.141	278.380
Adjustments for SII	(45.360)	1.333	(6.893)	-	(774)	(51.693)
Gross BEL	**189.219**	**20.694**	**3.413**	**993**	**12.367**	**226.687**
Risk margin	14.907	1.630	269	78	157	17.041
Technical provisions	**204.126**	**22.324**	**3.682**	**1.072**	**12.524**	**243.728**

The main differences between technical provisions for solvency purposes and IFRS liabilities are:

- The permissibility of negative reserves under Solvency II (SII).
- The use of realistic assumptions under SII versus prudent assumptions for IFRS (i.e. for IFRS expense inflation assumption incorporates a margin of 0,75%, mortality assumption is 37,5% higher and no lapses are assumed).
- Under SII the risk-free yield curve prescribed by EIOPA is used for discounting while for IFRS the weighted average of the yields on assets backing the reserves is used.
- Technical provisions include the risk margin.
- For individual non-linked life contracts, net premium valuation is carried out under IFRS. For accident and health business, unearned premium reserve is calculated under IFRS

versus the premium provision under SII that considers all cash flows associated with future claim events.

D.3. Other liabilities

D.3.1 Other liabilities valuation for solvency purposes for each material class of liability

The following table provides the value of other liabilities assets as at 31.12.2016:

	€000
Bank overdrafts	1.772
Creditors and accruals	2.390
Outstanding claims	11.574
Deferred tax liabilities	8.729
Liabilities of superannuation and managed pension fund	16.505
Reinsurer's accounts	8.377
	49.348

Other liabilities are measured at fair value.

D.3.2 Solvency purposes and financial statements valuation differences of other liabilities

The Solvency II balance sheet includes a deferred tax liability of €3.619k, arising from the temporary differences between technical provisions under Solvency II compared to those under IFRS (which are not used for income tax purposes).

There are no other differences between the valuation bases, methods and main assumptions used for solvency purposes and financial statements purposes.

E. Capital management

E.1. Own funds

E.1.1 Objective, policies and processes for managing own funds

The objective of own funds management is to maintain, at all times, sufficient own funds to cover the Solvency Capital Requirement (SCR) and with an appropriate margin set by the relevant risk appetite limit set by the Board of Directors. These should be of sufficient quality to meet the eligibility requirements in Article 82 of the Delegated Regulation. Own funds and SCR are reviewed quarterly by the Board of Directors. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The ORSA process carried out annually projects funding requirements on a future three year horizon.

E.1.2 Own funds classified by tiers

An analysis of own funds as at 31 December 2016 compared to the respective amounts at the beginning of the year are shown below:

Components (all Tier 1 elements)	**31.12.2016 €000**	**01.01.2016 €000**
Ordinary Share Capital	14.036	13.789
Share Premium	3.482	2.360
Surplus Funds	706	698
Reconciliation Reserve	40.270	41.178
Total Equity (Own Funds)	**58.495**	**58.025**

Over the year the changes in the values of the various elements were mainly influenced by the post tax profits for the year and the utilization of retained earnings for the dividend declaration of €0,101 per share to shareholders that was reinvested by shareholders at €5,53 per share.

The Company's ordinary share capital, share premium arising on ordinary share capital, surplus funds and reconciliation reserves are all available as Tier 1 unrestricted own funds as per Article 69 (a)(i) of the Delegated Regulation. The ordinary share capital and share premium arising is not subordinated and has no restricted duration. The reconciliation reserve represents retained earnings and reconciliation adjustments from the financial statements balance sheet to the solvency balance sheet.

The Company has no Tier 1 restricted own funds (per Article 80 of the Delegated Regulations), no Tier 2 own funds (per Article 72 of the Delegated Regulations) and no Tier 3 own funds (per Article 76 of the Delegated Regulations).

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

The Company's own funds are all tier 1 unrestricted and available to cover the SCR.

E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

The Company's own funds are all tier 1 unrestricted and available to cover the MCR.

E.1.5 Difference between equity as shown in the financial statements and the excess of assets over liabilities calculated for solvency purposes

The differences are explained in the following table:

Equity per financial statements:	**€000**
Ordinary Share Capital	14.036
Share Premium	3.482
Revaluation	9.388
Retained earnings	8.019
Total equity	**34.925**
Adjustments for Solvency:	
Difference in Technical provisions net of reinsurance	(28.865)
Difference in value of intangibles	(1.489)
Difference in deferred acquisition costs	90
Surplus in Life Fund	706
Difference in deferred tax liabilities	3.619
Solvency value of excess of assets over liabilities	**59.478**

E.2. Solvency and Capital Requirements and Minimum Capital Requirement

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The total Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) at 31 December 2016 are €36.400k and €9.100k respectively. The final amount of the SCR remains subject to supervisory assessment.

E.2.2 Solvency Capital Requirement split by risk modules

The table below shows the risk modules that make up the Company's SCR at 31 December 2016:

Risk Module	**Net SCR €000**
Life Underwriting	15.943
Health Underwriting	2.056
Market Risk	27.866
Counterparty Default Risk	3.052
Undiversified Basic SCR	**48.918**
Diversification Credit	(11.750)
Basic SCR	**37.168**
Operational Risk	2.852
Loss absorbing capacity of deferred taxes	(3619)
Total SCR	**36.400**

Simplified calculations are not used for any of the risk modules or sub-modules of the standard formula.

No material changes of the SCR were observed during the year as the Company's asset and liability profile and magnitude has not changed significantly.

E.2.3 Inputs used to calculate the Minimum Capital Requirement

The table below shows the inputs into the MCR calculation as at 31 December 2016. It should be noted that the Absolute Floor of the Minimum Capital Requirement (AMCR) is prescribed by the legislation.

	€000
AMCR	6.200
Linear MCR	3.867
SCR	36.400
Combined MCR	9.100
MCR	**9.100**

F. Quantitative Reporting Templates

The following Quantitative Reporting Templates (QRT) are required to be attached in this public disclosure report:

QRT ref	QRT Template name
S.02.01.02	Balance Sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-life Technical Provsions
S.19.01.21	Non-life insurance claims
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.02.01	Minimum Capital Requirement – Both for life and non life insurance activity

The templates are presented at the end of this report.

S.02.01.02

Balance sheet

Assets		Solvency II value C0010
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	17,392,233
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	82,425,716
Property (other than for own use)	**R0080**	22,027,641
Holdings in related undertakings, including participations	**R0090**	33,219,982
Equities	**R0100**	2,913,969
Equities - listed	**R0110**	2,724,120
Equities - unlisted	**R0120**	189,849
Bonds	**R0130**	184,414
Government Bonds	**R0140**	0
Corporate Bonds	**R0150**	184,414
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	21,366,476
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	2,713,234
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	217,249,419
Loans and mortgages	**R0230**	4,553,371
Loans on policies	**R0240**	2,057,343
Loans and mortgages to individuals	**R0250**	2,496,028
Other loans and mortgages	**R0260**	0
Reinsurance recoverables from:	**R0270**	6,558,814
Non-life and health similar to non-life	**R0280**	8,436,271
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	8,436,271
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	337,655
Health similar to life	**R0320**	360,740
Life excluding health and index-linked and unit-linked	**R0330**	-23,086
Life index-linked and unit-linked	**R0340**	-2,215,112
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	2,582,519
Reinsurance receivables	**R0370**	410,770
Receivables (trade, not insurance)	**R0380**	20,937,791
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	443,476
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	352,554,108

Liabilities		Solvency II value C0010
Technical provisions – non-life	**R0510**	12,524,481
Technical provisions – non-life (excluding health)	**R0520**	0
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	0
Risk margin	**R0550**	0
Technical provisions - health (similar to non-life)	**R0560**	12,524,481
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	12,367,342
Risk margin	**R0590**	157,139
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	27,077,388
Technical provisions - health (similar to life)	**R0610**	1,071,514
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	993,264
Risk margin	**R0640**	78,250
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	26,005,874
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	24,106,735
Risk margin	**R0680**	1,899,139
Technical provisions – index-linked and unit-linked	**R0690**	204,126,109
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	189,219,331
Risk margin	**R0720**	14,906,778
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	16,505,165
Deposits from reinsurers	**R0770**	7,894,674
Deferred tax liabilities	**R0780**	8,729,156
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	1,771,847
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	11,645,724
Reinsurance payables	**R0830**	482,810
Payables (trade, not insurance)	**R0840**	2,318,882
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	0
Total liabilities	**R0900**	293,076,237
Excess of assets over liabilities	**R1000**	59,477,871

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**												Line of Business for: **accepted non-proportional reinsurance**				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written																		
Gross - Direct Business	**R0110**	36,011,303	312,295															36,323,598
Gross - Proportional reinsurance accepted	**R0120**	0	0															0
Gross - Non-proportional reinsurance accepted	**R0130**																	
Reinsurers' share	**R0140**	26,376,567	68,873															26,445,439
Net	**R0200**	9,634,736	243,423															9,878,158
Premiums earned																		
Gross - Direct Business	**R0210**	35,656,797	431,700															36,088,497
Gross - Proportional reinsurance accepted	**R0220**	0	0															0
Gross - Non-proportional reinsurance accepted	**R0230**																	
Reinsurers' share	**R0240**	26,095,710	66,160															26,161,871
Net	**R0300**	9,561,086	365,540															9,926,626
Claims incurred																		
Gross - Direct Business	**R0310**	29,257,077	447,772															29,704,849
Gross - Proportional reinsurance accepted	**R0320**	0	0															0
Gross - Non-proportional reinsurance accepted	**R0330**																	
Reinsurers' share	**R0340**	21,362,242	39,967															21,402,209
Net	**R0400**	7,894,834	407,805															8,302,640
Changes in other technical provisions																		
Gross - Direct Business	**R0410**																	
Gross - Proportional reinsurance accepted	**R0420**																	
Gross - Non- proportional reinsurance accepted	**R0430**																	
Reinsurers' share	**R0440**																	
Net	**R0500**																	
Expenses incurred	**R0550**	1,986,656	91,214															2,077,869
Other expenses	**R1200**																	
Total expenses	**R1300**																	

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

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	1,397,772	1,216,622	38,166,033	4,677,934					45,458,360
Reinsurers' share	**R1420**	619,623	0	708,892	2,476,703					3,805,218
Net	**R1500**	778,149	1,216,622	37,457,142	2,201,230					41,653,142
Premiums earned										
Gross	**R1510**	1,397,772	1,216,622	38,166,033	4,677,934					45,458,360
Reinsurers' share	**R1520**	619,623	0	708,892	2,476,703					3,805,218
Net	**R1600**	778,149	1,216,622	37,457,142	2,201,230					41,653,142
Claims incurred										
Gross	**R1610**	561,255	5,496,515	27,907,097	2,035,382					36,000,249
Reinsurers' share	**R1620**	276,640	0	476,469	896,637					1,649,746
Net	**R1700**	284,615	5,496,515	27,430,628	1,138,745					34,350,503
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0					0
Reinsurers' share	**R1720**	0	0	0	0					0
Net	**R1800**	0	0	0	0					0
Expenses incurred	**R1900**	85,701	282,542	9,051,675	300,402					9,720,320
Other expenses	**R2500**									
Total expenses	**R2600**									9,720,320

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S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**	**C0160**	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**	0	0			0			0	0	0	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**	0	0			0			0	0	0	0			0	0	0
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	20,693,840		140,872,449	48,346,881		0	3,412,895	0	0	213,326,066		0	993,264	0	0	993,264
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	0		-2,212,943	-2,168		0	-23,086	0	0	-2,238,197		0	360,740	0	0	360,740
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	20,693,840		143,085,393	48,349,050		0	3,435,981	0	0	215,564,263		0	632,524	0	0	632,524
Risk Margin	**R0100**	1,630,269	14,906,778			268,869			0	0	16,805,917	78,250			0	0	78,250
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	**R0110**	0	0			0			0	0	0	0			0	0	0
Best estimate	**R0120**	0		0	0		0	0	0	0	0		0	0	0	0	0
Risk margin	**R0130**	0	0			0			0	0	0	0			0	0	0
Technical provisions - total	**R0200**	22,324,110	204,126,109			3,681,764			0	0	230,131,983	1,071,514			0	0	1,071,514

S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**																	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**																	0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	**R0060**	4,473,215	174,229															4,647,443
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	2,947,653	15,257															2,962,910
Net Best Estimate of Premium Provisions	**R0150**	1,525,562	158,971															1,684,533
Claims provisions																		
Gross	**R0160**	7,677,349	42,550															7,719,899
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	5,468,342	5,019															5,473,361
Net Best Estimate of Claims Provisions	**R0250**	2,209,007	37,531															2,246,538
Total Best estimate - gross	**R0260**	12,150,563	216,779															12,367,342
Total Best estimate - net	**R0270**	3,734,569	196,502															3,931,071
Risk margin	**R0280**	149,284	7,855															157,139
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	**R0290**																	
Best estimate	**R0300**																	
Risk margin	**R0310**																	
Technical provisions - total																		
Technical provisions - total	**R0320**	12,299,847	224,634															12,524,481
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	8,415,995	20,277															8,436,271
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	3,883,853	204,357															4,088,210

S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	**Z0010**	AY

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

Development year

Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10&+**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											
N-9	**R0160**											
N-8	**R0170**											
N-7	**R0180**											
N-6	**R0190**											
N-5	**R0200**											
N-4	**R0210**											
N-3	**R0220**											
N-2	**R0230**											
N-1	**R0240**											
N	**R0250**	21,708,013										

		In Current year	**Sum of years (cumulative)**
		C0170	**C0180**
	R0100		
	R0160		
	R0170		
	R0180		
	R0190		
	R0200		
	R0210		
	R0220		
	R0230		
	R0240		
	R0250	21,708,013	21,708,013
Total	**R0260**	21,708,013	21,708,013

S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year | **Z0010** | AY |

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160											
N-8	R0170											
N-7	R0180											
N-6	R0190											
N-5	R0200											
N-4	R0210											
N-3	R0220											
N-2	R0230											
N-1	R0240											
N	R0250	7,719,899										

		Year end (discounted data)
		C0360
	R0100	
	R0160	
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	
	R0230	
	R0240	
	R0250	7,719,899
Total	R0260	7,719,899

S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	14,036,201	14,036,201		0	
Share premium account related to ordinary share capital	**R0030**	3,482,199	3,482,199		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	706,693	706,693			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	40,270,245	40,270,245			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	
Total basic own funds after deductions	**R0290**	58,495,337	58,495,337	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0				
Unpaid and uncalled preference shares callable on demand	**R0320**	0				
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0				
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0				
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0				
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0				
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0				
Other ancillary own funds	**R0390**	0				
Total ancillary own funds	**R0400**	0				
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	58,495,337	58,495,337	0	0	
Total available own funds to meet the MCR	**R0510**	58,495,337	58,495,337	0	0	
Total eligible own funds to meet the SCR	**R0540**	58,495,337	58,495,337	0	0	0
Total eligible own funds to meet the MCR	**R0550**	58,495,337	58,495,337	0	0	
SCR	**R0580**	36,400,200				
MCR	**R0600**	9,100,050				
Ratio of Eligible own funds to SCR	**R0620**	160.70%				
Ratio of Eligible own funds to MCR	**R0640**	642.80%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	59,477,871	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**	982,534	
Other basic own fund items	**R0730**	18,225,092	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0	
Reconciliation reserve	**R0760**	40,270,245	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	42,819,419	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	3,339,991	
Total Expected profits included in future premiums (EPIFP)	**R0790**	46,159,411	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	30,458,516		
Counterparty default risk	**R0020**	3,052,356		
Life underwriting risk	**R0030**	17,517,394		
Health underwriting risk	**R0040**	2,056,183		
Non-life underwriting risk	**R0050**	0		
Diversification	**R0060**	-12,580,332		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	40,504,117		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	2,852,045
Loss-absorbing capacity of technical provisions	**R0140**	-3,336,617
Loss-absorbing capacity of deferred taxes	**R0150**	-3,619,345
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	
Solvency Capital Requirement excluding capital add-on	**R0200**	36,400,200
Capital add-on already set	**R0210**	
Solvency capital requirement	**R0220**	36,400,200
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	

S.28.02.01

Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(NL,NL)}$ Result	$MCR_{(NL,L)}$ Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	674,790	

		Non-life activities		Life activities	
		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	3,734,569	9,634,736		
Income protection insurance and proportional reinsurance	R0030	196,502	243,423		
Workers' compensation insurance and proportional reinsurance	R0040				
Motor vehicle liability insurance and proportional reinsurance	R0050				
Other motor insurance and proportional reinsurance	R0060				
Marine, aviation and transport insurance and proportional reinsurance	R0070				
Fire and other damage to property insurance and proportional reinsurance	R0080				
General liability insurance and proportional reinsurance	R0090				
Credit and suretyship insurance and proportional reinsurance	R0100				
Legal expenses insurance and proportional reinsurance	R0110				
Assistance and proportional reinsurance	R0120				
Miscellaneous financial loss insurance and proportional reinsurance	R0130				
Non-proportional health reinsurance	R0140				
Non-proportional casualty reinsurance	R0150				
Non-proportional marine, aviation and transport reinsurance	R0160				
Non-proportional property reinsurance	R0170				

S.28.02.01
Minimum Capital Requirement - Both life and non-life insurance activity

		Non-life activities	Life activities
		$MCR_{(L,NL)}$ Result	$MCR_{(L,L)}$ Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200		3,192,133

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210			17,164,308	
Obligations with profit participation - future discretionary benefits	R0220			3,529,532	
Index-linked and unit-linked insurance obligations	R0230			191,434,442	
Other life (re)insurance and health (re)insurance obligations	R0240			4,068,505	
Total capital at risk for all life (re)insurance obligations	R0250				1,878,727,863

Overall MCR calculation

		C0130
Linear MCR	R0300	3,866,923
SCR	R0310	36,400,200
MCR cap	R0320	16,380,090
MCR floor	R0330	9,100,050
Combined MCR	R0340	9,100,050
Absolute floor of the MCR	R0350	6,200,000
		C0130
Minimum Capital Requirement	R0400	9,100,050

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	674,790	3,192,133
Notional SCR excluding add-on (annual or latest calculation)	R0510	6,351,948	30,048,252
Notional MCR cap	R0520	2,858,377	13,521,714
Notional MCR floor	R0530	1,587,987	7,512,063
Notional Combined MCR	R0540	1,587,987	7,512,063
Absolute floor of the notional MCR	R0550	2,500,000	3,700,000
Notional MCR	R0560	2,500,000	7,512,063

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Independent Auditor's Report

To: The Board of Directors of Universal Life Insurance Public Company Limited

Report on the Audit of the relevant elements of the Solvency and Financial Condition Report

Opinion

We have audited the following Solvency II Quantitative Reporting Templates ("QRTs") contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015, of Universal Life Insurance Public Company Limited (the "Company"), prepared as at 31 December 2016:

- S.02.01.02 - Balance sheet
- S.12.01.02 - Life and Health SLT Technical Provisions
- S.17.01.02 - Non-Life Technical Provisions
- S.23.01.01 - Own funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
- S.28.02.01 - Minimum Capital Requirement - Both life and non-life insurance activity

The above QRTs are collectively referred to for the remainder of this report as "the relevant QRTs of the Solvency and Financial Condition Report".

In our opinion, the information in the relevant QRTs of the Solvency and Financial Condition Report as at 31 December 2016 is prepared, in all material respects, in accordance with the Insurance and Reinsurance Services and other Related Issues Law of 2016, the Commission Delegated Regulation (EU) 2015/35, the Commission Delegated Regulation (EU) 2016/467, the relevant EU Commission's Implementing Regulations and the relevant Orders of the Superintendent of Insurance (collectively "the Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the relevant QRTs of the Solvency and Financial Condition Report in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the Other information. The Other information comprises certain narrative sections and certain QRTs of the Solvency and Financial Condition Report as listed below:

Narrative sections:

- Business and performance
- Valuation for solvency purposes
- Capital management

QRTs (contained in Annex I to Commission Implementing Regulation (EU) No 2015/2452 of 2 December 2015):

- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.19.01.21 - Non-Life insurance claims

Our opinion on the relevant QRTs of the Solvency and Financial Condition Report does not cover the Other information listed above and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Solvency and Financial Condition Report

The Board of Directors is responsible for the preparation of the Solvency and Financial Condition Report in accordance with the Framework.

The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Solvency and Financial Condition Report, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant QRTs of the Solvency and Financial Condition Report

Our objectives are to obtain reasonable assurance about whether the relevant QRTs of the Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Solvency and Financial Condition Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the relevant QRTs of the Solvency and Financial Condition Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of the basis of preparation used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Solvency and Financial Condition Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

Our report is intended solely for the Board of Directors of the Company and should not be used by any other parties. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia

6 June 2017