CNP CYPRIALIFE LTD
SOLVENCY AND FINANCIAL CONDITION REPORT
31 December 2016

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APPENDICES

About this Report

CNP Cyprialife Ltd (CNP Cyprialife, Company) is committed to maintaining public transparency with regard to its business, financial performance and risks. In this document, *Solvency and Financial Condition Report (SFCR),* we provide additional detailed information on our solvency and financial condition.

This Report is based upon the financial position of CNP Cyprialife Ltd as at 31 December 2016 and it contains both quantitative and qualitative information in accordance with the Orders of the Superintendent of Insurance in relation to submission of information dated February 2017 / Article 304 (1) of the Delegated Regulation (EU) 2015/35.

This Report was approved by the Company's Board of Directors on 17 May 2017 and is in accordance with its Reporting and Disclosure Policy.

The Company's appointed auditor for the year ended 31 December 2016 was PricewaterhouseCoopers Limited (PwC).

The information in this Report has been subject to external audit according to the Orders of the Superintendent of Insurance April 2017. The Auditors' Report is presented in Appendix IV.

About Solvency II Pillar 3

The Solvency II programme is structured around three pillars. The Pillar 1 solvency and capital requirements and the Pillar 2 supervisory review process are complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow greater level of transparency for the Supervisor and the public on the capital adequacy, risk exposures as well as risk management and internal control processes.

CNP Cyprialife Ltd is directly regulated and supervised on a solo basis by the Insurance Companies Control Service (Supervisor) at the Cyprus Ministry of Finance, P.O. Box 23364 1682 Nicosia Cyprus. We also report to our ultimate controlling shareholder in France, CNP Assurances, being subject to financial oversight by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) in France at 61, rue Taitbout, 75009 Paris France.

We actively participated in the discussions between the Supervisory Authority in Cyprus and industry Association for the Pillar 3 disclosures.

We publish comprehensive Pillar 3 Disclosures annually on the CNP Cyprialife website www.cnpcyprialife.com

Defined Term

The abbreviation "€k" represents thousands of Euros.

Summary

Activity and Results

During 2016, CNP Cyprialife continued to improve its product mix and strengthened its agency network. The Company's Underwriting Profit reached €21.208k with the main contributors being the Life Sector (unit linked and protection insurance).

2016 saw a major challenge for the insurance industry, the harmonisation of the Cyprus Insurance Legislation (Law 38 (I) 2016) with the Solvency II Directive 2009/138/EU. The Company was committed and successfully achieved full implementation.

With regards to the macroeconomic context, it has been a challenging year as markets were marked by the historically low level of European interest rates and high volatility.

Despite the changes in the external environment, CNP Cyprialife responded to all challenges first and adapted our organisation and operation for the maximum benefit of our customers, associates, salesforce and employees enduring our relationship of trust with our stakeholders.

Our mission is to help our customers build a better future, starting from a secure present.

Our vision is to lead the life insurance market by providing a complete range of relevant products and the best possible service in the industry.

The Solvency II Capital Requirement (SCR) ratio was at the high level of 378% as at 31 December 2016 and the Minimum Capital Requirement (MCR) ratio reached 1513%. Our capital base is exemplary strong. We cover the capital required by legislation more than 3 times.

In 2016, having the second largest market share and the first leading position in the new life individual business, together with our exemplary strong capital base and standing responsively beside the Cyprus society and the people in need; we can undoubtedly say that we have achieved our business objectives.

An important factor in this success has been the constant use of modern technology. In 2016, we have launched a new, modern web portal, INSUPASS and a Mobile Application, offering direct, 24/7 updates and reliable communication for the best possible service to our customers and associates.

Corporate Governance

The implementation of Solvency II in 2016, has introduced in particular important corporate governance requirements. CNP Cyprialife in anticipation of the regulatory requirements has changed its organisational arrangements establishing key functions and has formalised its written policies and procedures.

The Company is committed to continuously improving its overall risk management and internal control system and considers that its system as suitable for the nature, complexity and size of the Company.

Risk Profile

The risk profile of CNP Cyprialife is predominately driven by life underwriting risk and market risk, since the solvency capital of the two risks represents the 75,29% of the Basic SCR before diversification. Given the variety of its products, the Company nevertheless benefits from a diversification between its risks.

The Company is exposed to Pillar 1 risks (market, counterparty default, life underwriting, health underwriting and operational risk) as well as risks not fully covered by Pillar 1 such as strategic, business, liquidity, legal and compliance and reputational. The Company uses the standard formula to calculate its Pillar 1 risks and in 2016, it has revisited its normal and stress scenarios.

In 2016, we have successfully submitted to the Superintendent of Insurance the Day 1 Quantitative Reporting Templates (QRTs) and the quarterly QRTs.

Valuation of Assets and Liabilities

The valuation of the assets and liabilities of the Solvency II balance sheet is carried out by a Valuation Policy and Reserving Policy endorsed by the Company's Board of Directors.

The Company prepares its financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

As a principle, the Company's assets and liabilities (particularly financial instruments) are valued on a fair value basis and are then included either directly in the IFRS balance sheet or disclosed in the notes to the financial statements. For its Solvency II balance sheet, the Company uses the fair

value of assets and liabilities as calculated for IFRS accounting purposes, insofar as this value complies with Solvency II asset and liability valuation principles. This ensures that a reliable Solvency II balance sheet will be produced as part of an orderly, well-managed process. It also ensures consistency with the IFRS financial statements.

In substance there are no differences with regards to the base, methods and key assumptions used by the Company for the valuation of the assets and liabilities for solvency purposes under Solvency II and those used for their valuation in financial statements.

There are instances where, the value of certain items may be estimated using simplified approaches when those items do not represent significant exposure or when the difference with fair value as calculated under IFRS is not material. The Company is consistent in applying alternative valuation techniques unless it considers that the change in method would result in a more appropriate measurement. Such change in methodology is reported for transparency purposes.

The Company's Solvency II technical reserves amounted to €288.196k at 31 December 2016.

Capital Management

Our capital position is very strong.

At 31 December 2016, the Own Funds of the Company under IFRS amounted to €91.733k and under the Solvency II (eligible for SCR coverage) amounted to €132.897k. The basis of consolidation for financial accounting purposes differs from that used for prudential purposes.

All of the Company's Own Funds consist of Tier 1 funds.

The total SCR of the Company as at the end of 2016 came up to €35.141k with a total Minimum Capital Requirement (MCR) at €8.785k. These amounts are subject to supervisory assessment.

A. Business and Performance

A.1. Business

We are the second largest life insurance company in Cyprus with a very strong capital base.

With experienced and specialised employees and insurance intermediaries we have generated value and benefits to our customers and shareholders for over 20 years.

We are one of the largest and most powerful institutional investors in Cyprus with access to a wide international investment environment, managing assets and investments valued at €422 million.

At CNP Cyprialife, our mission is to help our customers build a better future, starting from a secure present.

Our vision is to lead the life insurance market by providing a complete range of relevant products and the best service in the industry. In 2016, having the second largest market share and the first leading position in the new life individual business we achieved our business objectives.

CNP Cyprialife responds to all challenges first and adapts its organisation and operation for the maximum benefit of its customers, associates and employees. Over the last 20 years we have built an enduring relationship of trust with our customers.

The Company was incorporated on the 12th of December 1991, as a limited liability company by shares, with the business name "INTERAMERICAN INSURANCE CO LIMITED". Following changes in the Company's legal name, as of the 19th of July 2013, the Company's legal name is CNP Cyprialife Ltd with registration number HE 46532.

CNP Cyprialife is a 100% owned subsidiary of CNP Cyprus Insurance Holdings Ltd (CNP CIH) a limited company incorporated in Cyprus. With effect from 1 January 2009, following the strategic partnership achieved between CNP Assurances and Cyprus Popular Bank Public Co Ltd, CNP Assurances acquired 50,1% of the share capital of CNP CIH, with the remaining 49,9% remaining with Cyprus Popular Bank Public Co Ltd. Following the decisions of the Eurogroup in March 2013 and the relevant decrees issued by the Resolution Authority, Bank of Cyprus Public Co (BoC) Limited has substituted Cyprus Popular Bank in its shareholding and currently holds the 49,9% of the share capital of CNP CIH. CNP Assurances is listed on the Paris Stock Exchange and BoC is listed on the London and Cyprus Stock Exchange.

CNP Assurances Group is France's leading provider of life insurance and term creditor insurance, the fourth largest life insurer in Europe and the fifth largest insurance company in Brazil. It was founded 160 years ago and worldwide has 35 million insureds under personal risk and protection policies and 14 million savings and pension policyholders. In 2016, the Group reported premium income of €31,5 billion and its net average technical reserves were €308,7 billion. 81% of CNP Assurance's financial assets are managed according to environmental, social and corporate governance.

Our principal activity is the underwriting of life insurance business which includes products for classes I (Life), III (Life linked with Investments), 1 (Accident), 2 (Sickness) and 7 (Management of Group Pension Funds).

Our registered office is located at 17, Akropoleos Avenue, CY-2006 Strovolos, Nicosia, Cyprus. We operate offices in Nicosia, Limassol, Larnaca, Paphos and Paralimni.

2016 Highlights

New insurance legislation: The Law on Insurance and Reinsurance Services and Other Related Issues of 2016 [Law 38(I) 2016] and the Insurance and Reinsurance Services and Other Related Issues Regulations of 2016 were published in the national Gazette and came into force on 11 April 2016. The new legislation regulates the issues relating to the taking-up, pursuit and supervision of insurance and reinsurance services and the taking-up, pursuit and supervision of insurance mediation services and other related issues as well as harmonizes the Cyprus insurance legislation with Directive 2009/138/EU (Solvency II).

Solvency II: We have successfully implemented a detailed action plan to align our governance arrangements, policies, procedures, practices and standards in accordance with the key Solvency II requirements.

We maintain strong capital adequacy. Our Solvency II position with our Solvency II capital coverage ratio at 31 December 2016 was at 378% (408 % at 31 December 2015) well over three times over the required prerequisite by the Solvency II Directive.

Risk Management: We implemented a robust business strategy and managed our risk profile to reflect our objective of financial strength and strong capital position. Our risk culture was strengthened and better embedded the use of our Risk Management Framework.

Distribution channels: We channelled our products through our own tied insurance intermediary network which we strengthen, develop and train continuously. For group business we also develop our sales through our specialised department.

Customer Service: To better serve our customers and associates we were the first life company in Cyprus to launch our Mobile application offering the latest, simplest and fastest way to access insurance information 24/7. We have also launched our new modern web portal INSUPASS offering direct updates and reliable communication for our customers and associates. We are upgrading and adapting to the digital world at all times.

Social Responsibility: We stand with sensitivity and solidarity next to the people in need and beside the Cypriot society. In 2016, we continued to organise pancyprian days of blood donation to the "Blood Bank" supported by the Karaiskakio Foundation. We supported the Association "One Dream one Wish" for the 16th "Journey of Love" to raise awareness for children suffering from cancer and related conditions and we offered financial support. At the same time, we supported youth entrepreneurship through initiatives such as the Innovation Competition "#CNPCYPRIALIFEHackCamp" organised by the Microsoft Innovation Centre and the Department of Computer Science and Engineering at the European University.

New Products: In 2016, we have received authorisation from the Insurance Companies Control Service to offer products under Class 7 – Management of Group Pension Funds and Investments. We have prepared a comprehensive package of professional pensions. Driven by our commitment to offer our customers the best possible benefits, we have engaged in long-term relationships with international investment managers and investment banks in order to choose appropriate investments and investment funds in all asset classes. We offer a wide range of investment strategies for every return and risk profile adapted to the needs of each customer.

We offer a wide range of products covering all the insurance needs of our customers.

Our Key figures - 31 December 2016

- **€422M Investments under management**
- **€93M Turnover**
- **€25M Total Claims paid**
- **378% Solvency II Capital base**
- **Offices throughout Cyprus staffed by 275 intermediation agreements**

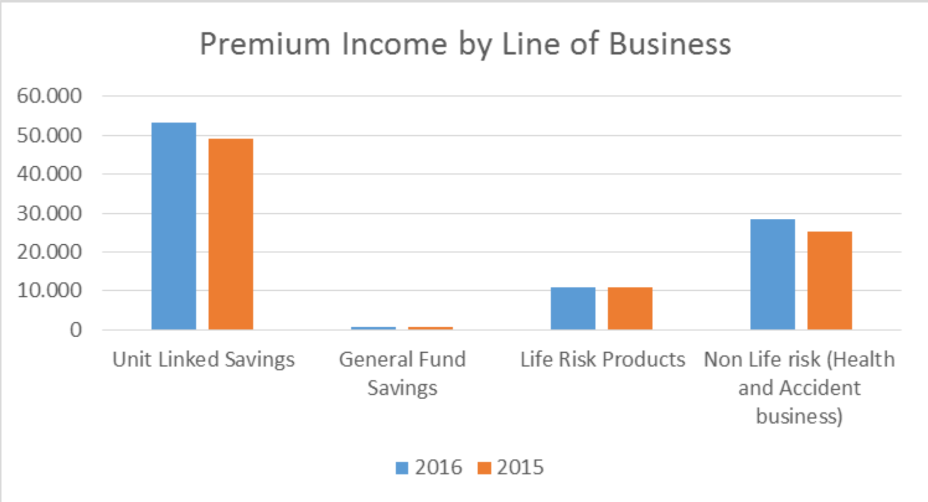
Going Forward

We continue focusing on the development and growth of our business while:

- Developing our products through innovation and flexibility always offering maximum security and protection
- Maximising the value of services offered to our customers
- Maximising our shareholders' return and continue maintaining our very strong capital position
- Remaining a responsible employer and a socially responsible company next to the people in need
- Complying with all relevant laws and regulations.

A.2. Underwriting Performance

In 2016, we reached an Underwriting Profit of €21.208k with the main contributors to the profit being the Unit Linked products and Life risk products.



UNDERWRITING PERFORMANCE

Actual 2016 In Thousands €	**All Classes**	**Unit Linked Savings**	**General Fund Savings**	**Life Risk Products**	**Non-Life risk (Health and Accident business)**
Premium collected including Policy fee	93.043	53.370	645	10.749	28.278
Total Premium & Income	95.779	61.836	1.419	8.764	23.759
Outgoes	(74.571)	(48.678)	(2.772)	(2.453)	(20.669)
Underwriting Profit	**21.208**	**13.158**	**(1.352)**	**6.312**	**3.090**
Actual 2015 In Thousands €	**All Classes**	**Unit Linked Savings**	**General Fund Savings**	**Life Risk Products**	**Non-Life risk (Health and Accident business)**
Premium collected including Policy fee	86.083	49.141	752	11.027	25.163
Total Premium & Income	84.903	52.677	2.214	8.899	21.113
Outgoes	(63.631)	(43.397)	(569)	(2.106)	(17.559)
Underwriting Profit	**21.272**	**9.280**	**1.644**	**6.793**	**3.555**

Underwriting Profit is presented prior to the deduction of administration expenses.

The main risk mitigation technique related to our Underwriting activities is the Reinsurance of the business. The objective of our reinsurance programme is to reduce the Company's exposure within acceptable limits paying particular attention towards engaging only with reputable reinsurers with strong capital base and creditworthiness.

The Company cooperates with reinsurers of a credit rating A and above. The key reinsurers with whom there is a cooperation is GenRe, SwissRe and MunichRe.

A.3. Investment Performance

The Company's assets are managed through:

- Holdings of units in mutual funds for bonds, equities, properties and other indirect investments
- Direct holding in bonds, equities, properties and other direct investments

The Company cooperates with external fund managers who are experts in their domain in order to get the expertise and achieve the maximum possible returns at an acceptable level of risk.

We do not hold investments in securitization.

The income and expenses arising from total Investible assets by asset class for the year ended 31 December 2016 and a comparison with the previous year are shown in the tables below.

Worldwide conditions over the course of the year were very challenging. Markets were marked by the historically low level of European interest rates and high volatility. Even in difficult market conditions, CNP Cyprialife achieved to offer satisfactory performance at acceptable risk levels for its customers and shareholders. The portfolio composition and performance of our Unit Linked Funds is presented in Appendix II.

Performance per Asset Class

In Thousands €	**Unit Linked**	**Non Unit Linked**	**Shareholders**
Equity	1.668	(4)	(126)
Government Bonds	630	217	45
Corporate Bonds	(172)	38	65
Bond Funds	2.908	1.133	1.075
Equity Fund	3.521	282	74
Equity Hedge Funds	(963)	(190)	(99)
Money Market Funds	(24)	(4)	(27)
Cash	243	(45)	492
Property	1.117	123	(524)
Structure Products	24	8	119
Subsidiaries	(134)	(78)	(12)
Loans	487	519	208
Total	**9.306**	**1.998**	**1.289**

Risk Mitigation

The Company follows its approved by the Board of Directors Tactical Asset Allocation (TAA) for an investment horizon of one year determining the optimum asset allocation in each of the asset classes that the Company invests in. Our TAA was designed per type of liability and fund, taking into account their duration, guarantees and any investment policies communicated to our customers. Additionally it aims at Solvency II optimisation and reduction of concentration risk, while at the same time maintaining the required liquidity in order to fulfil our operational requirements.

Our investment policies include restrictions on assets to minimise market risk as well as policies for the credit standing of financial institutions we invest in, to minimise counterparty default risk.

Gains and losses recognised directly in equity

The gain recognised by the Company directly in equity, AFS is €740k. The table below indicates the split between asset classes.

Asset Type **In Thousands €**	**AFS**
Equity - In-house	(127)
Mutual Funds Equity	(573)
Government Bonds - In-house	58
Corporate Bonds - In-house	(54)
Mutual Funds Bonds	1.575
Other Mutual Funds	(140)
Total	**740**

B. System of Governance

B.1. General Information on the System of Governance

We operate clear and effective organisational arrangements, while ensuring the continuity and regularity of our operations. Well-defined and consistent lines of responsibility and oversight are maintained. We use the three lines of defence model. The First Line of Defence owns the risk and is responsible for identifying, recording, reporting, managing the risks and ensuring that the right controls and assessments are in place to mitigate these risks. The Second Line of Defence sets the policy and guidelines for managing the risks and provides advice, guidance and challenge to the First Line of Defence on effective risk management. The Third Line of Defence is Internal Audit which independently ensures we are managing risk effectively.

Our BoD is kept informed on all material risk-related matters and exposures. Our Risk & Reserving Committee is an advisory Committee to our BoD.

Board of Directors and BoD Committees

The Board of Directors (BoD) is the ultimate authority for the management of the Company and it maintains responsibility for prudent management. The role of the BoD is to define the strategic plan, organise and direct the affairs of CNP Cyprialife in a manner that seeks to protect its policyholders' interests and maximise the value of the Company for the benefit of its shareholders, while complying with regulatory requirements and relevant governance standards.
The BoD bears the ultimate responsibility for the compliance of the Company with its legal and regulatory obligations at a national or EU level.

BoD meetings are taking place when needed but at least four times per annum and a quorum must be achieved to form decisions. In 2016, the BoD convened 6 times.

The Company has a strong, experienced and diverse BoD. The members of the BoD remained fit and proper according to the Solvency II requirements.

In 2016, the Company welcomed to its Board Andreas Paralikis (18 October), Konstantinos Katsaros (18 October), and Dinos Costa (24 November) in the role of Independent Non-Executive Directors and farewelled Rodoulla Hadjikyriacou and Doros Ktorides by thanking them for their valuable role during their tenure.

	Board of Directors	
Chairperson	Non-Executive	Xavier Larnaudie - Eiffel
Vice-Chairperson	Independent Non-Executive	Andreas Paralikis
Member	Independent Non-Executive	Takis Klerides
Member	Independent Non-Executive	Konstantinos Katsaros
Member	Independent Non-Executive	Dinos Costa
Member	Non-Executive	Jean-Christophe Merer
Member	Non-Executive	Brigitte Molkhou
Managing Director / CEO	Executive	Takis Phidia

Audit Committee

The Audit Committee assists the BoD in meeting its responsibilities in ensuring an effective system of internal control and compliance for the Company. The Committee also assists the BoD in meeting its external financial reporting obligations, including its obligations under applicable laws, and regulations and is directly responsible on behalf of the BoD for the selection, oversight and remuneration of the external auditor.

The Committee convenes with such frequency as it may consider appropriate but in any event not less than two times a year. In 2016, the Audit Committee convened 3 times.

The Audit Committee arrangements were revised during the year.

Remuneration Committee

The Remuneration Committee has primary responsibility to review and approve or make recommendations to the BoD of the Company regarding remuneration of executives and ensure compliance of the Company's remuneration policy and practices with applicable laws and governance regulations.

The Committee convenes with such frequency as circumstances dictate, but in any event not less than once a year. In 2016, the Remuneration Committee convened 2 times.

The Remuneration Committee arrangements were revised in the year.

	Audit Committee	
Chairperson	Independent Non -Executive	Takis Klerides
Member	Non-Executive	Xavier Larnaudie - Eiffel
Member	Non-Executive	Jean-Christophe Merer
Member	Independent Non-Executive	Andreas Paralikis
Member	Independent Non -Executive	Dinos Costa

	Remuneration Committee	
Chairperson	Independent Non -Executive	Takis Klerides
Member	Non-Executive	Brigitte Molkhou
Member	Independent Non-Executive	Konstantinos Katsaros

Remuneration Disclosure

Remuneration is governed by Collective Agreements with the employees' union ETYK.

The Company's Remuneration Policy is reviewed and maintained by the Remuneration Committee and is approved by the Board of Directors. The Remuneration Committee is responsible for the implementation of the Remuneration Policy.

The Company's Remuneration Committee defines the remuneration practices applicable to all employees and executives of the Company and gives guidance for the negotiation at the renewal stage of the collective agreement.

With regard to the members of the Board of Directors, the Remuneration and Nominations Committee which is authorised by the BoD of CNP Cyprus Insurance Holdings Ltd has primary responsibility to review and make recommendations regarding the remuneration of the Managing Director and Members of the Board of Directors.

The remuneration of the Directors is approved by the shareholders at the Annual General Meeting.

Management

The Company's Management has the responsibility for the consistent implementation of the BoD approved strategy through setting appropriate policies for all functions and the development and embedding of the mechanisms and procedures for internal control.

The Company's Management consists of the individuals in positions that effectively run the Company.

The Company's Managing Director is Takis Phidia and the General Manager is Andreani Kallimachou.

B.2. Fit and Proper Requirements

We have set standards and a Policy for the fitness and propriety. The purpose of our Fit & Proper Policy is to set out the corporate governance and oversight arrangements to ensure the sound and prudent management of the business as well as ensure that the persons who effectively run the Company or hold key functions at all times fulfil the following requirements:

- Their professional qualifications, knowledge and experience are adequate to enable sound and prudent Management (fit)
- They are of good repute and integrity (proper)

The covered individuals are required to comply with the requirements and behaviours set by the Supervisory Authority and our Code of Standards under the Fit and Proper Policy.

We also ensure that the collective knowledge, competence and experience of our BoD members, includes:

- Market knowledge
- Business strategy and business model
- System of governance
- Financial and actuarial analysis
- Regulatory framework and requirements

B.3. Risk Management System including ORSA

Risk Management

CNP Cyprialife has a Risk Management Function (RMF) and a dedicated Risk Officer in charge of developing and implementing the policies as well as the risk awareness culture within the Company. The RMF also provides important insights in relation to current and future risks.

Our appointed Chief Risk Officer is Athena Shipilli Tsingi.

Our Risk Management framework is in accordance with Part II, Chapter IV, Section 2 (Governance System) articles 45 and 46 of the Law 38(I) 2016 and articles 44 and 45 of the Solvency 2 Directive. We have enhanced our Risk Management Framework ensuring that all risks are effectively managed and measured against a set level of risk tolerance following an Enterprise Risk Management methodology.

Our policies for the key areas of risk were revised and approved by the BoD in the year.

We adopt the following guiding principles as a formal Policy for the management of risk:

- Our governance structure and risk management framework aim to create and promote a strong risk culture that is embedded in all aspects of our activities.
- Our BoD is responsible for overseeing senior management, for establishing sound business practices and strategic planning as well as for setting our risk appetite and risk tolerance at a level which is commensurate with its sound operation and the strategic goals. In setting our risk appetite and risk tolerance level, we take all relevant risks into account. Our BoD has the ultimate responsibility for the effective management of risk.
- The level of risks that we are willing to take is constrained by regulation and supervision. Risk appetite and risk tolerance depend not only on intrinsic risk aversion, but also on the current financial situation and our strategic direction.
- We implement a consistent risk culture and establish sound risk governance supported by an appropriate communication policy, all of which are adapted to our size, complexity and our risk profile.
- We are aware of our responsibilities relating to the identification and reporting of relevant risks.
- We have an established, and independent from risk taking activities Risk Management Function in order to ensure effective risk management.
- We ensure that the responsibilities for the measurement, monitoring and control of risks are clearly defined and

sufficiently independent from any risk-taking activity. Our internal control systems are structured in a way that guarantee the clear segregation of duties and the avoidance of conflicts of interest with respect to the taking up, approval, monitoring and control of risks.

- In consideration of our current and future needs, we develop risk measurement systems and tools with the purpose of capturing all expected and unexpected losses, for each type of risk, under both normal and stressed market conditions.
- We apply high standards of transparency for the performance of our operations and communicate all the information we consider necessary and in line with our Reporting & Disclosure Policy to the interested and affected parties.
- We analyse new products, markets, and businesses carefully and we make sure that we possess adequate internal tools and expertise to understand and monitor the risks associated with them.
- The governance of risk is documented and updated as appropriate.
- All outsourcing activities are in accordance with our Outsourcing Manual and the risks arising from such activities are managed in accordance with its defined risk appetite and policies.

Risk Management Framework

Risk is inherent in our business activities. We aim through appropriate risk management, to achieve our business and financial strategy by considering internal as well as external constraints without exceeding set risk tolerances. We use an enterprise-wide risk management framework across all risk types which is underpinned by the Company's risk culture.

Our Risk Management Framework is an embedded part of our business and fully interacts with the strategic planning and the capital management process and is the guiding framework for the implementation of the ORSA process.

CNP Cyprialife's Risk Management Framework is based on four key elements:

- Governance
- Risk Quantification and Aggregation
- Risk Control and Optimisation
- Risk Monitoring and Reporting

Our Risk & Reserving Committee plays a fundamental role in the management of risk. The Committee is chaired by the Company's Managing Director and its members include the Company's General Manager, CRO, CFO, Actuarial Function Holder/Group Actuary, and three members that are independent to the Company. The Committee assists with the formulation of the overall risk strategies and polices for managing significant business risks, and is responsible for designing and implementing a Risk Management Framework. In addition, the Committee ensures that the overall system of internal control operates effectively, it monitors and reviews risk exposures, it reviews and challenges actuarial reserves and it advises the BoD on the approval of reserves.

Risk Appetite

Risk Appetite is a key component for our management of risk. It describes the aggregate level and risk types that we are able and willing to accept in pursuing its medium to long term business objectives. Our risk appetite is managed and articulated through the Risk Appetite Statement, which is approved by the Board of Directors on the advice of the Risk & Reserving Committee.

The risk appetite is integrated within other risk management tools such as the ORSA and stress testing to ensure consistency in risk management. We aim to achieve an adequate balance between capital requirements and resources. The capital planning cycle is integrated within strategic planning.

We face a broad range of risks reflecting our responsibilities as a market leader in the life insurance business in Cyprus. These risks include those resulting from our responsibilities in the areas of offering insurance products to the public as well as from our day-to-day operational activities. The risks arising from the Company's responsibilities can be significant. These risks are prudently managed through detailed processes that emphasise the importance of integrity, intelligent inquiry, maintaining high quality experienced and professional staff and salesforce and public accountability.

In terms of operational issues, we have a low appetite for risk. We make resources available to control operational risks to acceptable levels. We recognise that it is not possible or necessarily desirable to eliminate some of the risks inherent in our activities and the acceptance of some risk is often necessary to foster innovation within business practices.

Our established leading position in the life insurance market in Cyprus, allows us to take a conservative approach to risks. As a result we are selective about the products we offer and our investment decisions. Our predominant approach to risk is to safeguard the interests of our policyholders and shareholders.

We identify and manage the risks on an ongoing basis. As part of this, we follow a risk strategy that is designed to ensure its continuity as a going concern, protecting earnings, maintaining a sound balance sheet and solvency ratios (overall protecting its financial soundness) as well as protecting its identity and reputation.

The Company's objectives when managing capital are:

- The compliance with capital requirements imposed by the Insurance Companies Control Service
- To safeguard the Company's ability as a going concern so that is provides returns for shareholders and benefits to other stakeholders
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk

Risk exposures

Our risk measurement and reporting systems are designed to help ensure that risks are comprehensively captured with all the attributes necessary to support well-founded decisions and that information is delivered in a timely manner for those risks to be successfully managed and mitigated.

We invest significant resources in IT systems and processes in order to maintain and improve our risk management capabilities.

The Risk Management Function manages a number of analytics supporting the rating and scoring models for different risk types.

Our Board of Directors has the overall responsibility for the assumption, monitoring and management of risks. The below risks form part of the Company's Risk Register Inventory and are identified, assessed and managed:

- Investment (Market) Risk
- Counterparty Default (Credit) Risk
- Life Underwriting Risk
- Health Underwriting Risk
- Operational Risk
- Business (Strategic) Risk
- Liquidity Risk
- Asset – Liability Risk
- Reputational Risk
- Any other Risk the Company identifies to be exposed to

The Company's risk categories are further broken into sub-categories of risks that are precise, specific and mutually exclusive. These sub-categories are used for identifying and assessing existing and emerging risk exposures as part of the risk management process and are registered in our risk register. The aggregation of risk exposures into the above categories creates the risk profile of the Company.

ORSA Process

The Own Risk and Solvency Assessment (ORSA) forms a core component of our risk management system and comprises of all the procedures and measures adopted by the Company, with the purpose of ensuring the following:

- Appropriate identification and measurement of risks
- An appropriate level of internal capital (the capital that is considered adequate for the coverage of the risks inherent in the business model and actives of a company, for Pillar 1 and 2 purposes. This level of capital is determined by the Company by the application of internal risk assessment methodologies) in relation to the Company's risk profile
- The application and further development of suitable risk management and internal control systems

In December 2016, the Company has submitted its ORSA Report to the Insurance Companies Control Service. The ORSA Report explained in detail how the Company has implemented and embedded the ORSA within its business, describing its risk profile and the degree of risk appetite that the Company is willing to endure as well as the capital that it considers as adequate to be held against the risks that it is exposed to.

B.4. Internal Control System

For us the Internal Control System is the aggregate of control mechanisms and procedures which covers every single activity and contributes towards the efficient and sound operation. Our Internal Control System comprises of every preventative or corrective control and more specifically aims at achieving the following objectives:

- The consistent application of the operational strategy, through the efficient utilization of all available resources
- The identification and management of every possible risk which is assumed and the safeguarding of the Company's assets
- Ensuring the completeness and reliability of data and information which are necessary for the correct and up-to-date determination of the Company's financial position and the production of reliable financial statements
- Compliance with the legal framework which governs the Company's operations, including internal rules and codes of ethics
- Prevention and avoidance of any operations which could endanger the reputation and interests of the Company, its shareholders and its counterparties.

Our Internal Control System is effected in multiple levels within the Company across our three lines of defence organisational arrangements.

The Board of Directors has the final responsibility for the design, implementation / application and maintenance of the Internal Control System.

In 2016, we have initiated projects to review the key processes that fall into the Internal Control System with the intent to improve and further strengthen the controls with special emphasis in the automation of controls.

The Internal Audit Function assessed the appropriateness, efficiency and effectiveness of the Company's internal control environment and reported its observations and recommendations to the Audit Committee.

Compliance

The Company has established and maintained a permanent and effective Compliance function.

The appointed Chief Compliance Officer is Polys Michaelides.

Our Compliance Function, in accordance to Part II, Chapter IV, Section 2 (Governance System) articles 47 of Law 38(I) 2016 and Article 46 of the Solvency 2 Directive decodes new and proposed (financial services / insurance) compliance – related rules from legislative or regulatory bodies, which are relevant to business, into internal standards, procedures, and guidelines. The Compliance Function is independent of risk taking functions and reports to the Company's Managing Director. The Chief Compliance Officer also has a direct reporting line to the BoD via the Audit Committee of the BoD in order to ensure its operational independence and safeguard its ability to escalate important issues.

The main responsibility of the Compliance Function is the establishment and application of suitable procedures for the purpose of achieving a timely and on-going compliance of the Company with the existing legal and regulatory framework. The activities and responsibilities of the Function are governed by the Compliance Charter and Manual, which are approved by the BoD and reviewed annually.

The key role of the Compliance Function is to proactively:

- Identify, assess and monitor the compliance risks faced by the Company
- Assist, support and advise line management in fulfilling its compliance responsibilities

In performing its above role, our Compliance Function has the objective to enable the Company to demonstrate to the regulatory authorities' compliance with applicable regulations and thus to:

- Protect the good reputation of the Company
- Avoid disciplinary action by the regulators
- Avoid civil action by customers
- Avoid criminal sanctions

Compliance risk areas within the scope of the Compliance Function are recognised by the Company as:

- Anti-Money Laundering / Customer Acceptance / Sanctions
- Privacy and Data Protection
- New Products and Services
- Customer Complaints and all complaints against the companies, employees and associates
- Marketing and Sales Practices
- Conflicts of Interest
- Confidentiality
- Outsourcing Services
- On-line presence and corporate communication
- Internal and External Codes of Conduct
- Regulatory Relationships
- Protection of Competition
- Insurance Legislation
- Corporate Governance
- Anti-bribery and Corruption
- Regulatory framework
- Internal and external Fraud
- Any other risk deemed applicable

The Company's policies for the key areas of compliance (Anti-Money Laundering, Code of Conduct, Conflict of Interest, Confidentiality, On-line Presence, Outsourcing Compliance, New Products and Marketing, Fit and Proper) were revised and approved by the BoD in the year. The approved by the Audit Committee risk-based Compliance Plan was implemented with results being reported to the Audit Committee of the BoD. The implementation of the Plan did not reveal significant findings.

B.5. Internal Audit

Our Internal Audit Function (IAF) is currently outsourced to Deloitte Ltd. The appointed Internal Auditor is Panicos Papamichael, Partner at Deloitte Ltd.

In accordance to Section 2 (Governance System) article 48 of Law 38(I) 2016 and Article 47 of the Solvency 2 Directive, the IAF remained independent and autonomous and provided an independent assessment of the risk framework and internal control processes.

To ensure the organisational independence of the Internal Audit Function, the Internal Auditor reports significant findings and any other matters to the Audit Committee of the Board of Directors. The Audit Committee is responsible for Internal Audit as part of its internal control structure, and was ultimately responsible for the direction and approval of the scope of work performed by the internal audit team in 2016.

The Company's Internal Audit policy and principles are outlined in the Internal Audit Charter and the Internal Audit Policy which are approved by the Audit Committee of the BoD and reviewed at least annually for their adequacy. The Company's Charter and Policy were approved by the BoD in the year.

The Internal Audit Function takes a risk-based approach in deciding its priorities. The steps in the Internal Audit Methodology are the below:

- Understand the Company's business, industry, processes, locations, and specific business objectives
- Develop a customized risk framework and conduct risk assessment through interviews, surveys, workshops or some combination thereof
- Draw up a risk-based annual audit plan for the Company and formalize an agreed plan with the Company's Managing Director
- Submit and present the risk assessment results and risk-based audit plan to the Audit Committee for review and approval
- Implement the approved by the Company's Audit Committee risk-based audit plan
- Report to the Management and the Audit Committee on identified deficiencies in control measures and of recommendations for improvement
- Submit to the Audit Committee an annual / periodic report regarding the audit activity and the (progress of) implementation of internal and external audit recommendations
- Inform the Audit Committee periodically about the latest developments and best practices in the field of internal auditing.

B.6. Actuarial Function

The Actuarial Function of the Company is responsible for coordinating all actuarial activities in accordance to Section 2 (Governance System) article 49 of Law 38(I) 2016 and Article 48 of the Solvency 2 Directive.

The Actuarial Function of the Company was handled jointly by Ioanna Panti (Group Actuary of CNP Cyprus Insurance Holdings) and Pavlina Theocharous (Company Actuary of CNP Cyprialife).

The Company's actuarial policy was approved by the BoD.

The Actuarial Function in the reporting year was responsible for all actuarial activities. More specifically:

- Coordinated the calculation of Technical Provisions for Solvency II purposes and mathematical reserves under current regime.
- Ensured the appropriateness of the methodologies and the underlying models used as well as the assumptions made in the calculation of Technical Provisions for Solvency II purposes and mathematical reserves under current regime.
- Assessed the sufficiency and quality of the data used in the calculations. Particularly, the reliability, completeness and accuracy of the data used for this reporting period have been confirmed through the Data Quality process.
- Compared best estimates (BE) against experience.
- Expressed an opinion on the overall underwriting policy.
- Expressed an opinion on the adequacy of the reinsurance arrangements.
- Contributed for and monitored the preparation of QRTs under Pillar 3.
- Contributed to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements and to the ORSA.
- The Senior Management has been informed on each quarter's Solvency II results, assumptions, and any other topics as agreed through the relevant Company's policies.

Our Board of Directors was kept informed on all actuarial matters and exposures.

B.7. Outsourcing

The Company has in place an Outsourcing Manual setting out the Outsourcing Policy and procedures ensuring the on-going compliance with the requirements of the Solvency II Directive with respect to the effective control and management of risks associated with the outsourced services.

The main objectives of the Manual are:

- To ensure that a consistent approach is taken to all decisions regarding the possibility of outsourcing any activities or functions
- To give adequate consideration to the risks involved
- To establish a framework for the management of outsourced services, ensuring that appropriate controls are exercised

The BoD approves any amendments to the Policy Manual and all critical or important outsourcing activities or functions. The key determinant to define a critical or important outsourcing arrangement is whether a function or activity is fundamental to the Company's ability to carry out its core business and the impact it has on the Company.

The Company outsources externally the key functions / activities of Internal Audit, Information Security, IT Infrastructure, Storage and Archives, Custody Services and Fund Management.

The Company remains fully responsible for all outsourced functions and activities. The Company has included in its risk management systems and controls a process for monitoring and reviewing the quality of the service provided.

C. Risk Profile

We conduct an annual ORSA to determine a forward looking assessment of the Company's capital requirements given the Company's business strategy, risk profile, risk appetite and capital plan. As part of the CNP Cyprialife ORSA, a range of stress tests are applied to the Company's base capital plan. The ORSA is approved by the Board of Directors, which has the ultimate responsibility for the effective management of risk and approval of the Company's risk appetite.

The ORSA is reviewed by the Insurance Companies Control Service in Cyprus as part of its supervisory review and evaluation process which occurs periodically.

Pillar 2 considers, in addition to the minimum regulatory capital requirements for Pillar 1 risks, any supplementary requirements for those risks as well as any requirements for risk categories not captured by Pillar 1. The risk categories to be covered under Pillar 2 depend on the specific circumstances of an insurance company and the nature and scale of its business.

We are exposed to Pillar 1 risks which are explicitly assessed through Pillar 1; market, counterparty default, life underwriting, health underwriting and operational risk calculated by the standard formula as well as risks not fully covered by Pillar 1 such as strategic, business, liquidity, legal and compliance and reputational. The type of risks to which we are exposed have not changed significantly over the year.

The Risk Management Function has an ongoing project in place to identify at all times the Company wide risks for the purposes of its risk register. All the risks that the Company is exposed to or could be exposed to in the future are documented, categorised and assessed based on the severity of adverse impact that they could have on the Company if they were to be crystallized. The result of this assessment is the profiling of risks in different categories of severity.

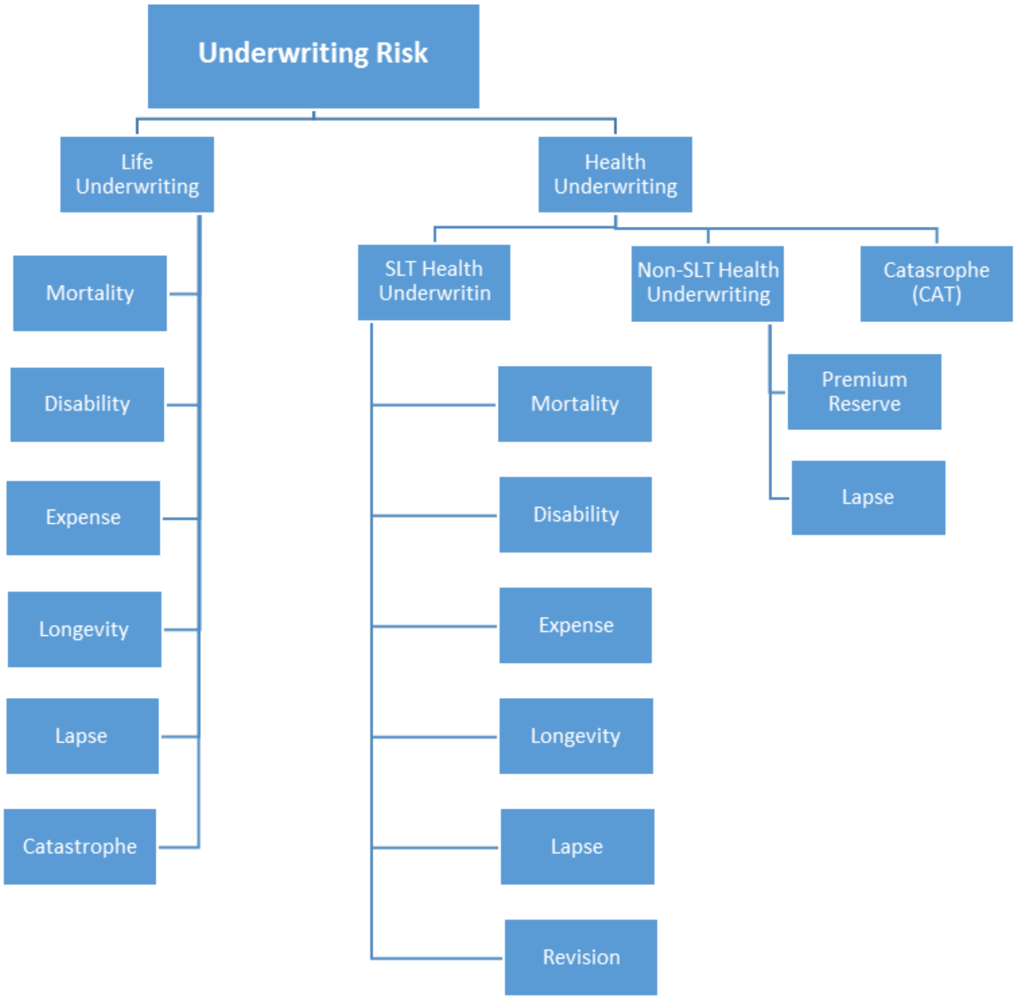
SCR Coverage ratio	**378%**
Own Funds	**132.899**
SCR	**35.141**
SCR Operational	2.843
Adjustment for Loss Absorbing Capacity of Deferred Tax	(5.020)
BSCR	**37.318**
SCR Market	24.010
SCR Life	15.712
SCR Health	9733
SCR Counterparty	3.303

The Solvency II capital position of CNP Cyprialife was strong and has remained resilient to stresses performed.

The Company's Solvency II Pillar 1 projections indicate a further increase in the Solvency II Coverage ratio of the Company for the next five years up to and including 2021.

Our Board of Directors approves the Solvency II coverage ratio and examines the Company's profile both from regulatory and economic capital viewpoints.

C.1. Underwriting Risk



We define Underwriting risk as the risk of loss or unfavourable change of the value of the liabilities of insurances resulting from an increase of the claim rate not anticipated during the pricing or during the acceptance of the risks.

The underwriting risks quantified under Pillar 1 are Life and Health underwriting risks, which are the risks arising from the life and health insurance obligations, in relation to the perils covered as well as the processes used in the conduct of business. They include the risk resulting from uncertainty included in assumptions about exercise of policyholder options like termination options.

The Life and Health underwriting risk modules take account of the uncertainty in the results of undertakings related to existing insurance and reinsurance obligations as well as to the new business expected to be written over the following 12 months.

A standardised approach in line with the EIOPA specifications was followed by the Company for calculating the solvency capital requirement for life and health underwriting risks looking at the sub-modules shown below.

Mortality Risk

Mortality risk is the risk of loss resulting from a change in value caused by the actual mortality rate being higher than the one expected.

Disability Risk

Disability risk is the risk of loss resulting from a change of value caused by a deviation of the actual randomness in the rate of insured persons that are incapable to perform one or more duties of their occupation due to a physical or mental condition, compared to the expected randomness.

Expense Risk

Expense risk is the risk of loss resulting from a change in value caused by the fact that the timing and/or the amount of expenses incurred differs from those expected.

Longevity Risk

Longevity risk is the risk of loss resulting from a change in value caused by the actual mortality rate being lower than the one expected.

Lapse Risk

Lapse risk is the risk of loss resulting from fluctuations in the frequency of policy lapses.

Premium Risk

Premium risk is the risk of loss resulting from fluctuations in the timing, frequency and severity of insured events. It relates to policies to be written (including renewals) during the period and to unexpired risks on existing contracts. Premium risk includes the risk that premium provisions turn out to be insufficient to compensate or need to be increased. It also included the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the premium risk.

Reserve Risk

Reserve risk is the risk of loss resulting from fluctuations in the timing and amount of claims settlements.

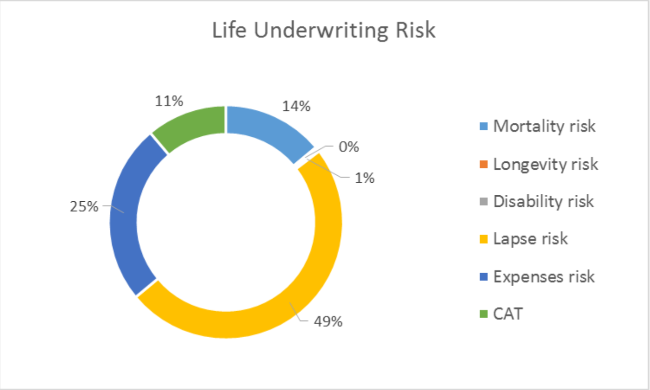
Catastrophe Risk

Catastrophe risk is the risk that a single event or series of events, of major magnitude, usually over a short period, leads to a significant deviation in actual claims from the total expected claims.

Premium Risk

The capital requirement for Life Underwriting risk is the sum of the life underwriting risk components plus the diversification effect between the components. The life underwriting risk components are the mortality risk, longevity risk, disability risk, lapse risk, expenses risk and catastrophe risk.

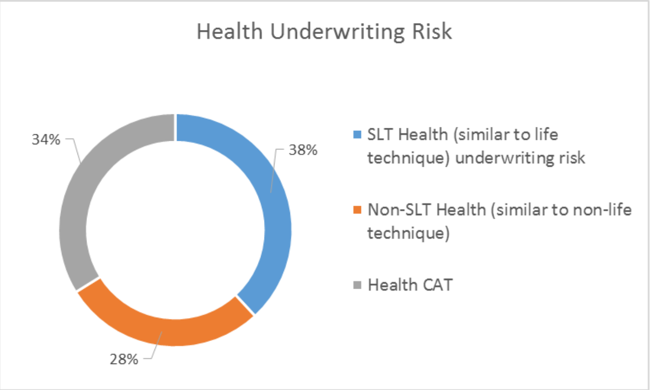
Lapse Risk and Expenses Risk contributed the greatest to the Life Underwriting risk of the Company with 49% and 25% respectively. The impact of diversification was around 27%.



Health Underwriting Risk

The capital requirement for Health Underwriting risk is the sum of the Health Underwriting risk components plus the diversification effects. The Health Underwriting risk components are the similar to life technique underwriting risk, the non-similar to life technique health risk and the health catastrophe risk.

Health Similar to Life techniques and Health Catastrophe Risk contributed the greatest to the Health Underwriting risk with 38% and 34% respectively. The impact of diversification was around 25%.



Changes over the reporting period

There were no material changes over the period regarding the Company's portfolio of insurance products.

Unit Linked Savings was the main source of business with a contribution of 57%.

Non-Life (Health and Accident Business) followed with 30%. The remaining 13% included General Fund Savings and other Life risk products.

The Solvency Capital Requirement per risk as described above for the years ended 2016 and 2015 are shown below:

SCR Life		
In Thousands €	**31/12/2016**	**31/12/2015**
Mortality	3.012	2.623
Disability	76	77
Expense	5.372	4.274
Longevity	74	16
Lapse	10.662	10.769
CAT	2.411	2.302
Diversification	*(5.896)*	*(5.262)*
SCR Life	**15.712**	**14.799**

The SCR Life has increased by 6% with Expense risk being the greatest contributor in the year with 26% (€1.098k) increase.

This increase was mainly due to the new internal study used for lapse and surrender rates, the new expense assumptions resulting from a reallocation of expenses between product classes and the new yield curves required by legislation.

An increase in Mortality risk of 15% (€389k) also contributed to the increase of the SCR Life. This increase was mainly due to the new internal study used for lapse and surrender rates as well as from a change in yield curves.

SCR Health		
In Thousands €	**31/12/2016**	**31/12/2015**
SCR Health SLT	4.967	5.096
SCR Health NSLT	3.655	3.416
Health Cat	4.415	3.108
Diversification	*(3.305)*	*(2.792)*
SCR Health	**9.733**	**8.828**

The SCR Health has increased by 10% mainly due to an assumed increase of 42% (€1.307k) in the Catastrophe Risk. The increase in CAT risk is due to an increase in the average claim amounts and number of in-force policies.

The SCR Health non-similar to Life has also increased by 7% mainly due to an increase in premium risk resulting from increase in premium volumes.

Risk Mitigation

Underwriting risk (including life and health risks) is taken on in line with the Company's underwriting and pricing expertise, to provide an appropriate level of return for an acceptable level of risk. We have a preference for those risks we understand well.

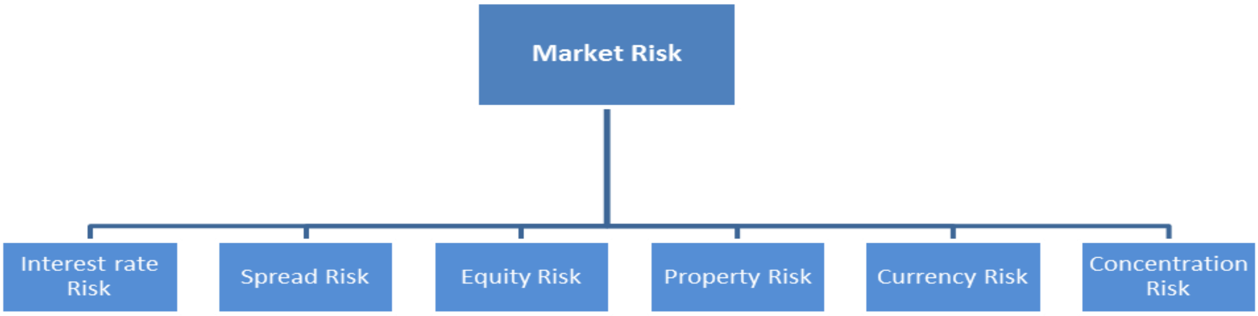
The Company's underwriting objective is to maximize earning levels and minimize volatility of earnings, while ensuring that the Company is appropriately compensated for the risks it assumes. This objective is constrained by the Company's target solvency position and the material risks that the Company is exposed to.

Underwriting discipline and a robust governance process is at the core of the Company's underwriting strategy. The risks arising from underwriting are managed, monitored, reported and controlled in accordance with the Company's overall governance arrangements, which follow the management and oversight of the Company's exposure to underwriting risk.

In the course of the year, we have successfully completed reviewing our reinsurance arrangements and specifically life and health business retentions. There was no change in the retentions since the previous year.

In addition to the Central scenario, the ORSA Upward scenario and the ORSA Downward scenario have been carried out and our capital adequacy remained at very strong levels.

C.2. Market Risk



We define market risk as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The market risks quantified under Pillar 1 refer to fluctuations that may arise in interest rates, equities, foreign exchange rates (currency) and property as well as spread and concentration risks. Concentration risk relates to all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of a Company.

These market risk factors may affect a Company's income and the value of its holdings in financial instruments.

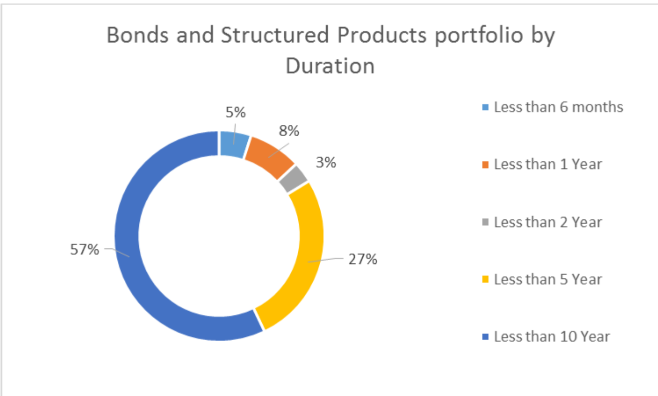
We have followed a standardised approach in line with the EIOPA specifications for calculating the solvency capital requirement for market risk looking at the sub-modules shown below.

Interest Rate Risk

Interest Rate risk is the risk of a change in value caused by a deviation of the actual interest rates from the expected interest rates.

On the asset point of view, to calculate the Interest Rate risk the Company estimates the value for each security held separately before and after the shock as described in the standard formula. For individual securities we add the implied yield increase or decrease (depending on the shock) to the actual yield of the asset in order to estimate the market value of the specific asset after the shock. For interest sensitive funds, such as bond funds or money market funds, we use the average duration of the fund to calculate the aftershock impact.

The figure below shows the bond and structured products' portfolio of the Company by duration:

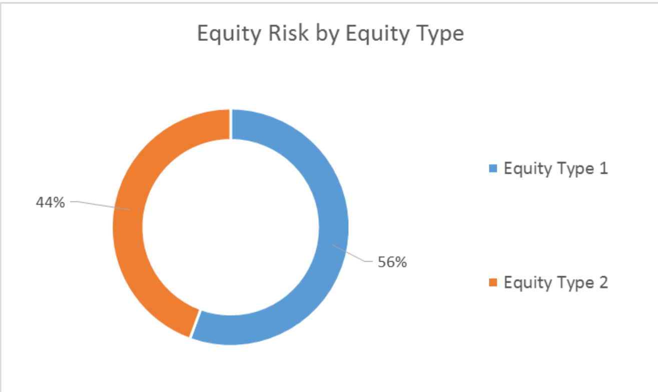


Equity Risk

Equity risk is the risk of a change in value caused by deviations of the actual market values of equities and/or income from equities from their expected values.

For the Equity risk, the Company uses the standard formula which applies a 39% shock for Type 1 equities and 49% shock for Type 2 equities plus the systematic adjustment. Type 1 equities are the equities listed in regulated markets in countries which are members of the European Economic Area (EEA) or the Organisation for Economic Cooperation and Development (OECD). Type 2 equities are equities listed in stock exchanges in countries which are not member of the EEA or the OECD, equities which are not listed, commodities and other alternative investments.

The Equity risk is the sum of Equity Type 1 and Type 2 risk plus the diversification effect. The diversification effect is at around 6% of the sum of risks.



Property Risk

Property risk is the risk of financial loss occurring as the result of owning a real estate investment.

For the Property Risk the Company applies a 25% shock on all assets which are exposed to property (25% decreases in price) as described in the standard formula.

Spread Risk

Spread risk is the risk of a change in value due to a deviation of the actual market price of credit risk from the expected price of credit risk.

For the Spread Risk calculation the Company uses:

- For individual bonds: the actual yield and rating
- For funds: the average duration and average rating of each fund which invests to assets which are exposed to spread risk such e.g. bonds and cash.

The table below illustrates the credit rating of the bond and structured products portfolio of the Company:

Credit Rating	**AAA+ - AAA-**	**AA+ - AA-**	**A+ - A-**	**BBB+ - BBB-**	**BB+ - BB-**	**B+ - B**	**B- or Lower / Unrated**	**Total**
Exposure In Thousands €	3.224	30.406	92.710	25.024	4.108	9.033	21.666	186.172
%	2%	16%	50%	13%	2%	5%	12%	100%

Currency Risk

Currency risk is the risk of a change in value caused by the fact that actual foreign currency exchange rates differ from those expected.

For the Currency risk the Company applies a 25% shock on all assets which are exposed to currency risk (the larger impact of a 25% appreciation or depreciation of the foreign currency against the local currency) as described in the standard formula.

Concentration Risk

Concentration risk is the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and/or obligations.

For the Concentration risk the Company uses the standard formula to calculate the risk that arises from concentrated exposure to a single issuer.

There is no material concentration risk in the reporting period. The Company kept its portfolio diversified in order to avoid high concentration to a single issuer.

Changes over the reporting period

The Company is inherently exposed to be adversely impacted by the historically low interest rate environment which is anticipated to continue for an extended period of time. The Company anticipates that financial markets may continue to have periods of high volatility in the short term.

The Company continuously monitors its investment risks through the revision of its TAA and takes action as necessary. The risks from investments affect the ability of the Company to keep the returns promised to its customers as well as pay a return to its shareholders. The Company's has in its portfolio (but closed to new business) unit-linked products providing guaranteed minimum investment returns to customers and as a result the Company accepts certain investment risks in order to offer upside potential but provide protection against the downside.

Unexpected risks exposures are currently covered by own funds.

The total exposure per risk as described above for the years ended in 2016 and 2015 is shown below:

	Exposure	
In Thousands €	**31/12/2016**	**31/12/2015**
Interest Rate Risk	259.255	240.928
Equity Risk Type 1	80.250	86.096
Equity Risk Type 2	31.754	33.102
Property Risk	31.714	24.535
Spread Risk	259.382	238.895
Currency Risk	7.816	7.003
Concentration Risk	205.186	180.179

As shown above, we have decreased the standard deviation of our portfolio by decreasing high risk assets such as equities and increasing low risk assets such as bonds. This is because in the course of the year there were events that have added additional volatility to the market and the Company decided to reduce the variance of the portfolio.

The Solvency Capital Requirement per risk as described above for the years ended in 2016 and 2015 is shown below:

SCR Market		
In Thousands €	**31/12/2016**	**31/12/2015**
Interest Rate risk	5.341	3.943
Equity risk	10.912	10.395
Property risk	4.139	3.024
Spread risk	9.264	9.343
Currency risk	1.114	220
Concentration risk	7.103	9.014
Diversification	*(13.863)*	*(13.019)*
SCR Market	**24.010**	**22.920**

The SCR Market Risk has increased by 5% mainly due to the following reasons:

- Interest Rate Risk: Increase mainly due to the increase in interest rate sensitive assets backing own funds and the different duration of assets and liabilities and the guarantees embedded in the portfolio.
- Equity risk: Assets movement change is due to the increase shock from the equity dampener. The movement from liabilities was relatively unchanged.
- Property Risk: Increase due to increase in property related assets backing own funds
- Currency Risk: Increase due to Company's decision to stop hedging some of the currency which caused the currency risk to increase.

On the other hand, Concentration Risk has decreased due to increased diversification and assets falling under Concentration risk.

The greatest contributors of the market risk were the Equity risk and the spread risk. The impact of diversification for 2016 was around 37%.

Risk Mitigation

Risks arising from investments are monitored and controlled through the use of risk limits and via robust governance.

We use our Tactical Asset Allocation to match assets and liabilities in the best possible way allowing for the different objectives (return vs risk) and controlling the market SCRs.

Monitoring Investment risk exposures is a joint responsibility between our three lines of defence in the Investment risk management framework, consisting of prudent and regular review of risk metrics and exposures. All risk monitoring is undertaken in the context of the overarching limit structure, and any limit breaches are quickly and promptly escalated to the required parties.

The BoD bears ultimate responsibility for setting the investment risk strategy and appetite and for the management of the investment risk. Our Investment Committee is the BoD's delegated authority to develop and oversee the implementation of the Company's investment strategy, policies and procedures as well as for ensuring the investment decisions are made in a prudent manner and are within the BoD's risk appetite. The Committee provides challenge on investment decisions and on the risks associated with them.

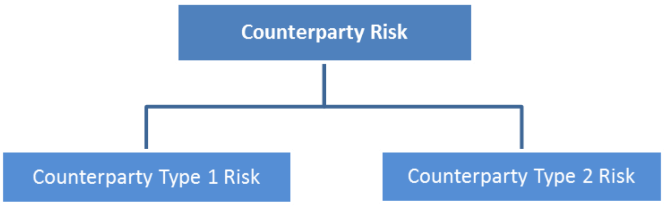
In addition to the Central scenario, the ORSA Upward scenario and the ORSA Downward scenario have been carried out and our capital adequacy remained strong.

C.3. Counterparty Default Risk/Credit Risk

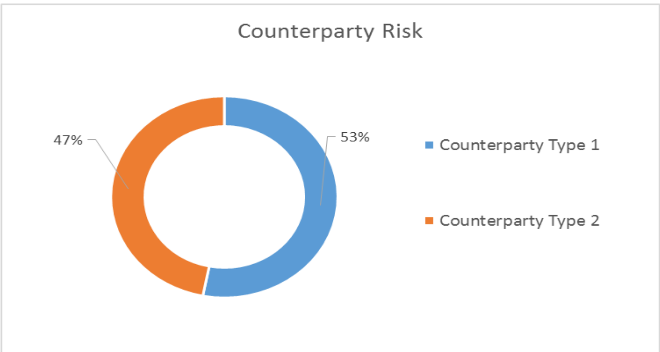
The Counterparty Default Risk is the risk to incur a possible loss due to unexpected default or deterioration in the credit standing of the counterparties and debtors of insurance and reinsurance undertakings over the following 12 months.

This type of risk can reduce the amount of future cash inflows from financial assets on hand at the reporting date.

We follow a standardised approach in line with the EIOPA specifications for calculating the solvency capital requirement for counterparty default risk.



The figure below shows the split of SCR Counterparty between the 2 types:



Type 1 exposures consist of the following:

- Risk-mitigation contracts
- Cash at bank
- Deposits with ceding undertakings, where the number of single name exposures does not exceed 15
- Commitments received which have been called up but are unpaid, where the number of single name exposures does not exceed 15
- Legally binding commitments which the company has provided or arranged and which may create payment obligations depending on the credit standing or default on counterparty.

Type 2 exposures consist of all credit exposures which are not covered in the spread risk sub-module and which are not type 1 exposures, including the following:

- Receivables from intermediaries
- Policyholder debtors
- Mortgage loans
- Deposits with ceding undertakings where the number of single name exposures exceeds 15
- Commitments received which have been called up but are unpaid where the number of single name exposures exceeds 15

We are inherently unable to predict all developments which could have impact on this risk; albeit we take the necessary measures to contain the risk at acceptable levels.

Our Counterparty Risk has decreased by 40% (€2.236k) over the reporting period due to additional diversification and reduced assets that fall under the risk. The total exposure per risk as described above for the years ended in 2016 and 2015 is shown below:

Counterparty Risk		
In Thousands €	**31/12/2016**	**31/12/2015**
Counterparty Type 1	1.872	4.336
Counterparty Type 2	1.658	1.487
Diversification	*(227)*	*(284)*
SCR Counterparty	**3.303**	**5.539**

Risk Mitigation

The Company has policies to limit the counterparty default risk by reviewing the credit standing of its reinsurers as well as the level of deposits in reputable financial institutions with good credit standing.
Cash exposures are diversified in order to ensure that the counterparty risk remains at acceptable low levels.

Any unrated exposures comprise of cash and bank deposits with Cyprus cooperative and banking institutions that are assessed by the Investment Committee to be of adequate credit quality and no credit losses are anticipated from these placements.

Receivables are individually assessed on an ongoing basis for impairment and where deemed necessary a provision is recognised in the Company's financial statements.
A provision for impairment of trade receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the original effective interest rate.

The Company's Board of Directors is being informed on counterparty exposures and specific actions are followed up.

In addition to the Central scenario, the ORSA Upward scenario and the ORSA Downward scenario have been carried out and our capital adequacy remained strong.

C.4. Liquidity Risk

We define Liquidity Risk as the risk of not being able to make payments as they become due because there are insufficient assets in cash form or that can easily be turned into cash at no excessive cost.

This risk may arise when the Company is unable to realise investments and other assets in due time to meet its obligations as well as from significant asset / liability mismatches in relation to duration, currency, nature and timing.

Liquidity Policy and Monitoring Procedures

We ensure that we maintain sufficient liquid financial resources to meet its obligations as they fall due through. There is a liquidity risk appetite which requires that sufficient resources be maintained for the Company to manage its day to day operations in the short, medium and long term as well as sufficient buffer of liquid assets for covering sudden liquidity demands that may arise.

In accordance with the Company's risk appetite, the Company maintains a pool of liquid assets in bonds, cash and mutual funds that represents a predefined percentage of our total assets that is used to meet short term liquidity demands as well as a buffer for unexpected cash demands.

We perform Asset Liability Matching to monitor this risk and specific thresholds and stresses are performed. The duration of the Company's liabilities is considered in the Investment decisions.

An ALM dashboard for normal and stressed market conditions is prepared in line with the Company's Asset Liability Matching (ALM) Policy and presented to the Risk & Reserving Committee.

On the asset side the Company's liquidity risk remained low as the Company's portfolio included high traded equities and bonds as well as mutual funds with fund managers offering daily liquidity and cash.

C.5. Operational Risk

We define operational risk as the risk of loss arising from inadequate or failed internal processes, or from people and systems, or from external events.
It includes legal and compliance risk, which can be defined as the risk of loss arising from non-compliance with laws and regulations, contracts, established practices or codes of conduct, but excludes strategic and reputational risks.

We continuously operate, validate and enhance its key operational controls arising from inadequate or ineffective internal processes, people and systems or from external events.

The regulatory environment is fast changing and imposes significant demands on the resources of the Company. In the year 2016, the implementation of Solvency II entailed challenges on and changes of the Company's operations.

In terms of operational issues, we have a low appetite for risk. We make resources available to control operational risks to acceptable levels and maintain an operational policy.

Internal Fraud

The Company has no appetite for any fraud or corruption perpetrated by its employees. We take all allegations of suspected fraud or corruption very seriously and respond fully and fairly as set out in the Code of Conduct.

External Fraud

The Company has no appetite for any fraud or corruption perpetrated by people outside the Company. We take all allegations of suspected fraud or corruption very seriously and respond fully and fairly as set out in the Code of Conduct.

Security of Property and Persons

We strive to provide a highly-secure environment for our people and assets by ensuring its physical security measures meet high standards. The Company has a very low appetite for the failure of physical security measures
Work Health & Safety – The Company aims to create a safe working environment for all its employees. It has a very low appetite for practices or behaviours that lead to staff being harmed while at work.

Products, Contracts and Customer Relationship

We have a low appetite for losses arising from an unintentional or negligent failure to meet a professional obligation to clients (including fiduciary and suitability requirements); as well as low appetite for losses linked to the nature or design of a product.

Project Management

The Company has a low appetite for losses arising from failed management of projects either performed by internal resources or from external vendors and service providers.

IT Dysfunctions

Information Technology (IT) risks cover both daily operations and on-going enhancements to the Company's IT systems. These include:

- Processing – Prolonged outage of core systems: The Company has a low appetite for risks to the availability of systems which support its critical business functions thus maximum recovery times have been identified and agreed with each business area.
- Security – external or internal attacks on core systems or networks: The Company has a very low appetite for threats to Company assets arising from external or internal malicious attacks. To address this risk, the Company aims for strong internal control processes and the development of robust technology solutions. The Company has enhanced its information security organizational arrangements.
- On-going Development: The implementation of new technologies creates new opportunities, but also new risks. The Company has a low appetite for IT system-related incidents which are generated by poor change management practices.

Execution, Delivery and process management

The Company is committed to ensuring that its information is authentic, appropriately classified, properly conserved and managed in accordance with legislative and business requirements. We have a very low appetite for the compromise of processes governing the use of information, its management and publication. The Company has no appetite for the deliberate misuse of its information.

Human Resources management

Calibre of People: The Company relies and high quality employees to perform its functions. It aims to create an environment where employees are empowered to the full extent of their abilities. The appetite for losses to the value of the Company's collective competencies, knowledge and skills is low.

Conduct of People: The Company expects employees and agents to conduct themselves with a high degree of integrity, to strive for excellence in the work they perform and the outcomes they achieve, and to promote the clients interest. The appetite for behaviours which do not meet these standards is low. The Company takes very seriously any breaches of its Code of Conduct.

Legal & Compliance

The Company is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable. The Company has no appetite for deliberate or purposeful violations of legislative or regulatory requirements.

We follow a standardised approach in line with the EIOPA specifications for calculating the solvency capital requirement for operational risk as presented in the below table. This approach takes into consideration the earned premiums as well as the technical provisions of the Company which does not necessarily capture the full definition of the operational risk as stated above.

SCR Operational		
In Thousands €	**31/12/2016**	**31/12/2015**
SCR operational	2.843	2.602

We take appropriate and timely steps to prevent and mitigate undue operational risk and financial loss due to weaknesses in processes, people and systems.

We aim to continuously improve further the operational risk framework and all loss events are promptly captured for appropriate action to be taken and promote internal learning.

C.6. Other Material Risks

Business Risk

Business risk arises because capital is risk sensitive and may vary as business cycles and conditions fluctuate over time.

We continuously examine market conditions to which our business is exposed and we continuously identify the key sources of risks.

Reputational Risk

Reputational risk could arise from an adverse perception of the image of a company on the part of customers, counterparties, shareholders, media speculation and negative publicity, supervisory authorities and any other stakeholders.

This risk is not ignored by the Company and at an early stage we seek to identify prevent, manage and constraint any threat to its brand or reputation.

Strategic Risk

The strategic risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. This risk could impose material threats on the Company's current and prospective earnings.

Our BoD is promptly informed on all risk exposures that may arise and where needed action is taken.

D. Valuation for Solvency Purposes

Valuation Principles

We prepare our financial statements under the IFRSs. Accordingly, fair value is already calculated for many of its assets and liabilities (particularly financial instruments) and is then included either directly in the IFRS balance sheet or disclosed in the notes to the financial statements.

For its Solvency II balance sheet, the Company uses the fair value of assets and liabilities as calculated for IFRS accounting purposes, insofar as this value complies with Solvency II asset and liability valuation principles.

This ensures that a reliable Solvency II balance sheet is produced as part of an orderly, well-managed process. It also ensures consistency with the IFRS financial statements.

In substance there are no differences with regards to the base, methods and key assumptions used by the Company for the valuation of the assets and liabilities for solvency purposes under Solvency II and those used for their valuation in financial statements except where specifically mentioned below.

There are instances where, the value of certain items may be estimated using simplified approaches (e.g. cost price or cost) when those items do not represent significant exposure or when the difference with fair value as calculated under IFRS is not material. The Company is consistent in applying alternative valuation techniques unless the change in method would result in a more appropriate measurement.

Criteria for Active market Identification

Solvency II prefers entities to use values obtained from transactions carried out on active markets wherever possible.

If no active market transactions are available, a significant element of judgement will need to be used in the valuation as regards the choice of valuation methods as well as the assumptions, inputs and data to be used. Such an approach must be part of a well-managed process in order to achieve unbiased valuations.

To assess whether a market is active for Solvency II asset and liability valuation purposes, the Company uses the same criteria as in its IFRS accounting process.

For valuations and fair value measurements under IFRS 13-Fair Value Measurement, prices obtained from transactions carried out on an active market should be used where possible. For financial instruments in particular, the Company uses the fair value hierarchy set out in IFRS 13. Instruments classified in Level 1 in the notes to the IFRS financial statements are considered as having been obtained on an active market when preparing the Solvency II balance sheet.

General principles and rules for classifying items according to the IFRS 13 fair value hierarchy are summarised in the notes to the IFRS financial statements.

D.1. Assets

Specific Rules for asset valuation and gap between Financial Statements

Intangible Assets

The IFRS Net Book value for Intangible Assets is €174k and relates to the costs that are directly associated with identifiable and unique computer software products owned by the Company that are expected to generate economic benefits, minus any accumulated amortisation and any accumulated impairment losses. We also recognise an intangible arise from the purchase of insurance portfolios that have Nil Net Book Value.

For Solvency II purposes intangible assets are valued at Nil based on the SII valuation principles (EIOPA Guidelines). This is also a prudent approach followed by the Company due to the absence of any active market for these items.

Deferred Tax Assets

The Company has not recognised any Deferred tax Asset under IFRS principles.

Under Solvency II Balance Sheet the Company recognised an amount of €36.658k Deferred Tax Asset coming from the tax base (temporary) differences created by the differences in the valuation of assets under Solvency II compared to the valuation of such assets under IFRS. As explained above the Intangible assets and Deferred Acquisition costs are valued at Nil based on the Solvency II valuation principles. In addition, the Technical Reserves are valued in accordance with the Solvency II principles.

Insurance & intermediaries receivables

Insurance & intermediaries receivables are amounts due from agents and direct customers (i.e. from insurance holders) and are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less provision for impairment.

The IFRS value of Insurance & Intermediaries receivables is €5.776k.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable should be reviewed impairment. The amount of the provision is the difference between the carrying amount and the recoverable amount. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in profit or loss. When an amount is uncollectible, it is written off against the allowance account for insurance receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

The value of the Insurance & intermediaries receivables under Solvency II does not differ from IFRS.

The value of the Insurance & intermediaries receivables under Solvency II does not differ from IFRS.

Reinsurance receivables

The IFRS value of reinsurance receivables is €1.251k.

The benefits to which the Company is entitled under reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Company evaluates their reinsurance assets on a yearly basis for impairment. If there is objective evidence that the reinsurance asset is subject to impairment, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognise the impairment loss in the profit or loss.

The value of the reinsurance receivables under Solvency II does not differ from IFRS.

Receivables (trade, not insurance)

The IFRS value of Receivables is €10.501k and mainly comprises of an intercompany Loan with a Group Company, agents' balances and prepayment to suppliers. The value of the Receivables under Solvency II does not differ from IFRS.

The Company considers that the IFRS value is not significantly different from the fair value.

Fair value may be determined on a case-by-case basis if the IFRS value is likely to differ significantly from fair value, for example due to the impact of discounting.

Investment Assets

Investment assets are valued at Fair Value for IFRS purposes. The IFRS value of the Company's total Investible Assets is €422.300k and is detailed below.

The value of the Investment Assets under Solvency II does not differ from IFRS.

Assets under management by Asset class				
In Thousands €	**Unit Linked**	**Non Unit Linked**	**Shareholders**	**Total**
Equity	7.442	1	783	**8.236**
Equity Fund	58.468	3.880	7.555	**69.903**
Equity Hedge Funds	17.026	3.351	1.663	**22.040**
Bonds - In-house	22.418	11.448	6.701	**40.568**
Bond Funds	93.216	13.505	38.883	**145.604**
Money Market Funds	2.838	23	3.869	**7.130**
Cash	42.290	4.232	4.953	**51.475**
Property	16.180	7.382	8.152	**31.714**
Structure Products	1.741	659	3.045	**5.445**
Subsidiaries	571	927	7.753	**9.251**
Loans	7.382	7.938	15.615	**30.935**
Total	**269.571**	**53.758**	**98.971**	**422.300**

The valuation method for each security depends on several factors, i.e. listed or unlisted asset, where is the asset being listed and liquidity of the asset

Equities

The equities held by the Company are listed in regulated markets in countries which are members of the European Economic Area (EEA) or the Organization for Economic Cooperation and Development (OECD), therefore the closing price in those markets is used for valuation purposes.

Bonds

The same valuation method applies for government bonds and corporate bonds if the asset is considered liquid. For bonds which are illiquid, the Company uses yields derived from similar securities (from the same issuer) in active markets and with the use of linear interpolation the Company estimated the price of the illiquid securities.
All funds we invest in, offer daily liquidity and the price is received by the fund manager or via Bloomberg.

Structured products

The same valuation method applies for structured products excluding one security for which the price is received by the custodian quarterly.

Properties

Properties are valued by external valuator at least annually and the valuation is based on expected future cash flows.

Loans

Loans are valued by the Company using the discount method on a monthly basis.

D.2. Technical Provisions

Methods and Assumptions

The Company's portfolio has been analysed and classified after a segmentation process into various homogeneous risk groups for the calculation of Technical Provisions, having regard to the minimum Solvency II Directive groupings.

The following risk classification has been performed:

- Unit Linked Savings (with and without guarantees)
- General Fund Savings (with profit)
- Life Risk Products (Term policies, Life Riders, Group Life category, Health Similar to Life Riders)
- Non-Life Risk – Health & Accident (Health Non Similar to Life)

Technical Provisions

Solvency II requires undertakings to set up technical provisions which correspond to the current amount undertakings would have to pay if they were to transfer their (re)insurance obligations immediately to another undertaking. The value of technical provisions is equal to the sum of a best estimate (BE) and a risk margin.

Undertakings should segment their (re)insurance obligations into homogeneous risk groups, and as a minimum by line of business, when calculating technical provisions.

The best estimate is calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles (SPVs). Those amounts are calculated separately.

The actuarial and statistical methods to calculate technical provisions are proportionate to the nature, scale and complexity of the risks supported by the undertaking.

The Company does not make use of any transitional measures or volatility adjustment.

Best Estimate of Technical Provisions

The Gross Best Estimate for Life business technical provisions is the result of the present value of gross cash outflows less gross cash inflows. More specifically, cash outflows include claims, maturity payments, surrender payments, expenses, premium tax and commissions.

For the Health NSLT business, Non-life techniques are used. The Best Estimate for Non-Life consists of:

- Premium provisions (cash flow projections related to claim events occurring after the valuation date and during the remaining in-force period of the policies)
- Claim provisions (cash flow projections related to claim events having occurred before or at the valuations date- whether the claims arising from these events have been reported or not).

Premium Provisions

For premium provisions the method used is based on an estimate of the combined ratio of the line of business in question.

Claims Provisions

This is the sum of the total discounted indicated claims reserves and the Claims Handling Expense reserve.

Some adjustments are performed on results obtained through the software to allow for:

- Deviations between mathematical reserves estimated and mathematical reserves allowed for within the financial statements.
- Additional provisions that are held as part of technical provisions but are not modelled through the system.

Best Estimate of Reinsurance Recoverable

Reinsurance recoverable are calculated through appropriate modelling of the reinsurance arrangements or simplifications for smaller portfolios such as the run-off business.

Description of Model

Deterministic models are used for all business with the exception of Unit Linked policies of the old portfolio with maturity guarantee where a stochastic model in spreadsheet is also used to determine the time value of the guarantee.

For life business models are built in the Company's actuarial software used for the Solvency II projections.

With regards to riders and group life modelling, cash flows projected are based on ratios (loss ratios, reinsurance ratios, commission ratios, expense ratios) rather than probability tables. The actual past data with elimination of any outliers have been used to determine any assumptions.

For all Life policies with the exception of Group Business (including Credit Life) a contract-by-contract approach has been used and cash flows have been projected until the end of the portfolio duration (with no residual cash flow).

For the Health business classified as Health NSLT, non-life deterministic models have been used in spreadsheets. Variations of loss developing, (credibility weighted) balancing and frequency/severity methods were utilised for the estimation of ultimate losses as follows:

- Loss Development Method using paid claims data
- Bornhuetter-Ferguson Method using paid claims data and premiums as exposure measure
- Frequency/severity method using claim severity and counts data

Assumptions

The assumptions used in the models are determined by the Actuarial Function using past experience studies and expert judgement. Assumptions are reviewed and challenged by the Risk and Reserving Committee.

Economic Assumptions

Yield curves used are obtained from EIOPA website upon publication while the stochastic scenarios are internal.

Economic scenarios generator

The modelling of the macroeconomic and financial environment is based on a set of risk factors whose evolution is foreseen on one or more trajectories. These data are generated using Barrie & Hibbert's economic scenarios generator.

Liabilities Assumptions

Mortality

The mortality assumption is set based on actuarially determined mortality tables, actuarial judgement and internal mortality investigation.

Lapses/Surrenders

For lapses/surrenders study data since 2008 are used while any outliers are excluded.

Loss Ratios

For loss ratios, commissions and reinsurance premium ratios determination; for models of Group Life and riders, data over the last 5 years are used.

For Health and Accident business data over the last ten years are used.

The judgement on the final setting of the parameters is based on the knowledge of the Company's recent developments, actual performance, plans, changes and the general market and economic outlook.

Expenses

The Actuarial function performed an analytical expense investigation based on the Company's actual 2016 expenses.

Expense inflation is determined based on actuarial judgement, the economic environment and the Company's experience.

Contract Boundaries

As far as contract boundaries are concerned the following apply for each line of business.

For the unit linked portfolio the Company has the right to change the policy fee and the mortality charge. However, since this is a small part of the premium (most of the premium is used for the savings part of the policy) an assumption of no such future changes is made and as such all future premiums are taken into account (as the whole market does with similar products in similar exercises).

For our whole of life unit-linked products, for Solvency II, the policies are assumed to lapse on the policy review date as defined within the policy conditions. This approach is considered to be on the prudent side since if the policy continued until the point in time where the value of the

policy turned negative, the Best Estimate would have been higher.
For Group Life and Health Non Similar to Life business no future premiums are projected since the business is annually renewable (with the exception of a small part of Group policies that might be in-forced for a period up to three years but due to the limited contribution of these policies no separate modelling is performed at the moment).

For the rest of the regular premium business future premiums have been projected up to the maturity/expiration of the policy. This is based on the contract's wording where premiums are unchanged throughout the period of the policy (or can only change upon the policyholder's request ex. for change in cover).

Other main Assumptions

Tax Assumptions

An assumption of premium tax at a level of 1.5% was used when determining the BE of Technical Provisions.

Material Assumptions Changes

Expense Assumptions

The methodology in deriving expense assumptions has changed in 2016 allowing a more analytical approach on the allocation of each expense in each line of business. This has resulted in reallocation of expenses. In particular lower expenses were allocated to unit-linked business and higher expenses were allocated to non-linked business relative to last year's split.

The overall movement on the Best Estimate regarding expenses assumption is a minor increase of around 0.3%. The Best estimate of Unit-Linked policies followed a reduction relative to last year's results due to a reduction in the per policy expenses while for all other categories there is an increase in best estimate. The movement of the other than unit-linked policies was greater than the reduction caused by unit-linked products resulting overall in the small reduction of Best Estimate.

Surrenders and Lapses Assumptions

The overall movement on the Best Estimate regarding the assumptions of Lapses/ Surrenders is a decrease of around 1%. The greatest contribution comes from the Unit-Linked.

Changes in the yield curves

There is no significant overall movement on the Best Estimate due to the new yield curves even though per line of business movements are significant.

Risk Margin Calculation

The risk margin is a part of technical provisions in order to ensure that the value of technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations.

The risk margin should be calculated by determining the cost of providing an amount of eligible own funds equal to the SCR necessary to support the insurance and reinsurance obligations over the lifetime thereof.

The rate used in the determination of the cost of providing that amount of eligible own funds is called Cost-of-Capital rate.

In order to calculate the Risk Margin, the calculations of the projected Solvency Capital requirement of the Company in each point in time is required. Due to the complexity of the Risk Margin definition and calculation, a simplified method is used based on European Insurance and Occupational Pensions Authority' s (EIOPA) technical specifications. A simplification using the overall Solvency Capital Requirement (SCR) for each future year (level 3 of the hierarchy as defined in the relevant technical specifications) is used.

For this simplification, the SCR of the year and the projected best estimates of liabilities for each future year are used in the Risk Margin calculation.

Gap with Financial Statements

The total Gross IFRS Reserves are 22% higher than the Solvency II Technical Provisions due to the more prudent basis used under the IFRS calculation.

Technical provisions used within the financial statements are calculated using prudent assumptions and methodologies.

Unit Linked Business without guarantees

Under IFRS, for unit-linked products the unit reserve, sterling reserve and premiums due reserve are held.

The unit reserve is the value of units of each policy while the sterling reserve refers to the reserve held in order to cover liabilities associated with unit linked policies beyond the value of the underlying units. It is the non-unit reserve required to ensure that the total reserve for every policy is the minimum amount needed to provide for any future excess of benefits and expenses over premiums and charges. It has been calculated on the basis of discounted future cash flows, taking into account the cost of providing for any bonus units.

Under Solvency II, the sterling reserve does not exist.

Premiums due reserve is also added on the total reserves since premiums due are taken as assets whereas units are only allocated on receipt. This is also added on the best estimate of liabilities under Solvency II.

Unit Linked with guarantees

Under IFRS, for unit linked business with guarantees two additional reserves are held within the financial statements amounts, the Maturity guarantee reserve and the Interest rate guarantee reserve.

The Maturity Guarantee reserve is held with respect to unit-linked policies of the portfolio offering maturity guarantees. It is determined by accumulating the unit fund and future allocated premiums for each policy from the valuation date to maturity. The accumulated amount at maturity is then compared with the guaranteed maturity value and any shortfall is discounted to the valuation date.

Under Solvency II this is replaced by the time value of guarantee explained above and different economic scenarios are used as explained above.

The interest rate guarantee reserve is determined by accumulating the unit fund and future allocated premiums for each policy group from the valuation date to maturity. The accumulated amount at maturity is then compared to the guaranteed value at maturity (using the guaranteed interest rate) and any shortfall is discounted to the valuation date.

This value is also kept under Solvency II in addition to the best estimate deterministically determined as mentioned above by allowing for the interest rate guarantees through the growth rate used in the fund value projection.

Term, non-profit and with-profit business

The mathematical reserve held with respect to term (including term riders), non-profit and with-profit business is calculated on a net premium valuation method which allows for a premium required to cover the risk of the product with implicit allowance of expenses.

In addition to the mathematical reserve, a conventional expense reserve is held based on the difference between a gross premium valuation method (using explicit expense assumptions) and a net premium valuation.

For with profit business terminal bonus and reversionary bonus reserves are also held with respect to projected bonus declarations.

Life Riders

One year's annual premium is held with respect to life riders with the exception of term riders valued through net premium valuations.

Group Life business

For group life term assurance policies, an unearned premium reserve equal to that proportion of the periodic premium which the unexpired premium term of the policy after allowing for an additional 30 days for IBNR (from the valuation date to the next premium due date) bears to the premium term has been established (net of reassurance).

Health and Accident business

For Health and Accident Business, an unearned premium reserve equal to that proportion of the periodic premium which the unexpired premium term of the policy after allowing for an additional 15 days for Incurred but Not Reported Claims Reserve (IBNR), from the valuation date to the next premium due date, bears to the premium term has been established (net of reassurance).

Expense assumptions:

The study for the expense assumptions followed for both Solvency II and financial statements is the same. Nevertheless, for IFRS calculation, a loading is attached for prudency. A margin is also added on the expense inflation assumption.

Valuation rate:

The valuation rate used for the calculation of the Best Estimate is based on the EIOPA yield curves. Under financial statement calculations a fixed valuation rate is used for all projection years derived using a conservative calculation of assets' yields backing each reserve.

Growth rate:

The growth rates used within the Best Estimate calculation are based on the EIOPA yield curves while IFRS reserve calculation uses the valuation of asset's yields backing each fund based on the Tactical Asset Allocation. The IFRS growth rates assumptions are determined at 90% of the above calculation.

Lapses assumption:

No lapse assumption is taken into account in IFRS reserves calculations other than for maturity and interest rate guarantee reserves were the lapse rate for each product is used as per the study performed for Solvency II purposes as well.

Mortality assumption:

A higher percentage of the mortality table used for Solvency II Best Estimate calculations is used for IFRS Reserve calculations.

Main Results

Technical Provisions

Technical provisions of liabilities are defined as the sum of Best Estimate of Liabilities (BE) and Risk margin.

The values of the Technical Provisions of liabilities (Gross of Reinsurance) as at the end of year 2016 are presented below based on Solvency II lines of business.

In Thousands €	Gross Technical Provisions
Unit Linked Savings	260.200
General Fund Savings	31.257
Life Risk Products	(10.147)
Non-Life Risk (Health and Accident Business)	6.888
Total	**288.196**

Unit Linked Savings business forms 90% of the total Technical Provisions. This is expected since Unit Linked business is the largest source of business for the Company.

General fund Savings business has an 11% contribution to the Total Technical Provisions. This category is part of the run-off portfolio of the Company; therefore, its contribution to Technical Provisions is expected to decrease over the following years.

Life Risk products portfolio has a negative Best Estimate and therefore negative Technical Provisions. This is due to the projected cash-inflows being greater than the projected cash-outflows due to the margins and experience of these types of policies.

Gross Best Estimate

As mentioned above, the Gross Best Estimate of Technical Provisions is the result of the present value of gross cash outflows less gross cash inflows.

The values of the Best Estimate (Gross of Reinsurance) as at the end of year 2016 are presented below based on Solvency II lines of business.

In Thousands €	Gross Best Estimate
Unit Linked Savings	254.433
General Fund Savings	30.124
Life Risk Products	(14.644)
Non-Life Risk (Health and Accident Business)	3.495
Total	**273.408**

Risk Margin

For the Risk Margin calculation the SCR of the year and the projected best estimates of liabilities for each future year are being used.

The values of the Risk Margin as at the end of year 2016 are presented below based on Solvency II lines of business.

In Thousands €	Risk Margin
Unit Linked Savings	5.767
General Fund Savings	1.133
Life Risk Products	4.496
Non-Life Risk (Health and Accident Business)	3.393
Total	**14.788**

Unit Linked Savings, had the largest contribution to Risk Margin being 39% of the total Risk Margin.

Life Risk Products follow with 30% contribution to the total Risk Margin. Relative to the size of the portfolio the Life Risk Products contribute the most due to their risk character. The increase in Health and accident business over 2016 and their adverse claims experience has increased the Risk Margin.

Reinsurance Recoverable

Reinsurance Recoverable is defined as the difference of the Gross and Net Best Estimate.

The values of the Reinsurance Recoverable as at the end of year 2016 are presented below based on Solvency II lines of business.

In Thousands €	Reinsurance Recoverable
Unit Linked Savings	(5.694)
General Fund Savings	117
Life Risk Products	1.565
Non-Life Risk (Health and Accident Business)	696
Total	**(3.316)**

For the unit-linked portfolio the reinsurance recoverable is negative indicating that through projections the Company pays out more to reinsurers in premiums relative to the payments to be received. However, any profit commission payable back from the reinsurers is not currently modelled. This would have increased the payments from reinsurers.

D.3. Other Liabilities

Specific Rules for valuation and gap between Financial Statements

Deferred Tax Liabilities

The IFRS value of Deferred Tax Liabilities is €332k.

Under Solvency II Balance Sheet, the Company recognised an amount of €42.871k Deferred Tax Liabilities coming from the tax base (temporary) differences created by the differences in the valuation of assets under Solvency II compared to the valuation of such assets under IFRS. As explained above the Intangible assets are valued at Nil based on the SII valuation principles. In addition, the Technical Reserves are valued in accordance with the SII principles.

Provision other than technical provision

The IFRS value of Provisions other than Technical Provision is €958k.

The Provisions other than Technical Provision consist of the amount payable for commission and other benefits on Premium Debtors.

The value of the Provisions other than Technical Provision under Solvency II does not differ from IFRS.

Payables (Trade Not insurance)

The IFRS value of Payables is €3.719k and mainly comprises accrued expenses, obligations to pay for services that have been acquired in the ordinary course of business from suppliers, taxes and current advances.

The value of Payables under Solvency II does not differ from IFRS. The Company considers that this IFRS value does not differ significantly from the economic value of the liabilities, since amounts payable are due in the short term (less than one year). The economic value of current liabilities is not therefore calculated.

The economic value of these liabilities may be determined on a case-by-case basis if the IFRS value is likely to differ significantly from the fair value, for example due to the impact of discounting.

E.Capital Management

E.1. Own Funds

Objectives, Policy and Procedures

CNP Cyprialife has a simple share capital structure. It is a wholly owned subsidiary of CNP Cyprus Insurance Holdings Ltd which is owned 50,1% by CNP Assurance S.A. and 49,9% by Bank of Cyprus.

The excess of Capital over Liabilities (Own funds) of the Company under IFRS amounts to €91.733 and consist of:

- Share capital and Share premium. The share capital is comprised of issued and fully paid ordinary shares. The share premium is the difference between the fair value of the consideration receivable for the issue of share and the nominal value of shares. Share premium cannot be used for dividend distribution
- Retained earnings which is the cumulative net income not distributed to its shareholder as dividend and
- Other Reserves, not distributable as dividends (e.g. AFS reserve).

The Excess of assets over liabilities under SII amounts to €132.897k. The difference compared to IFRS figure is due to the differences in the valuation of:

- Intangible assets which are valued at Nil based on the SII valuation principles
- The calculation of Technical Reserves which is calculated based on SII principles and
- The tax base (temporary) differences created affecting the Deferred Tax amount due to adjustments.

The capital management plan (management of own funds) is defined as a result of the strategic planning exercise, and is part of the overall framework set by this exercise, in terms of dividend payments, capital increase, etc. It takes into account the Solvency projections from the work carried out as part of the strategic planning.

It can be adjusted upon the occurrence of a major event on markets (stress situation in equities, bonds, real estate, etc.), or affecting CNP Cyprialife (acquisition, business disposal, other event). If the situation requires the full or partial review of the strategic planning exercise, this is revised accordingly.

Based on Company's financial projections as stated in the approved by the BoD 5 Year Business Plan, the Actuarial Function Holder performs the Solvency II calculations to ascertain whether the capital levels are adequate to enable the Company to continue as a going concern.

The Finance function is responsible for preparing the Company's Business Plan, which is then approved by the Board of Directors. The financial projections of the Company are based on the strategic plan and targets set by the Company for the planning horizon, in conjunction and taking into consideration, the external and internal environment that the Company operates in.

The budget is used as an input to the capital planning. Capital planning includes projections of internal capital requirements (Pillar 1 and 2) and Own Funds over the planning period. These projections are calculated based on the projected balance sheet structure of the Company, reasonable assumptions, parameters, correlations or levels of confidence decided by the Senior Management, Actuarial, Finance and Risk Management Functions.

Projected capital requirements are compared with Own Funds so that the Company is able to observe whether the forecasted available Own funds of the Company will be adequate to cover any future strategic actions that the Management intends to take.

Prospective changes in the Company's risk profile and how they affect its current and projected level of solvency requirements are taken into account during the capital planning process. The quality and profile of the Company's own funds over the planning period is also taken into consideration.

We monitor the procedure described above and are regularly informed about the outcome of the various calculations performed at each step of the procedure.

Information is also provided to the Risk Management Function to quantify and assess the risks that the Company faces.

Structure, Amount and Quality of Own Funds

Basic Own Funds

The Own Funds of the Company under IFRS amount to €91.733k and under the Solvency II amounts to €132.897k.

The table below illustrates the split of Basic Own Funds under IFRS and Solvency II as at the end of the year ended 31 December 2016 compared to the year ended 31 December 2015.

In Thousands €	2016 SII Balance Sheet Value	2016 IFRS Balance Sheet Value	2015 SII Balance Sheet Value	2015 IFRS Balance Sheet Value
Ordinary Share Capital	10.540	10.540	10.540	10.540
Additional paid-in capital	11.200	11.200	11.200	11.200
Other Reserves		2.033		1.244
Retained Earnings		67.960		70.836
Reconciliation reserve	111.157		117.177	
Total Basic Own Funds	**132.897**	**91.733**	**138.917**	**93.820**

Solvency II Own Funds as at 31/12/2016 and 31/12/2015

The table below illustrates separate for each tier information about the Own Funds at the end of the year-ended 31 December 2016 compared to the year-ended 31 December 2015 together with the eligible amounts of Own Funds to cover SCR and MCR.

The Company's Own Funds consists of Tier 1 funds.

In Thousands €	2016 Total	2016 Tier 1 - unrestricted	2016 Tier 2	2016 Tier 3	2015 Total	2015 Tier 1 - unrestricted	2015 Tier 2	2015 Tier 3
Ordinary Share Capital	10.540	10.540	-	-	10.540	10.540	-	-
Additional paid-in capital	11.200	11.200	-	-	11.200	11.200	-	-
Reconciliation reserve	111.157	111.157	-	-	117.177	117.177	-	-
Total Basic Own Funds	**132.897**	**132.897**	**-**	**-**	**138.917**	**138.917**	**-**	**-**
Eligible own funds to meet the SCR	**132.897**	132.897	-	-	**138.917**	138.917	-	-
Eligible own funds to meet the MCR	**132.897**	132.897	-	-	**138.917**	138.917	-	-

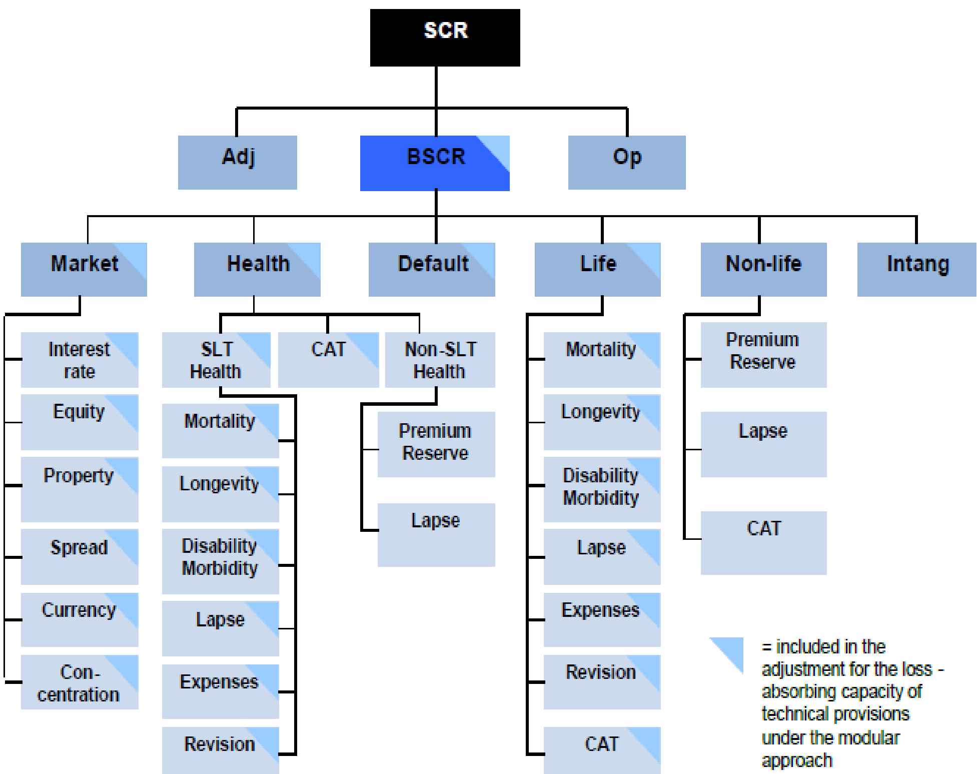
E.2. Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement valuation method

The overall Solvency II Capital Requirement is calculated using the standard formula as described in the technical specifications.

The Company's Solvency Capital Requirement (SCR) is composed by:

- The Basic Solvency Capital requirement (BSCR)
- The Operational SCR and
- Allowing for any adjustment for the risk absorbing effect of technical provisions and deferred taxes.



Each SCR module is calculated based on the technical specifications of EIOPA.

The basic idea for the SCR calculation is to look at the values of assets and liabilities using the SII calculation methods before and after each shock. The SCR is defined as below:

$$\text{SCR=max}\left\{\begin{bmatrix}(Market\ Value\ of\ Assets\ Central - Market\ Value\ of\ Assets\ Shock) - \\ (Best\ Estimate\ of\ Liabilities\ Central - Best\ Estimate\ of\ Liabilities\ Shock)\end{bmatrix}, 0\right\}$$

Solvency Capital Valuation Principles

The Company uses the following simplifications for the SCR calculations.

Granularity of Calculations

Calculation of Market Risk for UCITs funds

As per the EIOPA guidelines, if the Company's exposure to Collective Investments and other investments packaged as funds exceed a certain threshold (20 % of the total value of the assets of the insurance or reinsurance undertaking), the SCR shall be calculated on the basis of each of the underlying assets of collective investment undertakings and other investments packaged as funds (look-through approach).

The Company's UCITs exposure was below the maximum threshold; therefore, no look through approach for the calculations of the SCR was performed. The Company uses the information that is given by the fund manager in order to identify the type of risk and the SCR impact. The information given may be:

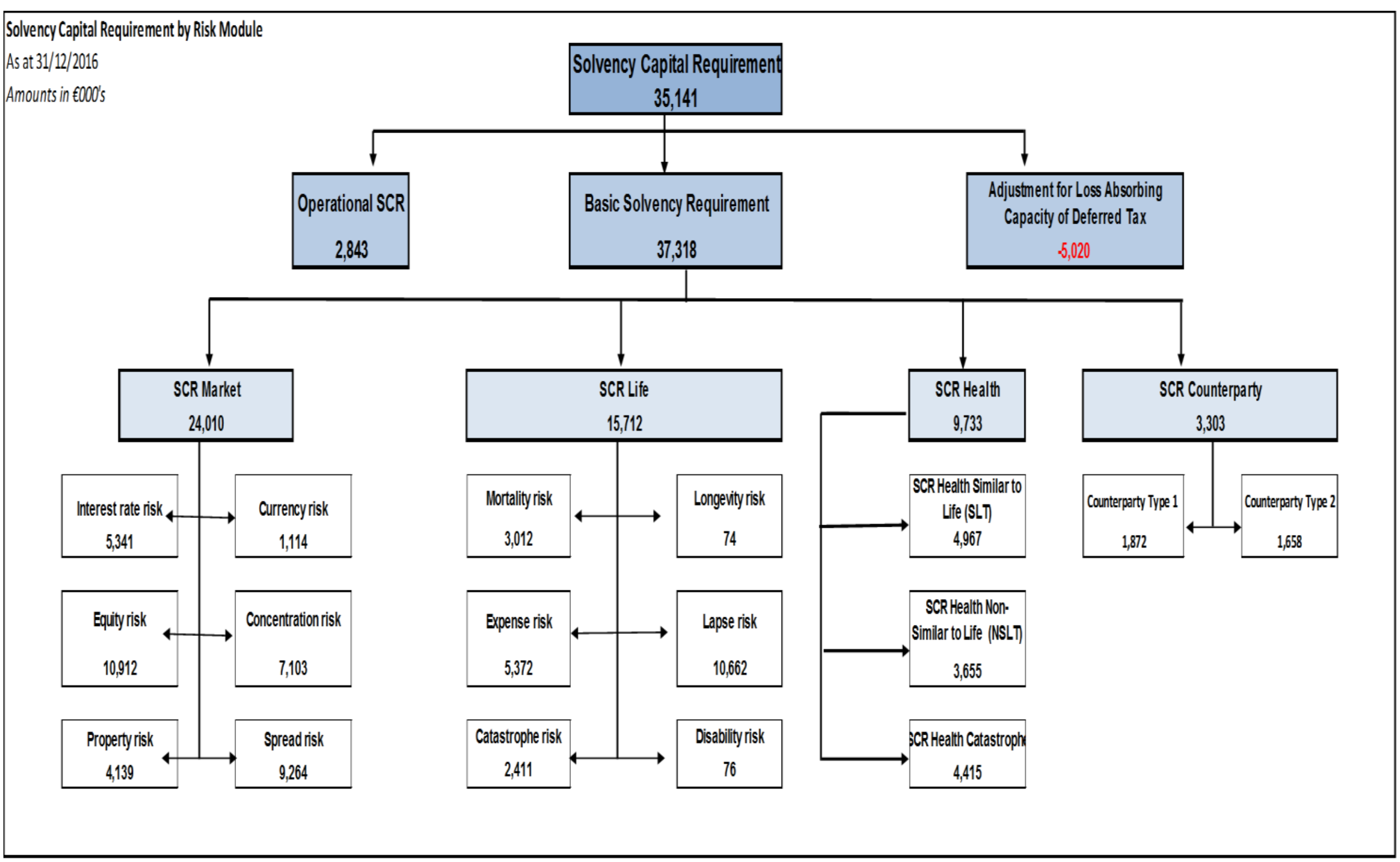
- Asset Class: an equity fund is included in the equity risk and concertation while a bond fund is included in the interest, spread and concertation risk.
- Average duration and average rating: the average duration and rating of an interest sensitive fund is used to calculate the interest risk and the spread risk.
- Fund Type: an equity fund that is invested in EU or OECD countries is shocked by 39% while funds which invest to other countries or hedge funds are shocked by 49%.

SCR and MCR as at 31/12/2016

The total Solvency Capital Requirement (SCR) of CNP Cyprialife as at the end of 2016 was €35.141k with a total Minimum Capital Requirement (MCR) of €8.785k. These amounts are subject to supervisory assessment.

SCR as at 31/12/2016

The SCR of the Company is calculated based on the standard formula provided by the Solvency II Guidelines. The analysis of the 2016 by risk module is indicated below.



The SCR of the Company consists of the Basic Solvency Capital Requirement (BSCR) of €37.318k, the Operational SCR (€2.843k) and the Loss Absorbing Capacity of Deferred Taxes (€5.020k).

The Basic Solvency Capital Requirement is due to the combination of market risk, life and health underwriting risk and counterparty risk after allowing for diversification between and within those risk modules.

The main risk drivers are the market (€24.010k) and life risk (€15.712k) given the underlying business of the Company.

The greater components of market risk are equity risk (€10.912k), spread risk (€9.264k) and concentration risk (€7.103k).

The greater component of life risk arises from the lapse shock (€10.662k).

SCR has been increased by 3% during the reporting period compared to the previous reporting period. This increase is mainly due to an increase in SCR Market and SCR Underwriting Risks coming mainly from an increase in assets backing Own funds and a change in Underwriting assumptions:

In Thousands €	2016	2015	Change Percentage
SCR	**35.141**	**34.043**	**3%**
MCR	**8.785**	**8.511**	**3%**
SCR Operational	2.843	2.602	9%
SCR Market	24.010	22.920	5%
SCR Life	15.712	14.799	6%
SCR Health	9.733	8.828	10%
SCR Counterparty	3.303	5.539	-40%

MCR as at 31/12/2016

The Minimum Capital Requirement calculation is derived as the maximum value between the absolute value MCR and the combined MCR. The absolute MCR based on SII regulation comes up to €6.2m (€2.5m for the Health no similar to life business and 3.7m for the Life business, since CNP Cyprialife is licensed to sell both lines of business). As the combined MCR is higher than the absolute value, the MCR of the Company equals the combined MCR of €8.785k.

The combined MCR is derived as the lower of MCR cap (45% of SCR) and of the highest of MCR floor (25% of SCR) and MCR linear. The MCR linear is derived in terms of the life and health non-similar to life business. The main inputs used for the calculation of the combined Minimum Capital Requirement are the SCR, best estimates of technical provisions net of reinsurance recoverable, the capital at risk for life business and the written premium over the last 12 months for the health non similar to life business. The capital at risk is the value the Company will pay in the event of death or disability less the amount of best estimate of liabilities (both net of reinsurance).

In Thousands €	
Linear MCR	5.714
SCR	35.141
MCR cap	15.813
MCR floor	8.785
Combined MCR	8.785
Absolute floor of the MCR	6.200
Minimum Capital Requirement	**8.785**

Appendix I - Abbreviations

The following abbreviated terms are used throughout this Report.

A	
ACPR	Autorité de Contrôle Prudentiel et de Résolution
AFS	Available for Sale
AML	Anti-Money Laundering
B	
BOC	Bank of Cyprus Public Company Ltd
BoD / Board	Board of Directors of CNP Cyprialife Ltd
BSCR	Basic Solvency Capital Requirement
C	
CAT	Catastrophe
CNP Cyprialife / Company	CNP Cyprialife Ltd
CNP CIH	CNP Cyprus Insurance Holdings Ltd and its subsidiaries
CRO	Chief Risk Officer
D	
Directive	Solvency II Directive
E	
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
I	
IAF	Internal Audit Function
IBNR	Incurred But Not Reported
International Accounting Standard	International Accounting Standard
IFRS	International Financial Reporting Standards
IT	Information Technology
M	
MCR	Minimum Capital Requirement
N	
NSLT	Non-Similar to Life Techniques
O	
OF	Own Funds
ORSA	Own Risk Solvency Assessment
P	
PWC	PriceWaterhouseCoopers Limited
R	
RMF	Risk Management Function
S	
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SII	Solvency II
SPV	Special Purpose Vehicle
Supervisor	Insurance Companies Control Service/ Superintendent of Insurance
T	
TAA	Tactical Asset Allocation

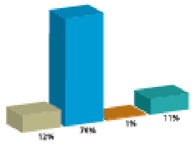
Appendix II – Unit Linked Funds 2016

Open to New Business Portfolio

Portofolio Composition as at 31/12/2016

SECURE FUND

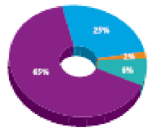
Fund size: €41,673,337
Last 12 month
performance 4.06%



The fund is suitable for investors with at least a medium-term horizon of 7 years. Emphasis is placed more on preservation of capital than achievement of significant capital appreciation. The fund may invest in bonds, property, as well as cash deposits and other money market instruments. The fund has a low risk profile. There are no performance guarantees attaching to this fund.

PIONEER FUND

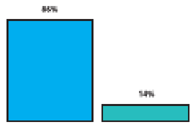
Fund size: €6,639,585
Last 12 month
performance 3.54%



The fund is suitable for investors with a long-term horizon of over 10 years and aims for long-term capital appreciation by holding mostly local and international stocks and to a lesser extent defensive investments (bonds and cash). The fund has a high risk profile. There are no performance guarantees attaching to this fund.

EXTRA FUND

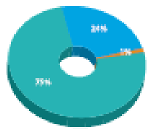
Fund size: €3,198,970
Last 12 month
performance 2.34%



The fund aims for steady growth so as to meet or exceed the value guaranteed at the maturity date of the insurance policy. The fund invests in bonds and cash. The fund has a low risk profile.

INCOME FUND

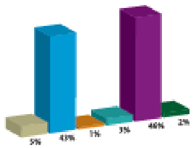
Fund size: €36,412,201
Last 12 month
performance 0.20%



The fund aims for the highest possible yield that is consistent with a capital protection objective. The fund's yield is re-set semi-annually in advance and remains the same during each six-monthly period. Through this mechanism the company ensures that at each month-end the fund unit price will be higher than or equal to that for the preceding month. The fund invests in bonds and cash deposits and other money market instruments. The fund has a low risk profile.

BALANCED FUND

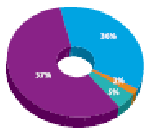
Fund size: €33,437,755
Last 12 month
performance 2.55%



The fund is suitable for investors with at least a medium-term horizon of 7 years and aims for satisfactory long-term growth in value. The fund invests in a balanced manner both in growth investments (Cyprus and international stocks and property) and in defensive investments (bonds and cash). The fund has a low to medium risk profile. There are no performance guarantees attaching to this fund.

INTERNATIONAL FUND

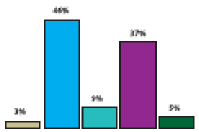
Fund size: €8,905,291
Last 12 month
performance 3.52%



The fund is suitable for investors with a long-term horizon of over 10 years. The fund's emphasis is more on long-term capital appreciation than capital protection even though it is composed of both growth investments (stocks) and defensive investments (bonds and cash). The fund invests exclusively outside Cyprus and carries no performance guarantees. The fund has a medium to high risk profile.

PENSIONS MANAGED FUND

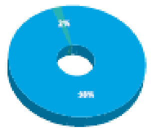
Fund size: €2,430,494
Last 12 month
performance 1.05%



The fund is suitable for investors with a long-term horizon of over 10 years. The fund aims for a mix of long-term capital appreciation and downside protection and may employ both growth investments (Cyprus and international stocks), property and defensive investments (bonds and cash). The fund has a medium risk profile. There are no performance guarantees attaching to this fund.

GLOBAL OPPORTUNITY FUND

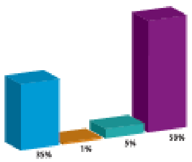
Fund size: €4,901,137
Last 12 month
performance 4.84%



The fund aims to prudently provide a total return through a combination of both income and capital growth, investing in corporate bonds globally. The fund will invest almost exclusively to the Mutual Fund Global Investment Grade Credit (xMutual Funds) which is managed by PIMCO and invests primarily in a range of "investment grade" corporate bonds (rated at least Baa3 or BBB - by Moody's or S&P) issued by companies from around the world. The fund has a medium risk and reward profile.

BLUE CHIP FUND

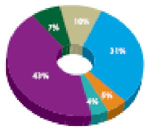
Fund size: €12,888,127
Last 12 month
performance 3.17%



The fund is suitable for investors with a long-term horizon of over 10 years. The fund's emphasis is more on long term capital appreciation than capital protection even though it is composed of both growth investments (Cyprus and International stocks) and defensive investments (bonds and cash). The fund has a medium to high risk profile. There are no performance guarantees attaching to this fund.

CYPRIALIFE FUND

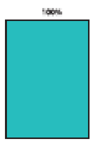
Fund size: €59,104,222
Last 12 month
performance 4.63%



The fund is suitable for investors with a long-term horizon of over 10 years. The fund's emphasis is more on long term capital appreciation than capital preservation even though it invests in both growth investments (stocks and property) and defensive investments (bonds and cash). There are no performance guarantees attaching to this fund. The fund has a medium to high risk profile.

CASH FUND

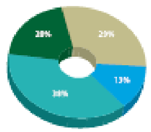
Fund size: €54,493
Last 12 month
performance 0.00%



The objective of the fund is to provide steady returns from a low risk portfolio. It invests in government bonds, other fixed interest investments and bank deposits. The main objective of the fund's investment policy is the attainment of a steady long term return.

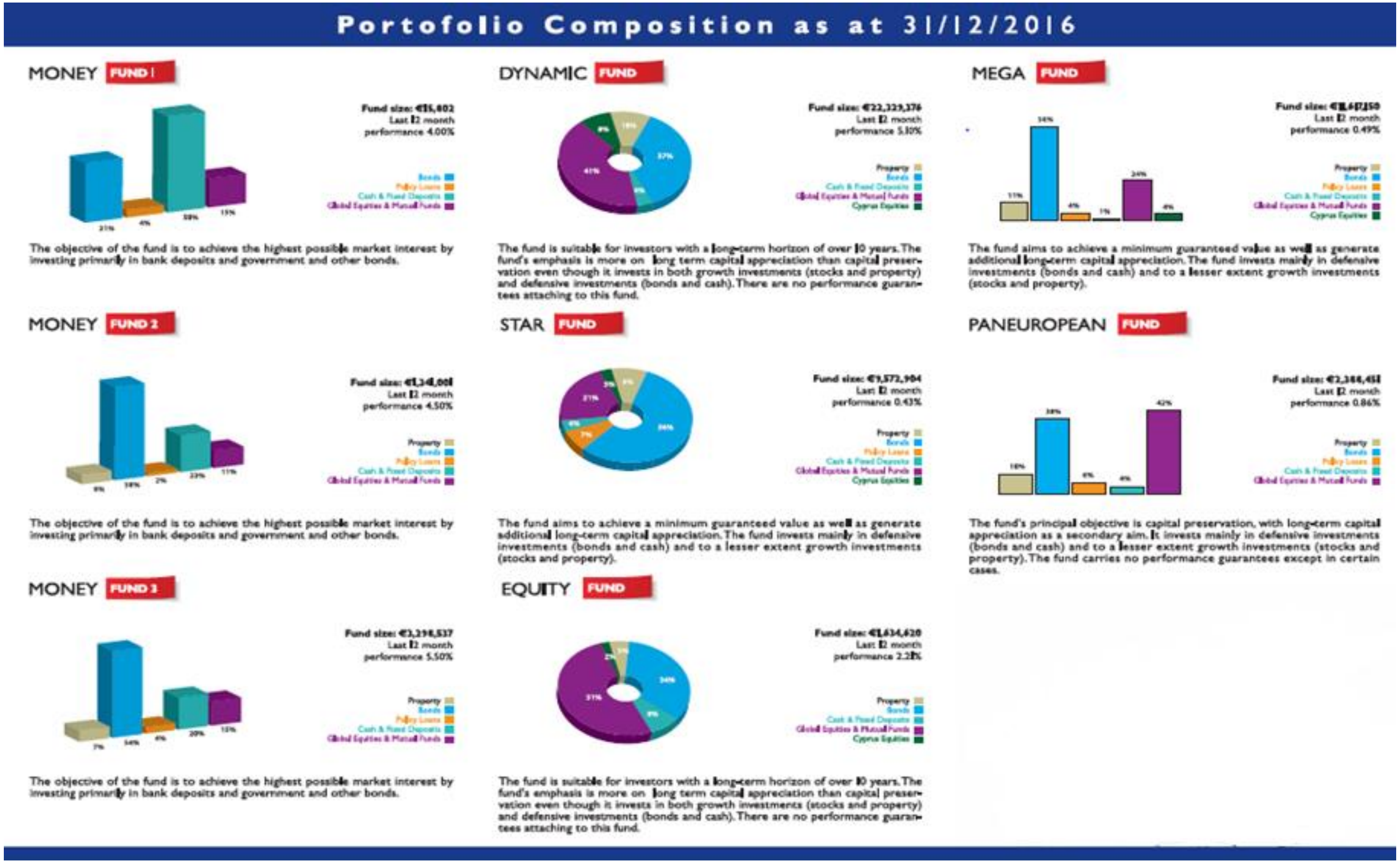
CYPRUS RECOVERY FUND

Fund size: €318,466
Last 12 month
performance 8.67%



The fund is suitable for investors with a long term investment horizon that are willing to accept a high level of short to medium term volatility aiming for high long term capital gains. The portfolio also includes investments that can produce a high interest income, although more emphasis is given to long term capital gains. The portfolio is exclusively focused on the Cypriot market. The fund's risk and return profile is expected to be High.

Closed to New Business Portfolio



Appendix III - QRTs

S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	36.658.283
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	1.933.000
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	125.841.016
Property (other than for own use)	**R0080**	8.795.430
Holdings in related undertakings, including participations	**R0090**	8.680.411
Equities	**R0100**	788.849
Equities - listed	**R0110**	788.849
Equities - unlisted	**R0120**	0
Bonds	**R0130**	22.282.721
Government Bonds	**R0140**	14.174.956
Corporate Bonds	**R0150**	4.403.987
Structured notes	**R0160**	3.703.778
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	78.249.057
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	7.044.548
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	269.564.069
Loans and mortgages	**R0230**	18.753.640
Loans on policies	**R0240**	2.392.326
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	16.361.313
Reinsurance recoverables from:	**R0270**	-3.316.159
Non-life and health similar to non-life	**R0280**	696.376
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	696.376
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	1.681.621
Health similar to life	**R0320**	563.464
Life excluding health and index-linked and unit-linked	**R0330**	1.118.157
Life index-linked and unit-linked	**R0340**	-5.694.156
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	5.775.696
Reinsurance receivables	**R0370**	1.251.304
Receivables (trade, not insurance)	**R0380**	10.500.000
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**	1.681.905
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	468.642.753

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	6.887.661
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**	6.887.661
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	3.495.079
Risk margin	**R0590**	3.392.582
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	21.109.097
Technical provisions - health (similar to life)	**R0610**	-6.548.522
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	-8.982.741
Risk margin	**R0640**	2.434.219
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	27.657.619
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	24.462.929
Risk margin	**R0680**	3.194.690
Technical provisions – index-linked and unit-linked	**R0690**	260.199.502
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	254.432.706
Risk margin	**R0720**	5.766.796
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	958.000
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	42.870.980
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	0
Reinsurance payables	**R0830**	0
Payables (trade, not insurance)	**R0840**	3.719.000
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**	335.744.240
Excess of assets over liabilities	**R1000**	132.898.513

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**	28.278.035	0	0	0	0	0	0	0	0	0	0	0					28.278.035
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	**R0130**													0	0	0	0	0
Reinsurers' share	**R0140**	4.825.525	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4.825.525
Net	**R0200**	23.452.510	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23.452.510
Premiums earned																		
Gross - Direct Business	**R0210**	28.308.666	0	0	0	0	0	0	0	0	0	0	0					28.308.666
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	**R0230**													0	0	0	0	0
Reinsurers' share	**R0240**	4.884.678	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4.884.678
Net	**R0300**	23.423.988	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	23.423.988
Claims incurred																		
Gross - Direct Business	**R0310**	21.947.031	0	0	0	0	0	0	0	0	0	0	0					21.947.031
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non-proportional reinsurance accepted	**R0330**													0	0	0	0	0
Reinsurers' share	**R0340**	3.778.659	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3.778.659
Net	**R0400**	18.168.372	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18.168.372
Changes in other technical provisions																		
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**													0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	5.488.471	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5.488.471
Other expenses	**R1200**																	0
Total expenses	**R1300**																	5.488.471

		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	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	3.922.151	645.276	53.370.448	6.826.869	0	0	0	0	64.764.744
Reinsurers' share	**R1420**	707.111	81.122	1.568.032	1.361.914	0	0	0	0	3.718.178
Net	**R1500**	3.215.040	564.154	51.802.416	5.464.955	0	0	0	0	61.046.565
Premiums earned										
Gross	**R1510**	3.922.151	645.276	53.370.448	6.894.346	0	0	0	0	64.832.221
Reinsurers' share	**R1520**	707.111	81.122	1.568.032	1.359.599	0	0	0	0	3.715.863
Net	**R1600**	3.215.040	564.154	51.802.416	5.534.748	0	0	0	0	61.116.358
Claims incurred										
Gross	**R1610**	350.312	3.416.637	43.230.243	1.211.981	0	0	0	0	48.209.173
Reinsurers' share	**R1620**	-38.224	0	658.771	788.297	0	0	0	0	1.408.845
Net	**R1700**	388.536	3.416.637	42.571.472	423.684	0	0	0	0	46.800.328
Changes in other technical provisions										
Gross	**R1710**	103.000	650.158	-1.793.742	7.000	0	0	0	0	-1.033.584
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	103.000	650.158	-1.793.742	7.000	0	0	0	0	-1.033.584
Expenses incurred	**R1900**	1.484.501	85.818	10.533.524	1.464.827	0	0	0	0	13.568.670
Other expenses	**R2500**									996.848
Total expenses	**R2600**									14.565.517

S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	28.278.035	0	0	0	0	0	28.278.035
Gross - Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	4.825.525	0	0	0	0	0	4.825.525
Net	R0200	23.452.510	0	0	0	0	0	23.452.510
Premiums earned								
Gross - Direct Business	R0210	28.308.666	0	0	0	0	0	28.308.666
Gross - Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	4.884.678	0	0	0	0	0	4.884.678
Net	R0300	23.423.988	0	0	0	0	0	23.423.988
Claims incurred								
Gross - Direct Business	R0310	21.947.031	0	0	0	0	0	21.947.031
Gross - Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	3.778.659	0	0	0	0	0	3.778.659
Net	R0400	18.168.372	0	0	0	0	0	18.168.372
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	5.488.471	0	0	0	0	0	5.488.471
Other expenses	R1200							0
Total expenses	R1300	5.488.471	0	0	0	0	0	5.488.471

		Home Country	Top 5 countries (by amount of gross premiums written)					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	64.764.744	0	0	0	0	0	64.764.744
Reinsurers' share	R1420	3.718.178	0	0	0	0	0	3.718.178
Net	R1500	61.046.565	0	0	0	0	0	61.046.565
Premiums earned								
Gross	R1510	64.832.221	0	0	0	0	0	64.832.221
Reinsurers' share	R1520	3.715.863	0	0	0	0	0	3.715.863
Net	R1600	61.116.358	0	0	0	0	0	61.116.358
Claims incurred								
Gross	R1610	48.209.173	0	0	0	0	0	48.209.173
Reinsurers' share	R1620	1.408.845	0	0	0	0	0	1.408.845
Net	R1700	46.800.328	0	0	0	0	0	46.800.328
Changes in other technical provisions								
Gross	R1710	-1.033.584	0	0	0	0	0	-1.033.584
Reinsurers' share	R1720	0	0	0	0	0	0	0
Net	R1800	-1.033.584	0	0	0	0	0	-1.033.584
Expenses incurred	R1900	13.568.670	0	0	0	0	0	13.568.670
Other expenses	R2500							996.848
Total expenses	R2600							14.565.517

S.12.01.02

Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance				Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
		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**	30.123.997		217.252.691	37.180.015		0	-5.661.068	0	0	278.895.635		0	-8.982.741	0	0	-8.982.741
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	116.755		-5.549.792	-144.364		0	1.001.402	0	0	-4.575.999		0	563.464	0	0	563.464
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	30.007.242		222.802.483	37.324.379		0	-6.662.470	0	0	283.471.634		0	-9.546.205	0	0	-9.546.205
Risk Margin	**R0100**	1.132.562	5.766.796			2.062.128			0	0	8.961.486	2.434.219			0	0	2.434.219
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**	31.256.559	260.199.502			-3.598.940			0	0	287.857.121	-6.548.522			0	0	-6.548.522

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	0	0	0	0	0	0	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	R0050	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
Gross	R0060	1.200.120	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.200.120
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	125.821	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	125.821
Net Best Estimate of Premium Provisions	R0150	1.074.299	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.074.299
Claims provisions																		
Gross	R0160	2.294.959	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2.294.959
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	570.555	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	570.555
Net Best Estimate of Claims Provisions	R0250	1.724.404	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1.724.404
Total Best estimate - gross	R0260	3.495.079	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3.495.079
Total Best estimate - net	R0270	2.798.703	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2.798.703
Risk margin	R0280	3.392.582	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3.392.582
Amount of the transitional on Technical Provisions																		
Technical Provisions calculated as a whole	R0290	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Best estimate	R0300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk margin	R0310	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Technical provisions - total																		
Technical provisions - total	R0320	6.887.661	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6.887.661
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	696.376	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	696.376
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	6.191.285	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6.191.285

S.19.01.21
Non-life insurance claims

Total Non-Life Business

Accident year / Underwriting year	Z0010	Accident year

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

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100	0	0
N-9	R0160	0	0	0	0	0	0	0	0	0	0		R0160	0	0
N-8	R0170	0	0	0	0	0	0	0	0	0			R0170	0	0
N-7	R0180	8.585.108	1.953.935	31.823	0	0	0	0	0				R0180	0	10.570.867
N-6	R0190	10.493.266	1.860.537	9.731	108.087	0	661	0					R0190	0	12.472.282
N-5	R0200	11.101.541	950.594	72.523	0	0	0						R0200	0	12.124.658
N-4	R0210	12.271.327	816.555	66.641	0	3.734							R0210	3.734	13.158.256
N-3	R0220	11.976.835	1.456.469	27.653	2.669								R0220	2.669	13.463.626
N-2	R0230	13.483.364	1.799.090	15.970									R0230	15.970	15.298.424
N-1	R0240	16.374.243	1.721.761										R0240	1.721.761	18.096.004
N	R0250	18.239.910											R0250	18.239.910	18.239.910
												Total	R0260	19.984.044	113.424.027

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Development year

Year		0	1	2	3	4	5	6	7	8	9	10&+			Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100													R0100	0
N-9	R0160	0	0	0	0	0	0	0	0	0	0			R0160	0
N-8	R0170	0	0	0	0	0	0	0	0	0				R0170	0
N-7	R0180	0	0	0	0	0	0	0	0					R0180	0
N-6	R0190	0	0	0	0	0	0	5.415						R0190	5.443
N-5	R0200	0	0	0	0	0	4.221							R0200	4.245
N-4	R0210	0	0	0	0	4.285								R0210	4.299
N-3	R0220	0	0	0	6.709									R0220	6.723
N-2	R0230	0	0	30.474										R0230	30.555
N-1	R0240	0	79.997											R0240	80.236
N	R0250	2.156.032												R0250	2.163.458
													Total	R0260	2.294.959

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	10.540.000	10.540.000		0	
Share premium account related to ordinary share capital	R0030	11.200.000	11.200.000		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	111.158.513	111.158.513			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	132.898.513	132.898.513	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	132.898.513	132.898.513	0	0	0
Total available own funds to meet the MCR	R0510	132.898.513	132.898.513	0	0	
Total eligible own funds to meet the SCR	R0540	132.898.513	132.898.513	0	0	0
Total eligible own funds to meet the MCR	R0550	132.898.513	132.898.513	0	0	
SCR	R0580	35.140.604				
MCR	R0600	8.785.151				
Ratio of Eligible own funds to SCR	R0620	378%				
Ratio of Eligible own funds to MCR	R0640	1513%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	132.898.513	
Own shares (held directly and indirectly)	R0710	0	
Foreseeable dividends, distributions and charges	R0720	0	
Other basic own fund items	R0730	21.740.000	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0	
Reconciliation reserve	R0760	111.158.513	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	16.522.063	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	0	
Total Expected profits included in future premiums (EPIFP)	R0790	16.522.063	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	24.010.343		Simplifications not used
Counterparty default risk	R0020	3.302.904		
Life underwriting risk	R0030	15.711.951		Simplifications not used
Health underwriting risk	R0040	9.732.795		Simplifications not used
Non-life underwriting risk	R0050	0		Simplifications not used
Diversification	R0060	-15.440.433		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	37.317.560		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	2.843.130
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-5.020.086
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	35.140.604
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	35.140.604
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

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**	1.233.807	0

		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**	2.798.703	23.452.510	0	0
Income protection insurance and proportional reinsurance	**R0030**	0	0	0	0
Workers' compensation insurance and proportional reinsurance	**R0040**	0	0	0	0
Motor vehicle liability insurance and proportional reinsurance	**R0050**	0	0	0	0
Other motor insurance and proportional reinsurance	**R0060**	0	0	0	0
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	0	0	0	0
Fire and other damage to property insurance and proportional reinsurance	**R0080**	0	0	0	0
General liability insurance and proportional reinsurance	**R0090**	0	0	0	0
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	0	0	0
Legal expenses insurance and proportional reinsurance	**R0110**	0	0	0	0
Assistance and proportional reinsurance	**R0120**	0	0	0	0
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	0	0	0	0
Non-proportional health reinsurance	**R0140**	0	0	0	0
Non-proportional casualty reinsurance	**R0150**	0	0	0	0
Non-proportional marine, aviation and transport reinsurance	**R0160**	0	0	0	0
Non-proportional property reinsurance	**R0170**	0	0	0	0

		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**	0	4.479.735

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a	Net (of reinsurance/SPV) total capital at risk
		C0090	**C0100**	**C0110**	**C0120**
Obligations with profit participation - guaranteed benefits	**R0210**	0		30.007.242	
Obligations with profit participation - future discretionary benefits	**R0220**	0		0	
Index-linked and unit-linked insurance obligations	**R0230**	0		260.126.862	
Other life (re)insurance and health (re)insurance obligations	**R0240**	0		0	
Total capital at risk for all life (re)insurance obligations	**R0250**		0		2.212.255.875

Overall MCR calculation

		C0130
Linear MCR	**R0300**	5.713.542
SCR	**R0310**	35.140.604
MCR cap	**R0320**	15.813.272
MCR floor	**R0330**	8.785.151
Combined MCR	**R0340**	8.785.151
Absolute floor of the MCR	**R0350**	6.200.000
		C0130
Minimum Capital Requirement	**R0400**	8.785.151

Notional non-life and life MCR calculation		Non-life activities	Life activities
		C0140	**C0150**
Notional linear MCR	**R0500**	1.233.807	4.479.735
Notional SCR excluding add-on (annual or latest calculation)	**R0510**	7.588.414	27.552.190
Notional MCR cap	**R0520**	3.414.786	12.398.486
Notional MCR floor	**R0530**	1.897.104	6.888.048
Notional Combined MCR	**R0540**	1.897.104	6.888.048
Absolute floor of the notional MCR	**R0550**	2.500.000	3.700.000
Notional MCR	**R0560**	2.500.000	6.888.048

Appendix IV – Auditors' Report

Independent Auditor's Report
To The Board of Directors of CNP Cyprialife 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 CNP Cyprialife 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.28.02.01 - 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").

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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.

Emphasis of Matter

We draw attention to the 'Valuation for solvency purposes' and the 'Capital Management' and other relevant disclosures sections of the Solvency and Financial Condition Report, which describe the basis of preparation. The Solvency and Financial Condition Report is prepared in compliance with the Framework, and therefore in accordance with a special purpose financial reporting framework. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

6 June 2017