Translation from Latvian

APPROVED
By BTA Baltic Insurance Company AAS
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BTA Baltic Insurance Company AAS
SOLVENCY AND FINANCIAL CONDITION REPORT for 2016

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SUMMARY

BTA Baltic Insurance Company AAS (hereinafter – the Company) is an insurance company registered in the Republic of Latvia, which provides non-life insurance services in Latvia, Lithuania and Estonia. For the business purposes, two branches are established - in Lithuania and Estonia.

The Company provides all types of non-life insurance services – motor insurance, property insurance and personal insurance up to the complicated type of insurance of general third party liability insurance, guarantee insurance and so forth.

The purpose of this report is to provide the society, current and prospective customers, and cooperation partners with the information on the Company's solvency and financial condition, including information on business results, governance system, risk profile, solvency and capital management.

The outline and the contents of the report is developed in accordance with the Insurance and Reinsurance Law of the Republic of Latvia, as well as Regulation 2015/35 delegated by the European Commission, supplemented by Directive 2009/138/K of the European Parliament and the European Council regarding business commencement and conduction in insurance and reinsurance sphere (Solvency II) requirements.

The Company consistently complies with the solvency capital requirements (SCR) in accordance with the regulatory framework in force since 1 January 2016. Current solvency capital requirement, evidences that preparatory work performed by the Company during the previous years, with the aim to ensure that SCR correspondence to Solvency II, were purposeful and efficient.

The most essential changes for operations of the Company in 2016 were the involvement of a new shareholder, i.e. 90% of the Company shares were acquired by the leading European insurer – Vienna Insurance Group AG Wiener Versicherung Gruppe (hereinafter – VIG).

A. BUSINESS ACTIVITIES AND PERFORMANCE

A.1. BUSINESS

Company title

BTA Baltic Insurance Company, insurance joint-stock company

Financial supervisory bodies of the Company

1. <u>Financial and Capital Market Commission</u>
   Address: Kungu iela 1, Riga, LV-1050
   Telephone: +371 67774800, Fax: +371 67225755,
   E-mail: fktk@fktk.lv

The Financial and Capital Market Commission provides financial supervision of the Company, encompassing the operation of branches established in Lithuania and Estonia as well. In the process of the Company's supervision, the Financial and Capital Market Commission also cooperates with the Bank of Lithuania and Estonian Financial Supervision Authority.

2. The Bank of Lithuania
   Address: Gedimino pr. 6, Vilnius, LT-01103
   Mailing address: Totorių g. 4, Vilnius, LT-01121
   Telephone: +370 80050500
   E-mail: info@lb.lt
3. The Financial Supervision Authority of Estonia
   Address: Sakala 4, 15030 Tallinn, Estonia
   Telephone: + 372 668 0500
   E-mail: info@fi.ee
4. Supervisory authority of the VIG Group:
   The Financial Market Authority of Austria
   Address: Otto Wagner Platz 5, A-1090, Vienna
   Telephone: +43 (1) 249590
   E-mail: fma@fma.gv.at

Auditor

KPMG Baltics SIA
Address: Vesetas iela 7, Riga, Latvia, LV-1013
Telephone: +371 67038000
E-mail: kpmg@kpmg.lv

Shareholders

Vienna Insurance Group AG Wiener Versicherung Gruppe (hereinafter – VIG), one of the leading insurers in Europe, became the Company's main shareholder by acquiring 90 % of the Company shares on 24 August 2016. 10 % of the Company's shares are owned by Balcia Insurance SE (until 01.11.2016 – BTA Insurance Company SE).

Table A.1.1

Company shareholding structure information

	31.12.2015		**31.12.2016**	
	Number of shares	**Proportion**	**Number of shares**	**Proportion**
Vienna Insurance Group AG Wiener Versicherung Gruppe			261,000	90 %
Balcia Insurance SE	290,000	100 %	29,000	10 %
	290,000	**100 %**	**290,000**	**100 %**

VIG is well established in all lines of business and thus offers a comprehensive customer-oriented portfolio of products and services with more than 50 Group companies and 24,000 employees in 25 countries. The Group generated around EUR 9 billion in gross insurance premiums in 2016, further strengthening its market leader position in Austria and in Central and Eastern Europe (CEE), where VIG has been operating for more than 25 years.

Further information on Vienna Insurance Group is available at www.vig.com or in the VIG Group Annual Report.

Material lines of business and material geographical areas of the Company

The Company was registered on 28 October 2014 in Riga, Latvia. The head office of the Company is located in Riga, 11 Sporta Street, Republic of Latvia.

The Company has two foreign branches – in Estonia (address: Lõõtsa 2B, Tallinn, 11415) and in Lithuania (address – Viršuliškių skg. 34, Vilnius, LT-05132), offering a broad range of non-life insurance products to corporate and private entities.

On 10 June 2015, the Company obtained the following insurance licences:

- motor insurance (CASCO);
- motor vehicle liability insurance (incl. compulsory insurance on third party motor vehicle liability – MTPL);
- health insurance;
- property insurance against fire and natural forces;
- property insurance against other damages;
- general liability insurance;
- miscellaneous financial loss insurance;
- goods in transit insurance;
- accident insurance;
- assistance (travel) insurance;
- railway rolling stock insurance;
- marine insurance;
- liability for ships insurance;
- aviation insurance;
- aircraft liability insurance;
- suretyship insurance;
- credit insurance;
- legal expenses insurance.

A.2. UNDERWRITING PERFORMANCE

Upon purposeful development of sales channels and segmentation of insurance services, in 2016, the Company's development in Estonia and Lithuania proved considerably more rapid growth than the overall non-life insurance market development in the respective countries. In terms of percentage points, Estonia was marked by the largest increase in gross insurance premiums written by the Company, i.e. 29 %. The Company turnover in 2016 grew almost three times more rapidly in Estonia than the overall Estonian non-life insurance market, and the growth indicators were one of the highest in Estonian non-life insurance market. While, in Lithuania, the Company reached the largest increase of written gross insurance premiums – in 2016, the Company has written by 13.2 million euros more in gross insurance premiums than in the year 2015, and thus presented development twice as rapid as overall Lithuanian non-life insurance market. The volume of gross insurance premiums written by the Company all together for the Baltic States in 2016 was 132.5 million euros.

VIG shareholder engagement and successfully chosen business strategy allowed the Company to raise considerably the overall business volume in Estonia (+29 %) and in Lithuania (+24 %), as well as to reinforce its positions in corporate customer segment, where the volume of gross written insurance premiums increased by 18 %. Latvian market also showed upward dynamics and moderate: 1 % growth of the volume of written insurance premiums in 2016. Intense competition prevailing on the market impedes a more vigorous growth in Latvia.

In 2016, by types of insurance the steepest growth of written insurance premiums was observed in MTPL (+ 23 %), private accident insurance (+ 20 %), health (+ 18 %), CASCO (+ 17 %) and property insurance (+ 13 %).

Positive trends remained in the segment of voluntary insurance types in the Baltic States in 2016 – the volume of gross insurance premiums continued to grow. Altogether, the Company's volume of written insurance premiums in voluntary insurance types reached 82.7 million euros in 2016, which is 11.3 % more than in 2015.

Ensuing from the growth of the volume of gross written insurance premiums, the volume of insurance claims disbursed by the Company increased by 9.8 % in 2016 and reached 77.5 million euros. The Company disbursed almost 304 thousand euros on average every business day in 2016, which makes it approximately 38 thousand euros every business hour. The significant increase of disbursed insurance claims (+ 109 %) in 2016 primarily was based on several large extensive disbursements in corporate client segment regarding Motor Third Party Liability insurance.

The volume of insurance indemnities disbursed by the Company in 2016 increased also in private accident insurance (+ 28 %), MTPL (+ 11 %) and CASCO (+ 9%). Increase of the volume of indemnities in motor insurance is mostly related to the increasing costs of car repair services and spare parts.

Notwithstanding the amount of heavy losses of MTPL type of insurance in Latvia and Estonia, as well as the increase in the volume of insurance indemnities disbursed by the Company, the Company's business strategy allowed gaining 2.5 million euros as profit before taxes in the Baltic States in 2016.

A.3. INVESTMENT PERFORMANCE

The Company continued to use a conservative approach towards investment policy in the reporting year. The Company mostly invested in government bonds having high investment grade rating (between A and AAA according to the international rating agency Standard & Poor's classification). The proportion of such investments constituted 97 % of the total volume of the Company's financial investments on 31 December 2016.

In the reporting year, the Company's investing results were primarily constituted by interest income from bonds.

	2016 EUR'000	2015 EUR'000
Investment management charges	(42)	(26)
Interest income, including:	1 144	618
interest income from financial assets at fair value	1 083	580
interest income from investments with credit institutions	60	37
interest income on granted loans	1	1
Gain/(loss) from financial assets and liabilities at fair value through profit or loss, net	(92)	22
Gain/(loss) on foreign currency fluctuations	(267)	132
Impairment loss	-	(62)
Investing result, recognised in profit or loss	**743**	**684**
Investing result, recognised in equity	(12)	-

Investing result of the company, recognized particularly in equity are losses amounting to 12 thousand EUR. The Company has no investments into securitisation.

A.4. PERFORMANCE OF OTHER ACTIVITIES

In the reporting year, the Company did not conduct any activities that are not directly or indirectly related to underwriting or investing. In the reporting year, the Company included some transactions, not disclosed as underwriting or investing result, under other results of other activities.

	2016 EUR'000	2015 EUR'000
Other expense, net	(135)	(78)

A.5 ANY OTHER INFORMATION

The company has no other relevant information to disclose on business and results.

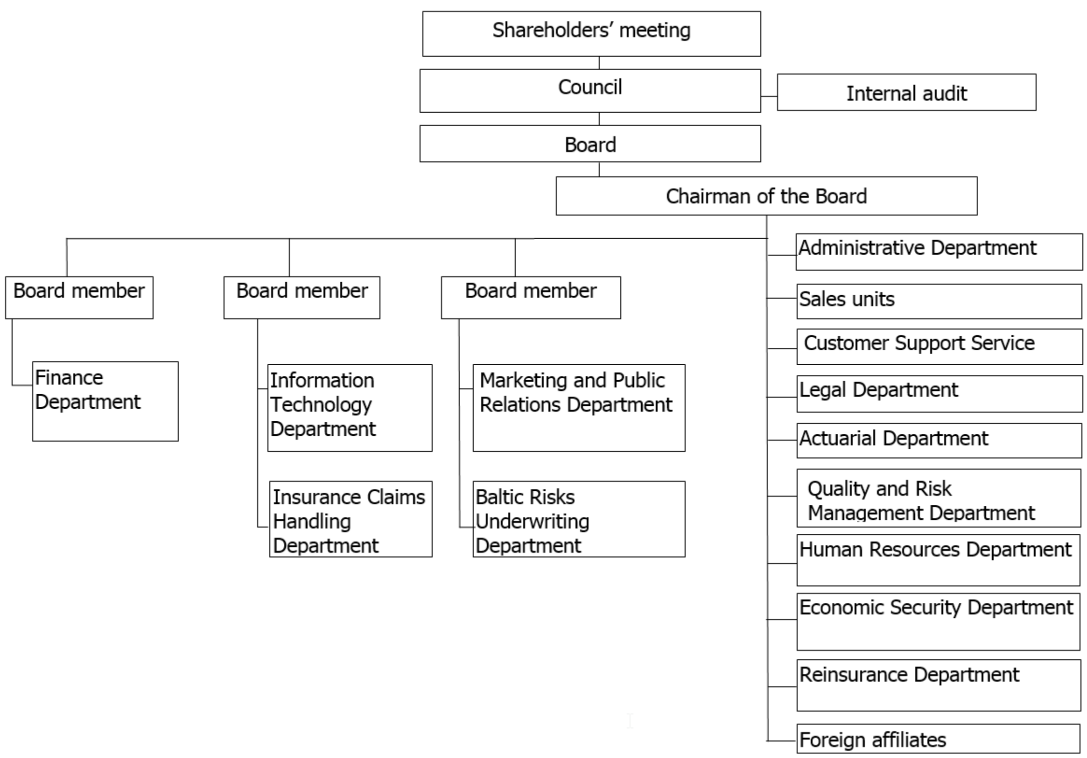
B. SYSTEM OF GOVERNANCE

B.1. GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The Company has established a governance system that is relevant to the nature, size and complexity of its operations, based on a transparent organizational structure with clearly defined distribution of obligations, rights and responsibilities, as well as a well-designed information management system.

The shareholders' meeting, the supervisory board and the management board according to requirements of the Articles of Association of the Company, external regulatory enactments and internal regulatory documents execute the governance of the Company. To guarantee that the Company is managed and supervised in a professional way, it is maintained that the supervisory board and the management board together have sufficient experience and knowledge regarding all essential Company's operation segments and risks, as well as that each their member possesses a proper qualification, knowledge, skills and professional experience to accomplish the assigned tasks.

Figure B.1.1. Company organizational structure.



Supervisory Board

The supervisory board represents the interests of shareholders and supervises the operations of the management board including supervision of the Company's management board ensuring efficient governance system establishment and operations. The supervisory board determines the company's development and operational strategy, as well as approves the budget and the policies, including determining the risks, the company is willing to undertake, and the acceptable risks margin, supervises the company's management board establishing efficient risks management system to ensure continuous management of current and prospective risks, risk groups management and supervision of the interaction of different risks.

The Company makes decisions regarding all significant business transactions, which are not included the Company business plan.

The supervisory board is composed of 4 (four) members of the supervisory board (up to 13 January 2017 – of five members of the supervisory board) elected by the shareholders' meeting. Supervisory board meetings occur at least four times a year, it takes at least three members of the supervisory board to reach a quorum of shareholders.

<u>Members of the company's supervisory board and their positions held:</u>
Franz Fuchs – Chairman of the Supervisory Board as of 24.08.2016
Elisabeth Stadler – Deputy Chairlady of the Supervisory Board as of 24.08.2016
Jan Bogutyn – Supervisory Board Member as of 24.08.2016
Artur Borowinski – Supervisory Board Member as of 24.08.2016
Gints Dandzbergs – Chairman of the Supervisory Board until 24.08.2016, Supervisory Board Member until 13.01.2017
Pauls Dandzbergs – Deputy Chairman of the Supervisory Board until 24.08.2016
Marts Dandzbergs – Deputy Chairman of the Supervisory Board until 24.08.2016
Andrejs Galanders – Supervisory Board Member until 24.08.2016
Agris Dambenieks – Supervisory Board Member until 24.08.2016

Management Board

The management board is composed of 4 (four) members of the management board elected by the supervisory board. Each management board member is assigned to supervise certain operational areas in line with its competence in the organizational structure. The Company takes care to avoid making unilateral decisions, which have material impact on the Company's business strategy, operation and management, or which have material impact on the Company's finances, employees or policyholders and insureds.

The Company's management board is responsible for the company governance system establishment, implementation, management and improvement, as well as for efficient operation of risks management system.

<u>Company Management Board members and their positions held:</u>
Jānis Lucaus – Chairman of the Management Board
Oskars Hartmanis – Management Board Member
Evija Matveja – Management Board Member
Wolfgang Kurt Wilhelm Stockmeyer – Management Board Member as of 24.10.2016

The Company's committees

Audit committee composed of 3 (three) members has been established at the Company's shareholders' meeting of 27 April 2017. The main task of the committee is to supervise annual report preparation process upon increase of the credibility of the information provided within the financial report, as well as to assess and to propose sworn auditor candidates for approval of the supervisory board.

The company has not established other committees.

Key functions

The Company appoints employees (company unit managers) in charge of key functions - risk management, compliance, actuarial and internal audit functions, who regularly review and evaluate the implementation of the functions they are in charge of, information exchange and decision making procedure, and inform the management board regarding necessary improvements or changes. The Company makes sure that entrusting a number of tasks to private individuals and organizational units does not preclude from correct, fair and objective performance of any particular function.

To take care of sustainable and reliable operation and supervision of the governance system, as well as compliance, the Company has developed internal regulatory documents capturing the key principles and procedure to be observed by the staff of the Company.

Risk Management and Compliance functions

Risk Management and Compliance functions are performed by Quality and Risks Management Department of the Company, which is in charge of implementation and maintenance of risk management system providing continuous, systematic and timely reaction.

The following tasks are completed within risks management function:

- providing the management board with reports on exposure to risks, as well as consulting the Company's management board and company units on the matter of risk management, therefore, aiding the Company's management board to effect risk management system efficiently;

- upon close cooperation with the actuary function, risk management system and the overall risk profile monitoring is performed;

- identifying and assessing new risks.

Within compliance function:

- compliance risk identification and assessment process is controlled;

- the Company's awareness and compliance with external regulatory requirements is ensured;

- compliance risk profile monitoring and risk reducing measure implementation is ensured, in case current control measures are assessed inefficient.

Actuarial function

Chief Actuary of the Company is in charge of actuarial function effectuation. Further information in detail is provided upon section B.6.

Internal audit function

Internal audit service manager is in charge of internal audit function effectuation. Further information in detail is provided upon section B.5.

Changes in the governance system of the reporting year

The joining VIG in 2016 resulted in a change in the governance system – the composition of the Company supervisory and management boards changed. The number of Management Board members was increased from three to four; Wolfgang Kurt Wilhelm Stockmeyer - a new management board member joined the management board on 24 October 2016.

Remuneration policy

The Company's remuneration policy is based on the following key principles: internal fairness, remuneration, meeting market requirements, equal approach and enhancing staff activity focused on achievement of the Company's long-term operational goals.

Remuneration for executing any internal control functions in the Company does not depend on the work results of the company unit, which is under these control functions.

The proportion of base salary and variable part of remuneration in the total remuneration of employees is set to motivate the employees to reach the set goals, adhere to long-term interests of the Company and improve their professional qualification in order to provide a better work performance. The remuneration system balances the elements of remuneration in order the base salary would constitute a sufficient part of the total remuneration and the staff would not be overly dependent on the variable part of remuneration.

Transactions with the associated parties

Transactions with the associated parties (persons, who effect considerably the company, governance, management or supervisory company unit members) shall be performed in accordance with the general Company operational principles and market prices.

The Company's transactions with the associated parties were insignificant in 2016, claims against the associated parties altogether on 31 December 2017 comprised only 3 thousands EUR, while liabilities comprised 11 thousands EUR.

B.2. FIT AND PROPER REQUIREMENTS

The operation of the Company's units is governed by regulations defining company unit goals, tasks and governance procedure, and an integral part of each employee's labour contract is job description.

When defining the requirements of professional qualifications, competences and being proper for the position, only requirements that are necessary to perform the duties of a particular position are included.

The following minimum criteria are applied with respect to management board members:

1. university education in finance, economics, management or legal sciences or another area, requiring specific knowledge for good performance of the duties assigned;
2. at least 5-year experience of working in leading positions in financial institutions in areas that the management board member is in charge of;
3. impeccable reputation and outstanding work results in previous positions.

The fit and proper assessment of supervisory and management board members measures their professional qualification, knowledge and experience.
Whether an employee is fit and proper for a position is established in line with work performance management procedure, where the employee completes work performance management survey forms in the Company's internal information system and the employee holding work performance management interviews with the employee.

B.3. RISK MANAGEMENT SYSTEM, INCLUDING OWN RISK AND SOLVENCY ASSESSMENT

The Company's risk management system encompasses:

- insurance risk underwriting,
- market risk management,
- credit risk or business partner risk management,
- liquidity risk management,
- operational risk management, including compliance risk management, information security and business continuity risk management.

Each of the aforementioned areas have clearly defined risk management principles and responsible company units and persons.

Baltic Insurance Risks Underwriting Department manages insurance risks – on a regular basis, analyses risk underwriting results, prepares reports to the management board and to the person in charge of the Risk management function, conducts necessary activities to improve risk underwriting management and risk level adjustment in line with the strategy and annual plan.

Actuarial Department takes care of setting technical provisions and calculation of solvency capital requirements and their assessment, as well as conducts own risk and solvency assessment, except for operational risk assessment, monitoring and their compliance with the standard formula.

Reinsurance Department performs reinsurance risk management.

Finance Department performs market risk, credit risk and liquidity risk management.

Quality and Risk Management Department conducts operational risk management, as well as compliance and risk management functions.

The Company conducts own risk and solvency assessment each year. The assessment results are used in strategic and operational planning, budget planning, as well as cases, when any significant changes in the Company's operation are contemplated.

The Company monitors its risk profile on a regular basis. It conducts a full solvency capital requirement calculation once a quarter, as well as regular stress testing, sensitivity testing, in case the actual figures differ from own risk and solvency assessment forecasts. The use of the standard formula is in line with the Company's risk profile, which is assessed in the own risk and solvency assessment.

The Company performs risk and solvency self-assessment once per a calendar year, determining and assessing possible effect of various possibly unfavorable emergency events or market condition changes on ability of the Company to comply with all the liabilities pertaining to the insurance contracts completely and to ensure stability of financial operations.

The Company's management board approves testable factors and scenarios of Risk and solvency self-assessment, identifying significant risks, which may affect the Company's solvency capital value, financial operation stability and ability to comply with liabilities completely and the respective risk factors.

Within risk and solvency self-assessment function, actuarial function performs approved sensitivity tests (unfavourable change effect determination for particular risk factors) and scenario tests (several risk factors simultaneous unfavourable change effect determination).

Upon cooperation of actuarial function and risk management function, risk and solvency self-assessment is performed and results are submitted to the Company's management board for approval.

Based on the assessment prepared, the Company's management board makes a decision regarding the actions to be undertaken in case of occurrence of the mentioned events or market condition changes on particular conditions, measures and further actions.

Within additional Risk and solvency self-assessment performance, the Company's management board makes decisions on Risk and solvency self-assessment performance in case, when circumstances that may affect the Company's solvency considerably arise.

B.4. INTERNAL CONTROL SYSTEM

For effective internal control system functioning purposes, the Company documents the essential processes and controls, as well as roles, obligations and responsibilities, which sustains compliance of the level of quality of the Company's provided services to the established standards and requirements of regulatory enactments.

To avoid the potential conflicts of interest, the Company makes sure that a single employee does not have full control over performance of a function.

The Company relies on a risk-based approach in introduction of control measures, furthermore, the preference is as much as possible given to introduction automated controls – by employing technologies, developing control activities and effective management of information system user rights.

The functions of internal control are independent from the Company's business operation that they control, and they are detached from each other.

Person who realizes internal control functions in the Company:

- is entitled at his or her own initiative freely to contact employees and to access, without limitations, information, required for internal control;
- is provided and granted by the management board any required authorities, information, support, objectiveness and independence;
- possesses appropriate qualification, competence and experience to perform the particular internal control, as well as has had the necessary training.

For realizing the compliance function, the Company has developed a compliance policy, which defines compliance function duties, authorities and reporting obligations. Each year the Company develops an action plan for maintaining compliance, according to the Company's exposure to compliance risk.

The compliance function assesses compliance risk within the framework of annual operational risk and internal control system assessment process, establishing whether the non-compliance prevention measures adopted by the Company are sufficient. B.5. INTERNAL AUDIT FUNCTION

The internal audit function does not participate in business operations which control is performed by the function, neither does the internal audit have any rights to define Company's accounting and control procedures and give orders to other Company's employees.

On a regular basis, the Internal audit provides quarterly reports to the Company's Supervisory Board on its operating results – conducted audits, their results, as well as implementation statuses of audit recommendations.

The strategic audit plan includes all processes of the Company and company units within it.

B.6. ACTUARIAL FUNCTION

Actuarial function in the Company is provided by the Chief Actuary, who coordinates calculation of technical provisions, including development of methodologies and procedures, data quality inspections of sufficient scope and degree of detail to gain assurance of data accuracy and completeness, the Chief Actuary also is in charge of Solvency II and ORSA calculations.

The Chief Actuary makes assessment, whether the methodologies and assumptions, used in calculation of technical provisions, are appropriate for the company's particular business lines and business management style, according to the available data, as well as whether the information technology systems, used in calculation of technical provisions, support calculation procedures to a sufficient degree.

Comparing the best estimates to experience, the actuarial function reviews the quality of the previous best estimates and uses the conclusions in the current assessment to improve the quality of the current calculations. Comparison of the best estimates to experience includes comparisons between the established values and the underlying assumptions of the best estimate calculation, to make conclusions regarding the relevance, accuracy and completeness of the data and assumptions used, as well as regarding the methodologies used for their calculation.

The actuarial function prepares a report on technical provisions calculation, including an argument-based analysis regarding their calculation credibility and relevance and regarding technical provisions estimate sources and the level of uncertainty. This analysis is supported by sensitivity analysis, which includes inspecting the sensitivity of technical provisions to each major risk, underlying the liabilities, covered by the technical provisions. The actuarial function clearly indicates to and explains all concerns that it may have with respect to the adequacy of technical provisions.

The opinion of the actuarial function regarding risk underwriting includes conclusions about:

- sufficiency of earned premiums to cover further insurance claims and expenses;

- the effects of inflation, legal risk, changes in the company's portfolio composition and systems adjusting the premiums paid by policyholders up or down depending on their insurance claims history (bonus-malus systems) or similar systems, exercised in particular homogenous risk groups;
- upward trend of insurance contracts portfolio to acquire or retain insured persons having a higher risk profile (negative selection).

With respect to general reinsurance transactions, the opinion, made by the actuarial function, includes analysis of the Company's risk profile and underwriting policies, including about:

- reinsurance service providers, in accordance with their creditworthiness;
- the expected cover in accordance with stress scenarios with respect to underwriting policy;
- calculation of recoverable amounts under reinsurance contracts.

The actuarial function, minimum once a year, prepares a written report to be provided to a governance, managerial or supervisory body. The report includes documented all the tasks, performed by the actuarial function, and their results, and clear indications to all deficiencies, and provides suggestions as to how these deficiencies should be corrected.

B.7. OUTSOURCING

The Company outsources only some information technology maintenance services, which is coordinated with the Financial and Capital Market Commission.

The outsourcing services providers are Latvian and Lithuanian based companies. The companies in Lithuania were engaged for providing services to the Lithuanian branch.

B.8 ANY OTHER INFORMATION

There is no other relevant information to disclose.

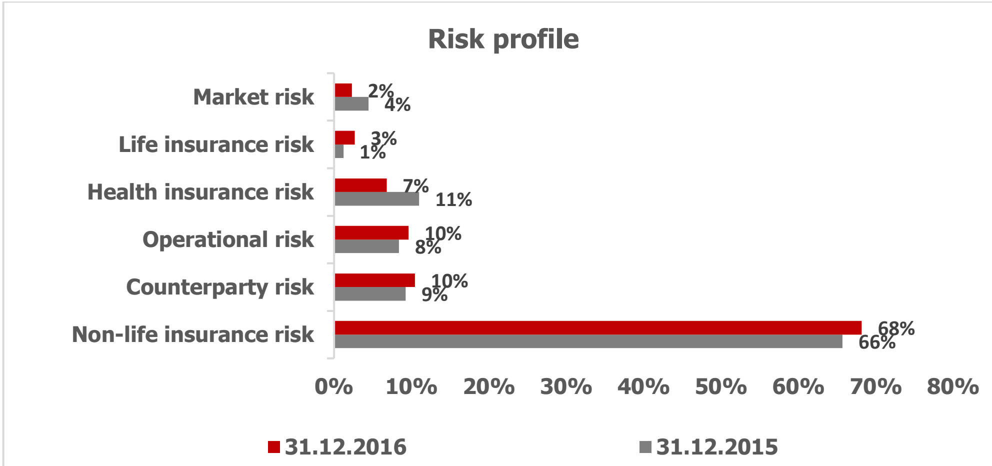
C. RISK PROFILE

Table C.1.Capital Requirement calculated with Standard formula breakdown by type of risk.

Risk category	SCR, thous. EUR
Non-life underwriting risk	26 324
Credit risk	4 036
Health underwriting risk	2 624
Life underwriting risk	1 029
Market risk	883
Diversification	-5 776
Solvency capital requirement	**29 120**
Operational risk	3 713

*SCR - Solvency capital requirement

According to specific operations of the Company bulk of the risk profile is formed by non-life underwriting risk (68%), then comes credit risk (10%) and operational risk (10%). Taking into account conservative investment strategy of the Company, market risk makes only 2% from total SCR.



C.1 UNDERWRITING RISK

By doing insurance operations, Company is facing underwriting risk.

The underwriting risks are divided into:

- non-life underwriting risk

- health underwriting risk (incl. accident insurance)

- life insurance obligation underwriting risk. The product in which life underwriting risk appears is Compulsory Civil Liability Insurance of Owners of Motor Vehicles (MTPL).

Magnitude of underwriting risk, which is calculated with Standard formula is shown in Annex 8, Template S.25.01.21. In Annex 2, Template S.05.01.02 written premiums, claims and expenses by line of business in thousand EUR can be seen.

The basis of underwriting strategy, to reduce underwriting risk, is risk diversification, which provides a balanced portfolio of risks, based on big amount of equal risk portfolios, which are held for several years. Company carries out accurate and regular monitoring of products, so it can respond to trends, which does not correspond to approved strategy, in time.

There are no significant changes in underwriting risk structure in reporting period. Slight increase in non-life underwriting risk share, because of business volume overall increase in 2016 (Estonia +29%, Lithuania +24% and 18% growth in corporate client segment in Latvia), and life underwriting risk, which was tended by the increase in the number of cases of long-term remuneration, seriousness and persistence of cases. While health underwriting risk share have decreased because of reinsurance in health insurance business which significantly reduced the risk of health disasters.

Risk management of underwriting risk:

- insurance product regulation development and renewal;
- regular pricing review, to ensure Company's goal achievement;
- supervision of sales and insurance compensations paid on daily basis, to see if they corresponds to planned results;
- preparation of reports and analysis (about insurance product sales, lost ratios and so on) on regular basis;

- Risk Inventory.

To maintain that the underwriting process always is in compliance with the qualitative and quantitative standards defined in the Company, the Company has developed internal regulatory documents to ensure a uniform underwriting process across all Baltic States.

Underwriting risk concentration risk is the risk that an event or series of events may occur, which could cause insurance liabilities that may imperil solvency or ability to continue operating for Company.

The Company sets out the total aggregate exposure that it is prepared to accept in relation to the concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and on a monthly basis by reviewing reports which show the key aggregations to which the Company is exposed.

Concentration risk is tested and evaluated within different scenario tests. Stress test results are used for decision making to understand what concentration risk the Company may undertake.

In view of this and to reduce the concentration risk in one country, the Company continues to develop operations in all Baltic countries. As a result, in the reporting period, 36.2% of all business (by net earned premiums) was conducted in Latvia and 50.7% in Lithuania, and the rest in Estonia. The geographic risk has no significant effect on the Company's solvency capital requirement.

In Annex 3, Template S.05.02.01 information on premiums, claims and expenses by country, in thous. EUR in 2016 can be seen.

The concentration of insurance risks by industry does not exceed 20% for an industry, therefore the Company's management does consider the risk concentration is at the acceptable level.

To reduce underwriting risk company carries out regular monitoring of underwriting results – gross/net premiums and gross/net paid claim actual and planned data is compared, and also conditions which influenced results are analysed – external environment processes, like market changes, situation changes in economic or politic situation, changes in law etc., internal environment in Company is analysed as well. Company prepares overviews on certain insurance products and sales channels, taking into account internal and external influence. To reach strategic goals, based on the results of the analysis, Company decides on its pricing policy, methodology and ensures risk diversification in priority segments (client, product, geographic).

Reinsurance is very important risk management tool, which is oriented on risk mitigation. Company uses reinsurance, to reduce loses which may accure in the case of insurance risk concentration. By using reinsurance, Company's part in the risk either for one object, either for one event, in which losses may be caused for several objects at the same time.

By doing Own Risk and Solvency Assessment in 2016, it was tested how increase in lost ratio in every quarter, next year by 2.5% in all insurance products will influence Company, and it was

By doing Solvency Capital Requirement sensitivity check, Company tested how scenarios, shown in the table below, affects solvency ratio changes in 2016 and three years ahead. The results are summarized in Table C.1.1.

Table C.1.1. Solvency capital sufficiency sensitivity test results.

<table>
<tr><td colspan="2" rowspan="2">Scenario</td><td colspan="4">Changes in solvency ratio in percentage points</td></tr>
<tr><td>2016</td><td>2017</td><td>2018</td><td>2019</td></tr>
<tr><td rowspan="2">Loss ratio increase:</td><td>-In the same time in motor insurance, fire and other property damage insurance for 2 percentage points</td><td>-1.55</td><td>-1.54</td><td>-1.71</td><td>-1.75</td></tr>
<tr><td>-In the same time compulsory and general civil liability insurance for 2 percentage points</td><td>-1.47</td><td>-1.31</td><td>-1.42</td><td>-1.35</td></tr>
<tr><td colspan="2">One large claim (1.5 million EUR) in MTPL business line</td><td>-4.11</td><td>-4.61</td><td>-5.34</td><td>-5.62</td></tr>
<tr><td colspan="2">Decrease in average premium by 5% in all motor insurance segments (net earned premiums and portfolio structure stays the same)</td><td>-1.69</td><td>-1.49</td><td>-1.69</td><td>-1.62</td></tr>
</table>

In addition in 2016 Company did reverse stress tests, to determine the directions for optimizing a structure of the insurance portfolio i.e. minimize premiums and reserve risk, diversifying business lines and do not change the planed premiums by Company.

Stress tests:

-minimized only premium and reserve risk, by using standard formula premium, reserve standard deviations.

- maximized solvency capital requirement ratio, by assuming, that the best estimate of technical reserves, health and non-life insurance premium and reserve risk changes, but amount of reserve unearned premiums and amount of premiums earned between the health and non-life insurance business lines stays the same. By maximizing ratio, it was taken into account, that current big business lines makes at least 15%, small business lines makes under 5% and that none of the business parts makes more than 50% in the structure.

Results of the stress tests shows, that Company is fully capable of carrying out commitments form insurance contracts and ensure the financial stability of the Company.

C.2 MARKET RISK

Company market risk understands as the risk which can cause a loss or a negative change in financial position, and it can arise as a result of fluctuations in market prices of assets, liabilities and financial instruments, this risk also includes interest rate risk, price and currency risks.

According to standard formula, the market risk in the Company makes 883 thousand EUR.

Table C.2.1. Market risk breakdown by risk components

Type of risk	31.12.2016. Capital requirement, thous. EUR
Market risk	883
Interest rate risk	207
Equity risk	362
Property risk	129
Spread risk	325
Market Risk Concentration	201
Currency risk	213
Diversification	-554

The breakdown of financial assets is shown in Table D.1.1. Categories of material assets and valuation methods.

Financial instruments and positions are exposed to market risk, which is the risk that changes in market conditions can reduce or increase the value of financial assets and liabilities in the future, including interest rates, foreign exchange rates, changes in financial investment prices.

To regulate the risk concentration in financial instruments, the Company has established investment limits for a single counterparty and for an entire financial instrument group, thus minimizing the concentration risk and the solvency capital requirement.

Mitigation methods for market risk –diversifying the investment portfolio and analysing an asset before its purchase and regularly obtaining available information about it later. Asset and passive management closely follows the balance of currencies and maturities. When funds are created preference is given to investing in high credit rating, low risk financial instruments. In accordance with the approved investment policy, the Company ensures that at least 90% of the assets, required to cover technical reserve, are placed in high-liquidity investments.

Company tested currency basic risk-free interest rate term structures deterioration in all years in accordance with EIOPA 2016 Insurance Stress Test "Low for Long (LY)" methodology. The result of this test was insignificant changes in solvency ratio. (Table C.2.2.)

Table C.2.2 Changes of solvency ratio

Test	2016	2017	2018	2019
	percentage points			
Currency basic risk-free interest rate term structures deterioration in all years	-0.85	-0.86	-0.87	-0.88

By doing liability adequacy test, the following factors were tested:

1) Increase of inflation by one percent point as compared to the plan of the entire period;
2) Reduction of return by one percent point as compared to the plan of the entire period;
3) Reduction of return until 0 only in the upcoming year.

The result testifies that the overall sufficiency of provisions remains. Results of tests are available in Table C.2.3.

C.2.3. Results of Liability compliance test sensitivity results

	Stress test No.	Provision changes (thous. EUR)	Changes, %
Increase of inflation by one percent point as compared to the plan of the entire period	1	-760.92	-6.08
Reduction of return by one percent point as compared to the plan of the entire period	2	-385.87	-3.09
Reduction of return until 0 only in the upcoming year	3	-183.08	-1.46

C.3 CREDIT RISK (COUNTERPARTY RISK)

Credit risk or counterparty risk reflects losses or unfavourable asset values and financial instrument dynamics, which may occur in the course of the upcoming twelve months due to unforeseen non-compliance with liabilities or reduction of creditability of a cooperation business partner or insurance company. Credit risk reflects losses occurring when business partners or debtors do not comply with their liabilities or their creditability reduces.

The company has an approved Investment strategy, which encompasses strict conditions of investing, determined limits both by types of investments, and by partners. Reinsurance policy also determines requirements and limits for reinsurance companies.

This risk is controlled upon establishment of business partner ratings and limits, while in case of reinsurance – upon establishment and observance of optional criteria of reinsurer, performing efficient debt recovery and, in case of debtors, termination of the policy.

The Company tested solvency capital changes for a scenario, which envisaged changes in the banking sector. Table C.3.1 reflects obtained solvency capital ratio changes in percent points.

C.3.1.tabula. Solvency capital ratio changes.

Tests	2016	2017	2018	2019
	Solvency capital ratio changes in percent points			
Unification of particular banks in the Baltics	-0.65	-2.13	-1.99	-1.92

Test results testified that the Company is able to react to such kind of changes and that it shows no considerable effect on the Company's solvency.

C.4 LIQUIDITY RISK

Liquidity is a risk, when monetary assets are unavailable to the Company without extra costs or time consumption to comply with liabilities. This risk comprises discrepancies in assets and timing structure.

In accordance with the Company investment strategy, the Company makes investments in highly liquid financial assets. The dominating part of financial assets have an active market, thus, they may be realized with minimal expenses or without extra charge. Taking into all the above-mentioned, liquidity risk of the Company is valuated as low. The Company controls this risk upon performance continuous market monitoring, as well as maintaining a part of financial assets available in credit institution bank accounts.

C.5 OPERATIONAL RISK

In order to cover operational risk, capital requirement is calculated by means of standard formula. Calculated in accordance with standard formula for operational risk coverage Solvency II capital on 31 December 2016 is EUR 3 713 thous. (31 December 2015 - 3 768 230).

In the result of risk self-assessment the following categories were defined as three most significant operational risk categories:

- Other legal and compliance risks;
- Human error risks;
- Process and organizational risks.

To reduce operational risk, the Company uses two different control strategies – preventive, for instance, determining access rights/authorization levels, and adjusting (oriented towards timely aversion of operational risk event and possible aversion of the risk event repeating), and identifying – oriented towards detection of operational risk event occurred. The Company develops internal regulatory framework for most significant processes and takes care of the employee training.

In order to ascertain that standard formula is appropriate to the operational risk assessment, Company also uses operational risk self-assessment (risk assessment based on probability and severity). Risk Management Functions, in cooperation with the risk holder, expresses qualitative and quantitative assessments and classifies potential operational risk events, thus identifying the Company's operational risk level and the necessary control activities to reduce it. The required capital to cover possible operational risks is 3 445 thousand EUR, which is slightly higher (+ 2%) compared to 3 370 thousand EUR according to the standard formula. The Solvency II capital calculated on covering operational risk is 3 713 thousand EUR as at 31.12.2016. (As at 31.12.2015 – 3 768 thousand EUR), which by 8% exceeds the amount of capital required, according to expert judgment – 3 445 thousand EUR. Both ratings are comparable, slightly lower for experts. The Company considers the capital requirements calculated according to the standard formula to be adequate.

C.6 OTHER MATERIAL RISK

Risk is considered material in case it exceeds 2.5% form the Company’s own funds. Other material risks in addition to the above-mentioned have not been identified.

C.7 ANY OTHER INFORMATION

The Company has made test in order to establish the set of circumstances, which reduces the Company’s solvency margin below 100%.

Analysis of solvency capital sufficiency sensitivity, upon performance of different stress tests, testifies that according to stress tests, BTA is solvent, solvency ratio changes affected by each particular stress test does not exceed 5 percent point margin.

D. VALUATION FOR SOLVENCY PURPOSES

D.1. ASSETS

Sum total of the Company's assets on 31 December 2016 is 138.1 thousand EUR, break-up in asset positions is attached in Annex 1 template S.02.01.02.

Conducting asset valuation for solvency purposes and comparing the results to the financial statements there are differences – all changes leading to them are as defined in Regulation 2015/35 – and the differences are the following:

- property positions (Assets for own use, Property), as for solvency purposes they are provided at fair value, while in financial statements – at residual value;
- for solvency purposes, intangible assets and deferred acquisition costs are not included on the balance-sheet;
- recoverable amounts under reinsurance contracts – financial statements include the accurate amount of deferred indemnity payments and unearned premiums reserve, while for solvency purposes – the present value of forecasted future cash flows.

Table D.1.1

Categories of significant assets and valuation methods

Asset categories	Significant asset categories, MM EUR		Valuation methods	Bases used	Reason of difference
	M II	IFRS			
Deferred purchase costs	0.00	5.4		Accounting system	In M II balance sheet, these asset categories are not included.
Intangible assets	0.00	1.64			
Deferred tax assets	0.16	0.16		Calculation	
Fixed assets for own use	1.28	1.18	Market price		In M II balance sheet, property for own use is attributed to fixed assets for own use.
Property	0.00	0.10	Market price		
State bonds	79.24	79.24	Market price	Bloomberg.com	
Company bonds	2.07	2.07	Market price		
Deposits other than cash equivalents	1.36	1.36	Value of deposits the accrued interest	Bank record-keeping	
Reinsurance contracts recoverables	6.66	9.02		The Company's data record-keeping basis.	IFRS - exact sum of deferred indemnities and unearned premiums M II – present value of future cash flow anticipated

Asset categories	Significant asset categories, MM EUR		Valuation methods	Bases used	Reason of difference
	M II	IFRS			
Insurance and intermediaries receivables	3.02	20.00	Carrying amount	Accounting system	In M II balance sheet record only receivables with due deadline
Reinsurance receivables	0.41	0.41	Carrying amount		
Other receivables	0.77	0.77	Carrying amount		
Cash and cash equivalents	42.48	42.48	Bank record-keeping		
Total	**137.45**	**163.83**			

MII – Solvency II

IFRS – International financial reporting standards

D.2. TECHNICAL PROVISIONS ASSESSMENT FOR SOLVENCY II PURPOSES

Best estimates and risk reserve are calculated in accordance with Regulation 2015/35 and in accordance with regulations issued by the Financial and Capital Market Commission, thus, amounts on 31 December 2016 altogether are available within the Company's balance sheet , in template S.02.01.02 in Annex 1, while template S.12.01.02 in Annex 4 and template S.17.01.02 in Annex 5 reflect the respective information allocated by types of insurance on life, health insurance and non-life insurance.

Best estimates are the sum of claims provisions best estimate and premium provisions best estimate. Life best estimates and non-life claim provisions best estimates differ from the IFRS (International Financial Reporting Standards) technical provisions due to discounting. The Company uses risk-free interest rates set by the EIOPA (The European Insurance and Occupational Pensions Authority) as required by Regulation 2015/35. The best estimate for premiums is calculated as forecasted cash flows, including cash flows as much as they pertain to current insurance and reinsurance contracts. The major cash flow positions are claim payments to policyholders and beneficiaries, premiums payments and all other cash flows under these premium and expense payments. To calculate the particular cash flow, the current loss, administrative etc. ratios are used.

Template S.19.01.21 in Annex 6 Non-life insurance claims summarizes quantitative information on gross paid insurance claims and best gross estimates of claims provisions.

The Company applies a simplified method to calculating risk provisions, i.e. approximated assessment by using the ratio of the best estimate at that future year to the best estimate at the valuation date. This method takes into account the maturity and the run-off pattern of the obligations net of reinsurance. Consequently, some considerations are given regarding the manner in which the best estimate of technical provisions net of reinsurance has been calculated.

Segmentation. Liabilities in each agreement are segmented to follow main risk factor. If agreement contains several risks and only one is substantial then liabilities are not separated.

The Company has no material differences between bases, methodologies and assumptions, used in valuation for solvency purposes and used in valuation of technical provisions for financial statements.

The Company does not use volatility and correlation adjustments in technical provisions calculation.

The transitional period deduction specified in Article 308(d) of Directive 2009/138/EC is not used.

Cash flow for life underwriting risk is calculated as a sum of cash flows from losses that have been reported to the Company, but that have not been settled by the end of the accounting period (reported but not settled, hereafter – RBNS) and from claims that have transpired, but have not yet been reported to the Company (incurred but not reported, hereafter - IBNR).

The RBNS cash flow projections used in the calculation of best estimates for life insurance obligations is made separately for each policy, country by using relevant mortality tables and relevant risk-free interest rate term structure.

The IBNR cash flow projections used in the calculation of best estimates for life insurance obligations is made using Chain-Ladder method for pensions and other long term claims and RBNS triangles.

For purposes of credibility and comparability of the calculation of best estimate of technical provisions and risk margin, the Company has developed internal regulatory documents, describing the calculation methodologies and assumptions in detail.

To gain reasonable understanding of the characteristics of the underlying risks and trends in the risks, the Company uses a minimum of five year period in its provisions calculation. The data is available at the Company's data warehouses on each respective homogenous risk group, used in calculation of technical provisions.

Once a quarter, the information from data warehouses during Solvency II calculation is compared to the information in insurance risks accounting systems.

At least once in quarter indices of absolute deviations in columns of accumulated triangles are checked. In the case of material differences data by separate claims are examined.

Reserve triangles every quarter are taken from beginning and historical information is compared with existing. Twice per year time interval between reporting data and accounting data is checked.

At least five year interval is used in calculation of technical provisions if the last chain coefficient is one. Triangles are created based on main risks divided by countries. If last coefficient is not one, then so many years are used as necessary while it is one, or tail coefficient is used. Data is considered homogeneous if such are absolute deviation indices in accumulated triangles

In the case of nonhomogeneous data they are analysed in every cell in the level of separate claims and additional information is taken into account:

- changes in premium calculation,
- changes in selling segmentation,
- management decisions regarding business termination or continuation,

– presence of one or more than one non-characteristic claims, the recurrence of which is not expected.

Every change of standard coefficient and data correction is documented, describing the reason and the reason for selecting the used method.

In the case of insufficient statistics, the IBNR reserve is calculated as 5% or 10% from Gross Premiums Written for the previous 12 months and the result is compared to the forecasted loses calculated using the forecasted loss ratio.

The accuracy, completeness and appropriateness of the used data is additionally estimated by controlling the adequacy of technical provisions minimum once a quarter.

Insurance contracts for each insurance type are segmented to follow the main risk factor.

In case a contract contains several risks and only one is substantial, then liabilities are not separated.

The best estimate of technical provisions is calculated using homogeneous risk groups. In selecting a homogeneous risk group, the focus is on achieving an appropriate balance between the credibility of data available, to enable reliable statistical analyses to be performed, and the homogeneity of risk characteristics within the group.

Consistency between homogeneous risk groups, used to estimate gross technical provisions and reinsurance recoverable from reinsurance contracts are provided for the classification of amounts to be recovered by the same principles as the claims and mapping specific claims.

For homogeneous risk groups to be sufficiently stable enough over time, they are established in Solvency II regime conditions by using licensed insurance products, grouping them.

For health lines of business, distribution is segmented by using specific risk premiums (claims) and insurance type total amount of premiums (claims).

Insurance or reinsurance obligations stemming from health and other non-life insurance contracts is segmented to life lines of business where such obligations are exposed to biometrical risks (i.e. mortality, longevity or disability or morbidity) and where the common techniques that are used to assess such obligations explicitly take into consideration the behaviour of the variables underlying these risks.

The used assumptions for distribution of Solvency II lines of business are checked at least once a year and kept track to maintain that the basis of business lines are the main risks.

Table D.2.1
Allocation of technical provisions and best estimates by lines of business, 31 December 2016

Line of business		IFRS provision (Gross, M EUR)	Best estimate (Gross, M EUR)	Risk margin (M EUR)	Total best estimate (Gross, M EUR)	Difference	
Code	Name					M EUR	%
A01	Accident insurance	2 127	1 386	46	1 432	-696	-33
A02	Health insurance	6 092	4 384	145	4 529	-1 563	-26
A03	Motor insurance	20 866	11 762	390	12 152	-8 715	-42
A04	Railway insurance	138	11	1	12	-126	-92
A05, 06, 07, 11, 12	Aircraft, marine, goods in transit insurance and aircraft liability insurance and liability for ships insurance.	1 706	499	8	507	-1 199	-70
A08	Property insurance against fire and natural forces	9 441	4 158	141	4 299	-5 142	-54
A08	Property insurance against other damages.	2 270	1 381	47	1 428	-841	-37
A10	Compulsory motor vehicle third party liability insurance (incl. pensions)	57 812	52 493	1 534	54 027	-3 785	-7
	Annuities based on non-life insurance contracts	*11 541*	*11 535*	*382*	11 917	376	3
	Material liabilities	*46 271*	*40 957*	*1 152*	42 110	-4 161	-9
A13	General liability insurance	8 235	5 448	178	5 626	-2 608	-32
A14	Credit insurance	115	95	2	97	-18	-16
A15	Suretyship insurance	3 253	1 081	26	1 108	-2 145	-66
A16	Miscellaneous financial loss insurance	72	44	1	45	-27	-38
A17	Legal expense insurance	14	1	0	1	-13	-94
A18	Assistance insurance	1 166	673	22	695	-471	-40
Total		**113 308**	**83 415**	**2 542**	**85 957**	**-27 351**	**-24**

Aircraft, marine, goods in transit insurance and aircraft liability insurance and liability for ships insurance allocated together in accordance with lines of business segmentation in Solvency II.

D.2.2. Table Differences between IFRS provisions and best estimate results

Provision	Reasons of differences	Effect sign
Premium provisions	IFRS premium provisions are calculated based on unearned premium part per days. Best estimate of premium provisions is calculated based on IFRS unearned premium provisions, while the latter is multiplied by loss ratios, expense ratios, recourse ratios and termination ratios. Calculation also encompasses receivables effective contract premiums, which have not yet matured.	+/-
	Best estimates of premium provisions are calculated as a present value of prospective future payables and receivables.	+
	Best estimates of provisions affect considerably receivables effective contract premiums, which have not yet matured.	-
Claim provisions	RBNS provisions are discounted.	+
	Same as annuities calculated also for RBNS dependents.	+/-
	IBNR provisions are discounted.	+/-
	IBNR provisions are reduced by the amount of prospective recourses.	-

Uncertainty level related to technical provision value is analysed by the Company upon performance of stress tests described in section C, sensitivity tests and reverse stress tests, as well as checking sufficiency of provisions regularly.

The Company's volatility and compliance corrections are not applied in calculating technical provisions.

Transition period deduction mentioned in article 308.d of Directive 2009/138/EK is not applied.

The Company uses non-risk percent rates defined by EIOPA (The European Insurance and Occupational Pensions Authority) in accordance with Regulation 2015/35.

As for 31 December 2016, the company balance sheet comprises 6 656 thousand EUR – reinsurance contract recoverable. Approximately 95% from this sum is comprised of compulsory motor vehicle third party liability insurance contracts, disbursement liabilities on policies concluded in Lithuania dominate according to geographic boundaries.

D.3 OTHER LIABILITIES

The company has calculation additional equalisation provisions in Credit insurance EUR 106 693 and unforeseen risk provisions in Motor insurance EUR 229 827.

D.4. ALTERNATIVE METHODS FOR VALUATION

Alternative methods for valuation are used for tangible assets and property. Revaluation frequency is in accordance with Regulation 2015/35.

D.5 ANY OTHER INFORMATION

No other information.

E. CAPITAL MANAGEMENT

E.1. OWN FUNDS

For calculation of the solvency capital requirement, the Company uses the standard formula defined in the Regulation 2015/35.

The composition of equity for solvency purposes is indicated in Table E.1.1.

The Company's equity consists primarily of its equity and reconciliation reserve arising from the excess of the total assets over the total value of liabilities that are calculated for solvency purposes.

The size of own funds on 31.12.2016 calculated for solvency purposes (37 236 thous. EUR) is different as it is in the annual financial statement (34 053 thous. EUR). That arises because of different asset and liability assessment methods for solvency calculation and for financial statements. Financial statements are prepared in accordance with international financial reporting standards (IFRS).

Detailed information on asset assessment methods are described in chapter D.1, table D.1.1 and on liability assessment methods – in chapter D2.

Table E.1.1 Own funds, EUR'000 (31.12.2016)

No	Position	Total	Tiers		
			I	II	III
1	Basic own funds total	37,236			
1.1	Ordinary share capital (gross of own shares)	29,000	29,000	-	-
1.2	Reconciliation reserve	8 073	8 073	-	-
1.3	An amount equal to the value of net deferred tax assets	164	-	-	164
2	Deduction for participations in financial and credit institutions	-	-	-	-
3	Total basic own funds after deductions (1-2)	37,236			
4	Ancillary own funds, total	-			

The purpose of the Company's capital management is to ensure the Company's sustainable operations and further development, its ability to fully comply with all Company's obligations arising from concluded insurance contracts and to allow dividends to be paid to the shareholders of the Company.

When developing capital management policies and capital management plans, the Company's management uses the methods for calculating the Solvency Capital Requirement in order to determine the capital requirements of the Company, taking into account the Company's existing financial situation, liabilities and future development plans. The management of the company evaluates the level of capitalization desired and determines the measures that are necessary to achieve it in the future taking into account the Company's risk profile and market conditions. Such measures may include limiting and reducing the risks taken, additional capital attraction, and adjusting the Company's development strategy.

Capital management policies and capital management plans are developed by the Management Board of the Company together with the Finance Department, the actuarial function and risk management function and approved by the Supervisory Board of the Company. The capital management process is described in Figure E.1.1.

Figure E.1.1. Capital management process.

Capital adequacy assessment	Capital planning	Capital management measures
- Regulatory capitalization - Internal capital requirements - Economic capital	- Amount and quality of capital - Amount and structure of risk - Capital allocation - Strategic targets	- Underwriting targets and limitations - Insurance portfolio management - Management of products and pricing - Investment limits - Dividends - Additional capital attraction - Liability management

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The Company is fully compliant with minimum capital and solvency capital requirements.

The Company's own funds to meet solvency capital requirement, is 37,236 thous. EUR, while the solvency capital threshold is 29,212 thous. EUR, solvency ratio - 127%. The minimum capital solvency ratio is 282%. Compared to the beginning of 2016, the solvency ratio has increased by 22 percentage points. The solvency improvement is based on the improvement of management of capital, balancing of insurance portfolio, and stable financial results, which contributed to the release of own funds.

Table E.2.1. Minimum capital and Solvency capital requirements, thousands EUR (31.12.2016)

No	Position	Total	Tiers		
			I	II	III
1	Total available own funds	37,236			
1.1	Total available own funds to meet the SCR	37,236	37,073	-	164
1.2	Total available own funds to meet the MCR	37,073	37,073	-	-
1.3	Total eligible own funds to meet the SCR	37,236	37,073	-	-
1.4	Total eligible own funds to meet the SCR	37,073	37,073	-	-
2	Solvency capital requirement (SCR)	29,212			
3	Minimum capital requirement (MCR)	13,145			
4	Ratio of eligible own funds to SCR (%)	127 %			
5	Ratio of eligible own funds to MCR (%)	282 %			

The Company uses the Standard formula to calculate the Solvency Capital Requirement. The breakdown of capital requirement between risks is shown in Table C.1 of Section C.

There are no inconsistencies with the Minimum Capital Requirement and the Solvency Capital Requirement fulfilment.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

The company does not use the duration-based equity risk sub-module in the calculation of the solvency capital requirement.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

The Company does not use internal models for solvency capital calculations therefore there is no difference between the standard formula and internal models.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company is fully compliant with the Solvency capital requirements – solvency ratio is 127% and the minimum capital solvency ratio is 282%.

E.6 ANY OTHER INFORMATION

There is no other relevant information to disclose.

19 July 2017

BTA Baltic Insurance Company AAS
SOLVENCY AND FINANCIAL CONDITION REPORT
for 2016

ANNEXES TO THE REPORT

in accordance with requirements of European Commission implementing regulation (EU) 2015/2452 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council:

1. Template S.02.01.02
2. Template S.05.01.02
3. Template S.05.02.01
4. Template S.12.01.02
5. Template S.05.02.01
6. Template S.19.01.21
7. Template S.23.01.01
8. Template S.25.01.21
9. Template S.28.01.01

ANNEX 1. S.02.01.02 Balance sheet, in thousand EUR

Row value	Column Value	Solvency II value (C0010)
Assets	H1	
Intangible assets	R0030	0
Deferred tax assets	R0040	164
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	1 278
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	82 670
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	81 312
Government Bonds	R0140	79 244
Corporate Bonds	R0150	2 069
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	1 358
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	6 656
Non-life and health similar to non-life	R0280	6 656
Non-life excluding health	R0290	6 667
Health similar to non-life	R0300	-11
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	3 405
Reinsurance receivables	R0370	26
Receivables (trade, not insurance)	R0380	770
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	42 482
Any other assets, not elsewhere shown	R0420	660
Total assets	**R0500**	**138 110**

Row value	Column Value	Solvency II value (C0010)
Liabilities	H49	
Technical provisions - non-life	R0510	74 039
Technical provisions - non-life (excluding health)	R0520	68 079
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	66 110
Risk margin	R0550	1 969
Technical provisions - health (similar to non-life)	R0560	5 961
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	5 769
Risk margin	R0590	191
Technical provisions - life excluding index-linked and unit-linked)	R0600	11 917
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	11 917
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	11 535
Risk margin	R0680	382
Technical provisions - index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	1 543
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	290
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit instit	R0810	0
Insurance & intermediaries payables	R0820	4 326
Reinsurance payables	R0830	874
Payables (trade, not insurance)	R0840	7 883
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	1
Total liabilities	R0900	**100 873**
Excess of assets over liabilities	R1000	**37 236**

ANNEX 2. S.05.01.02 Information on premiums, claims and expenses, in thous.EUR

	Line of Business for: non-life insurance and reinsurance obligations, thous. EUR							
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	...	Total
Row Value	C0010	C0020	C0030	C0040	C0050	C0060	...	C0200
Premiums written								
Gross - Direct Business	14 051	1 994	0	48 102	31 853	2 639		130 808
Gross - Proportional reinsurance accepted								
Reinsurers' share	0	0	0	1 000	11	1 817		6 661
Net	14 050	1 994	0	47 102	31 842	822		124 147
Premiums earned	0	0	0	0	0	0		0
Gross - Direct Business	13 020	1 807	0	45 026	29 389	2 500		122 396
Gross - Proportional reinsurance accepted								
Reinsurers' share	0	0	0	1 000	11	1 656		6 812
Net	13 020	1 807	0	44 026	29 378	845		115 585
Claims incurred	0	0	0	0	0	0		0
Gross - Direct Business	9 641	834	0	37 146	21 690	2 116		81 432
Gross - Proportional reinsurance accepted								
Reinsurers' share	0	0	0	680	0	306		1 460
Net	9 641	834	0	36 465	21 690	1 810		79 971

	Line of Business for: non-life insurance and reinsurance obligations, thous. EUR							
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	...	Total
Row Value	C0010	C0020	C0030	C0040	C0050	C0060	...	C0200
Changes in other technical provisions	0	0	0	0	0	0		0
Gross - Direct Business	0	0	0	0	-76	0		-77
Gross - Proportional reinsurance accepted								
Reinsurers' share	0	0	0	0	0	0		0
Net	0	0	0	0	-76	0		-77
Expenses incurred	2 791	305	0	8 336	5 548	386		22 784
Other expenses								0
Total expenses								22 784

	Line of Business for: non-life insurance and reinsurance obligations, thous. EUR							
	…	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Row Value	…	C0070	C0080	C0090	C0100	C0110	C0120	C0200
Premiums written								
Gross - Direct Business		15 900	6 529	5 056	31	4 468	185	130 808
Gross - Proportional reinsurance accepted								
Reinsurers' share		1 804	962	997	0	0	69	6 661
Net		14 096	5 567	4 059	31	4 468	116	124 147
Premiums earned		0	0	0	0	0	0	0
Gross - Direct Business		14 500	6 353	5 022	30	4 568	182	122 396
Gross - Proportional reinsurance accepted								
Reinsurers' share		2 037	923	1 112	0	0	72	6 812
Net		12 463	5 430	3 910	30	4 568	109	115 585
Claims incurred		0	0	0	0	0	0	0
Gross - Direct Business		6 701	2 119	125	-12	1 093	-22	81 432
Gross - Proportional reinsurance accepted								
Reinsurers' share		239	121	114	0	0	0	1 460
Net		6 463	1 998	11	-12	1 093	-22	79 971

	Line of Business for: non-life insurance and reinsurance obligations, thous. EUR							
	…	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total
Row Value	…	C0070	C0080	C0090	C0100	C0110	C0120	C0200
Changes in other technical provisions		0	0	0	0	0	0	0
Gross - Direct Business		0	0	0	0	0	0	-77
Gross - Proportional reinsurance accepted								
Reinsurers' share		0	0	0	0	0	0	0
Net		0	0	0	0	0	0	-77
Expenses incurred		2 694	1 092	851	6	743	33	22 784
Other expenses								0
Total expenses								22 784

ANNEX 3. S.05.02.01 Information on premiums, claims and expenses by country, in thous. EUR

Row Value	Column Value	Home country (C0080)	Top 5 countries (by amount of gross premiums written) — non- life obligations		Total Top 5 and home country (C0140)
			ESTONIA	LITHUANIA	
Premiums written	H1				
Gross - Direct Business	R0110	46 166	18 263	67 680	130 808*
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	2 863	1 172	2 626	6 661
Net	R0200	43 303	17 091	65 054	124 147
Premiums earned	H7				
Gross - Direct Business	R0210	44 697	16 742	62 259	122 396
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	2 932	1 315	2 565	6 812
Net	R0300	41 765	15 427	59 694	115 585
Claims incurred	H13				
Gross - Direct Business	R0310	31 199	11 955	38 000	81 154
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340	682	-108	886	1 460
Net	R0400	30 517	12 063	37 114	79 694
Changes in other technical provisions	H19				
Gross - Direct Business	R0410	-67	56	-66	-77
Gross - Proportional reinsurance accepted	R0420				
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440	0	0	0	0
Net	R0500	-67	56	-66	-77
Expenses incurred	R0550	9 529	2 082	12 474	22 784
Other expenses	R1200				0
Total expenses	R1300				22 784

* The Company makes obligatory deductions in accordance with the law "On compulsory motor third party liability" and the related Cabinet of Ministers regulations of the Republic of Latvia. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions EUR 369 thousand.The Company makes obligatory deductions to the Motor Bureaus of Lithuania and Estonia in accordance with the statutory requirements. Gross written premiums on motor third party liabilities insurance are shown net of the obligatory deductions to the transport insurance offices of Lithuania and Estonia in the amount of EUR 1 301 thousand.

ANNEX 4. S.12.01.02 Information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance (‘health SLT’) for each line of business, in thous. EUR

	Column Value	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Total (Life other than health insurance, incl. Unit-Linked)
Row Value		C0090	C0150
Technical provisions calculated as a whole	R0010		
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		
Technical provisions calculated as a sum of BE and RM	H3		
Best Estimate	H4		
Gross Best Estimate	R0030	11 535	11 535
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		
Best estimate minus recoverables from reinsurance/SPV and Fi	R0090	11 535	11 535
Risk Margin	R0100	382	382
Amount of the transitional on Technical Provisions	H13		
Technical Provisions calculated as a whole	R0110		
Best estimate	R0120		
Risk margin	R0130		
Technical provisions - total	R0200	11 917	11 917

ANNEX 5. S.17.01.02 Non-life Technical Provisions, in thous. EUR

	Column Value	Direct business and accepted proportional reinsurance, thous. EUR						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Total Non-Life obligation
Row Value		C0020	C0030	C0040	C0050	C0060	C0070	C0180
Technical provisions calculated as a whole	R0010							
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							
Technical provisions calculated as a sum of BE and RM	H6							
Best estimate	H7							
Premium provisions	H8							
Gross - Total	R0060	2 168	2 016	0	11 860	7 236	-191	26 891
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-11	0	0	-285	-6	100	-288
Net Best Estimate of Premium Provisions	R0150	2 179	2 016	0	12 145	7 242	-291	27 178
Claims provisions	H19	0	0	0	0	0	0	0
Gross - Total	R0160	1 112	474	0	29 097	4 538	690	44 989

	Column Value	Direct business and accepted proportional reinsurance, thous. EUR						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Total Non-Life obligation
Row Value		C0020	C0030	C0040	C0050	C0060	C0070	C0180
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	0	0	0	6 455	0	146	6 944
Net Best Estimate of Claims Provisions	R0250	1 112	474	0	22 642	4 538	544	38 045
Total Best estimate - gross	R0260	3 280	2 489	0	40 957	11 773	499	71 879
Total Best estimate - net	R0270	3 291	2 489	0	34 787	11 780	253	65 223
Risk margin	R0280	107	85	0	1 152	390	8	2 160
Amount of the transitional on Technical Provisions	H33							
TP as a whole	R0290							
Best estimate	R0300							
Risk margin	R0310							
Technical provisions - total	H37							
Technical provisions - total	R0320	3 386	2 574	0	42 110	12 163	507	74 039
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	-11	0	0	6 170	-6	245	6 656
Technical provisions minus recoverables from reinsurance/SPV and Finite Re — total	R0340	3 397	2 574	0	35 939	12 170	262	67 383

	Column Value	Direct business and accepted proportional reinsurance, thous. EUR						
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
Row Value		C0080	C0090	C0100	C0110	C0120	C0130	C0180
Technical provisions calculated as a whole	R0010							
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							
Technical provisions calculated as a sum of BE and RM	H6							
Best estimate	H7							
Premium provisions	H8							
Gross - Total	R0060	2 436	172	786	-1	380	30	26 891
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	-158	-1	74	0	0	0	-288
Net Best Estimate of Premium Provisions	R0150	2 594	173	712	-1	380	30	27 178
Claims provisions	H19	0	0	0	0	0	0	0
Gross - Total	R0160	3 103	5 276	390	2	293	14	44 989
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	5	80	257	0	0	0	6 944

	Column Value	Direct business and accepted proportional reinsurance, thous. EUR						
		Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Total Non-Life obligation
Row Value		C0080	C0090	C0100	C0110	C0120	C0130	C0180
Net Best Estimate of Claims Provisions	R0250	3 097	5 196	134	2	293	14	38 045
Total Best estimate - gross	R0260	5 539	5 448	1 176	1	673	44	71 879
Total Best estimate - net	R0270	5 691	5 369	845	1	673	44	65 223
Risk margin	R0280	188	178	28	0	22	1	2 160
Amount of the transitional on Technical Provisions	H33							
TP as a whole	R0290							
Best estimate	R0300							
Risk margin	R0310							
Technical provisions - total	H37							
Technical provisions - total	R0320	5 727	5 626	1 204	1	695	45	74 039
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default — total	R0330	-153	79	331	0	0	0	6 656
Technical provisions minus recoverables from reinsurance/SPV and Finite Re — total	R0340	5 880	5 547	873	1	695	45	67 383

ANNEX 6. S.19.01.21 Information on non-life insurance claims in the format of development triangles for the total non-life business

Accident year	**Z0010**	2016

Gross Claims Paid (non-cumulative), absolute amount, thous. EUR

		Development year													In Current year	Sum of years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +				
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110			C0170	C0180
Prior	R0100											914		R0100	914	2 009
N-9	R0160	0	0	0	0	0	448	647	89	189	25			R0160	25	1 398
N-8	R0170	0	0	0	0	805	483	108	91	145				R0170	145	1 632
N-7	R0180	0	0	0	1 501	378	240	273	337					R0180	337	2 729
N-6	R0190	0	0	1 661	1 904	582	217	241						R0190	241	4 605
N-5	R0200	0	12 351	1 531	874	565	448							R0200	448	15 768
N-4	R0210	33 603	12 233	1 567	777	403								R0210	403	48 583
N-3	R0220	40 958	12 144	1 396	693									R0220	693	55 191
N-2	R0230	45 118	14 865	1 918										R0230	1 918	61 901
N-1	R0240	51 869	14 783											R0240	14 783	66 652
N	R0250	58 043												R0250	58 043	58 043
													Total	R0260	77 949	318 511

Gross undiscounted Best Estimate Claims Provisions, absolute amount, thous. EUR

		Development year													Year end (discounted data)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											582		R0100	582
N-9	R0160	0	0	0	0	0	4 662	1 243	471	210	142			R0160	142
N-8	R0170	0	0	0	0	2 033	1 588	865	526	341				R0170	342
N-7	R0180	0	0	0	2 042	1 730	784	493	179					R0180	180
N-6	R0190	0	0	4 431	2 973	1 552	900	767						R0190	768
N-5	R0200	0	5 970	4 247	2 357	1 601	411							R0200	411
N-4	R0210	22 045	5 656	3 774	2 930	2 052								R0210	2 055
N-3	R0220	21 007	4 819	2 465	1 983									R0220	1 986
N-2	R0230	33 001	11 681	10 572										R0230	10 588
N-1	R0240	26 775	4 604											R0240	4 612
N	R0250	23 309												R0250	23 324
													Total	R0260	44 989

ANNEX 7. S.23.01.01 Own funds, in thous. EUR

		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 (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	29 000	29 000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own — fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	8 073	8 073			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	164				164
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
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					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	37 236	37 073			164

		Total	Tier 1 — unrestricted	Tier 1 — restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual — type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls — other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	37 236	37 073			164
Total available own funds to meet the MCR	R0510	37 073	37 073			
Total eligible own funds to meet the SCR	R0540	37 236	37 073			164
Total eligible own funds to meet the MCR	R0550	37 073	37 073			
SCR	R0580	29 212				
MCR	R0600	13 145				
Ratio of Eligible own funds to SCR	R0620	1.27				
Ratio of Eligible own funds to MCR	R0640	2.82				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	37 236
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	29 164
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	8 073
Expected profits		
Expected profits included in future premiums (EPIFP) — Life business	R0770	
Expected profits included in future premiums (EPIFP) — Non- life business	R0780	320
Total Expected profits included in future premiums (EPIFP)	R0790	320

ANNEX 8. S.25.01.21 Solvency Capital Requirement — for undertakings on Standard Formula, in thous. EUR

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	883		
Counterparty default risk	R0020	4 036		
Life underwriting risk	R0030	1 029		
Health underwriting risk	R0040	2 624		
Non-life underwriting risk	R0050	26 324		
Diversification	R0060	-5 776		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	29 120		
Calculation of Solvency Capital Requirement		C0100		
Operational risk	R0130	3 713		
Loss-absorbing capacity of technical provisions	R0140	0		
Loss-absorbing capacity of deferred taxes	R0150	-3 621		
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	29 212		
Capital add-on already set	R0210	0		
Solvency capital requirement	R0220	29 212		
Other information on SCR				
Capital requirement for duration-based equity risk sub-module	R0400	0		
Total amount of Notional Solvency Capital Requirement 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				

ANNEX 9. S.28.01.01 Minimum Capital Requirement — Only life or only non-life insurance or reinsurance activity, in thous. EUR

		C0010			
MCR_{NL} Result	R0010	16 120			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
				C0020	C0030
Medical expense insurance and proportional reinsurance			R0020	3 291	14 050
Income protection insurance and proportional reinsurance			R0030	2 489	1 994
Workers' compensation insurance and proportional reinsurance			R0040	0	0
Motor vehicle liability insurance and proportional reinsurance			R0050	34 787	47 102
Other motor insurance and proportional reinsurance			R0060	11 780	31 842
Marine, aviation and transport insurance and proportional reinsurance			R0070	253	822
Fire and other damage to property insurance and proportional reinsurance			R0080	5 691	14 096
General liability insurance and proportional reinsurance			R0090	5 369	5 567
Credit and suretyship insurance and proportional reinsurance			R0100	845	4 059
Legal expenses insurance and proportional reinsurance			R0110	1	31
Assistance and proportional reinsurance			R0120	673	4 468
Miscellaneous financial loss insurance and proportional reinsurance			R0130	44	116
Non-proportional health reinsurance			R0140		
Non-proportional casualty reinsurance			R0150		
Non-proportional marine, aviation and transport reinsurance			R0160		
Non-proportional property reinsurance			R0170		

Linear formula component for life insurance and reinsurance obligations, thous. EUR

		C0040			
MCR_L Result	R0200	243			
				Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
				C0050	C0060
Obligations with profit participation — guaranteed benefits			R0210		
Obligations with profit participation — future discretionary benefits			R0220		
Index-linked and unit-linked insurance obligations			R0230		
Other life (re)insurance and health (re)insurance obligations			R0240	11 535	
Total capital at risk for all life (re)insurance obligations			R0250		1 029

Overall MCR calculation, thous. EUR

		C0070
Linear MCR	R0300	16 363
SCR	R0310	29 212
MCR cap	R0320	13 145
MCR floor	R0330	7 303
Combined MCR	R0340	13 145
Absolute floor of the MCR	R0350	3 200
		C0070
Minimum Capital Requirement	R0400	13 145