

## **Interim Management Statement**

Please see attached

Attachment:

1. **Interim Management Statement**

**Regulated**

Publication Date: 14/11/2016

# Atlantic Insurance

Nicosia, 11 November 2016

## **RE: Interim Management Statement**

At its meeting held on Thursday, 10 November 2016 at 9:30 a.m. at the Company's Head Offices, the Board of Directors of Atlantic Insurance Company Public Ltd examined and approved the Company's unaudited Management Statement for the period from 1 January 2016 to 10 November 2016, attached hereto.

Yours,  
Andreas Pirishis  
Secretary

# **Atlantic Insurance Company Public Plc**

## **Interim Management Statement**

The Board of Directors of Atlantic Insurance Company Public Plc (the “Company”) presents the Interim Management Statement of the Company and its dependent companies (the “Group”) for the period from 1 January 2016 to 10 November 2016, which was approved by the Board of Directors at its meeting held on 10 November 2016. The Report has not been audited by the Group’s external auditors.

The unaudited Interim Management Statement for the aforementioned period has been prepared pursuant to the provisions of Article 11 of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law of 2007 (Law no. 190(I)/2007). The Interim Management Statement will be published on the Company’s website, at [www.atlantic.com.cy](http://www.atlantic.com.cy).

### **Activities**

During the said period, the Company’s main activities focused on the conduct of business in the general insurance branch and the provision of financial, advisory and brokerage services via its subsidiary, Atlantic Securities Ltd.

### **Material events**

Beyond the Group’s ordinary business, there have been no material events and transactions with a significant impact on the financial situation of the Company and its subsidiaries.

### **Non-recurring or extraordinary activities**

There have been no non-recurring or extraordinary activities during the period under review.

### **Main risks and uncertainties**

The main risks faced by the Group are the same as those described in its Annual Report for 2015.

## Unaudited profit and loss account for the period 1.1.2016-30.9.2016

### Insurance operations

	2016	2015	Change
<b>Income from operating activities</b>	<b>€'000</b>	<b>€'000</b>	<b>%</b>
Gross premiums	16,121	16,816	-4.1%
Reinsurers' share	(3,801)	(4,524)	
Net premiums	12,320	12,292	0.2%
Transfer to unearned premiums	27	53	
Net premiums earned	12,348	12,344	0.0%
Other income	533	535	-0.4%
	12,881	12,880	0.0%
<b>Expenses</b>			
Claims by insured parties	5,464	5,661	-3.5%
Commission payable	721	744	-3.1%
Operating expenses	3,101	3,196	-3.0%
	9,286	9,601	-3.3%
Profit from operating activities	3,595	3,278	9.7%
Net finance income	292	463	
Other income from investments	269	217	
Profit on sale and revaluation of investments	271	(11)	
Profit before taxation	4,427	3,947	12.2%
Taxation	(570)	(541)	
Profit after taxation	3,857	3,406	13.3%
<i>Financial operations</i>			
	2016	2015	Change
<b>Income from operating activities</b>	<b>€'000</b>	<b>€'000</b>	<b>%</b>
	191	312	-38.5%
<b>Loss after taxation</b>	<b>(128)</b>	<b>(54)</b>	
Minority interest	37	13	
Loss for the period	(90)	(41)	
Consolidated profit attributable to the shareholders	3,767	3,365	11.9%
Earnings per share	9.63	8.60	

## **Overview of results**

### ***Profitability***

The Group's consolidated profits recorded a satisfactory increase of 11.9% and stood at €3.77m compared to €3.37m in 2015. This improvement is mainly due to the increase in the profits from insurance operations which stood at €3.86m, recording an increase of 13.3%.

The Company's operating profits rose to €3.60m from €3.41m in 2015, mainly due to the decrease in the claims margin and the operating costs. The profit margin rose to 29.2% as against 25.1% in the corresponding period of 2015.

### ***Insurance premiums***

Gross premiums excluding the fronting policies recorded a marginal increase of 0.2%. Net premiums stood at €12.32m as against €12.29m in 2015, increasing by 0.2%. After the transfer to unearned premiums, the net earned premiums stood at €12.35m, approximately the same as last year.

### ***Other income***

The other income from insurance operations amounted to €533 thousand compared to €535 thousand in 2015. The other income derives mostly from commissions receivable from reinsurers, which stood at €480 thousand (2015: €505 thousand). The share of profits from joint ventures increased to €50 thousand as against €29 thousand in 2015.

### ***Claims***

The claims by insured parties stood at €5.47m compared to €5.66m in 2015 registering a decrease of 3.5% with the claims index standing at 44.25%, down from 2015 (45.86%). The claims index decreased in the health and property branches and increased in the vehicle and liability branches.

### ***Operating expenses***

Operating expenses decreased by 3.0% and stood at €3.10m as against €3.19m in 2015. The decrease is mainly due to the decrease in the provisions for doubtful debts which stood at €236 thousand (2015: €317 thousand). If we exclude these provisions, the other expenses recorded a decrease of 0.5%.

### ***Net finance income***

Net finance income amounted to €292 thousand compared to €463 thousand in 2015. This significant decrease is mainly due to the exchange loss of €117 thousand as against a gain of €73 thousand in 2015. Interest receivable from bank deposits fell to €250 thousand from €296 thousand due to the continuing decrease in deposit interest rates. On the contrary, interest from bonds increased significantly from €117 thousand in 2015 to €180 thousand in 2015 due to the increase in placements in government and corporate bonds.

### ***Income and profit from investments***

A significant improvement was recorded in both **income from investments**, from €217 thousand in 2015 to €269 thousand and **profit from investments**, which stood at €271 thousand compared to a loss of €11 thousand in the corresponding period of last year. In addition, there was a **gain of €187 thousand** (2015: gain of €98 thousand) from the change in the fair value of investments available for sale, recorded directly in the reserves. The **total returns** of the Company's investment portfolio stood at 6.65%.

The value of the Company's investment portfolio in financial assets on 30 September 2016 stood at €14.47m (31.12.2015: €10.70m), allocated as follows Cyprus Government Bonds: 25.1%, Hedge Funds 16.5%, International equity investment funds 17.2%, International corporate bonds 11.2%, Cyprus corporate bonds 5.1%, Shares listed on the CSE and the ASE 8.7%, Gold 6.7%, International real estate portfolio 5.3%, Private equity 2.8%, Greek Government Bonds 1.4%.

### ***Financial operations***

The income from financial operations registered increased losses of €128 thousand (2015: €54 thousand) as a result of the significant decrease by 38.5% of the income from operations which stood at €191 thousand compared to €312 thousand in 2015.

### ***Earnings per share***

The Company's earnings per share stood at 9.63 cents per share compared to 8.60 cents in 2015.

### ***Equity***

The Company's equity increased by 2.1% to €35.34m from €34.63m in 2015.

### ***Liquidity***

The Company maintained its high liquidity indices with its bank balances standing at €17.99m (2015: €20.13m). The Company's bank balances represent 31.0% (2015: 34.5%) of total assets and 50.9% (2015: 58.2%) of equity. The Company does not maintain any form of short-term or long-term borrowings other than the limits of its current accounts.

### ***Exchange risk***

The Company's total exposure to foreign currency on 30 September 2016 stood at €5.09m (2015: €4.26m), which corresponds to 8.5% of its total assets. Exposure to foreign currency is broken down as follows: €4.03m in US Dollars, €0.89m in Pounds Sterling and €0.18m in other currencies.

As part of its risk hedging policy, the Company has entered into a forward contract of \$2m at the agreed exchange rate of \$1.115: €1. Consequently, the Company's net position in foreign currency is limited to 5.7% of its total assets.

### ***Technical reserves***

The technical reserves for unearned premiums and pending claims decreased by 4.5% and stood at €20.02m as against to €20.96m in 2015.

### ***Solvency II***

According to the capital requirement calculations based on the directives of Solvency II, submitted to the Insurance Companies Control Service, the Company's Solvency II ratio on 30 June 2016 stood at 214.6% (2015: 215.0%) as against 100.0% which is the minimum supervisory limit.

The Board of Directors considers the increase in profits from the Company's insurance operations to be satisfactory, taking into account the difficult economic environment and fierce competition on the Cypriot insurance market.

Yours,

Andreas Pirishis

Secretary