

MOTOR INSURERS' BUREAU GREECE

***Report of Year 2017 and
Financial Statements
31 December 2017***

***According to the International Financial Reporting Standards
as adopted by the European Union***



Report of the Management Committee to the Annual General Assembly of the Motor Insurers' Bureau – Greece on the status of the Financial Position for the fiscal year 2017

Dear representatives of the insurance companies-members of the Motor Insurers' Bureau.

We have the honour to present to you for approval the activities and the Annual Financial Statements for the 31st fiscal year ended on 31.12.2017, which were drafted in accordance with the International Financial Reporting Standards (IFRS).

The financial statements together with the detailed comments are posted on the Bureau's website.

Taking a brief retrospection at the most important events that occurred during the above period, we note the following:

The Greek insurance market showed signs of stabilisation, with the motor sector reporting marginal increase of 0,2% for the first time after six years of continuous decrease in the insurance premium production. This fact, combined with the new calculation method of the M.I.B. contributions to 0,4% on the gross registered premiums in the motor vehicle liability sector for all categories of vehicles which started to be implemented from 1.1.2017, brought positive results to MIB's income.

For the first time after six years of continuous drop in the MIB contributions, the latter showed an increase of 19% and the contributions amounted to € 3.674.525 in 2017, compared to € 3.085.547 in 2016.

Despite this increase, the overall drop in the MIB contributions since 2010 is 34%.

In 2017 a new Management Committee was elected with a 2-year mandate. The new M.C. dealt in particular with issues of qualitative upgrading of MIB's operation and the adjustment of its investment policy to the new international market environment.

It is reminded that from the fiscal year 2017 Deloitte was appointed to audit MIB's financial statements. The procedure of enhancement of the corporate governance has also begun with the mapping of policies and procedures of the MIB and the implementation of a modern system of internal control.

As far as regulatory compliance is concerned, in 2017 MIB started to prepare its adjustment to the General Data Protection Regulation, which was put into effect on 25.5.2018.

The M.C. dealt thoroughly (also) with the MIB's investment policy, which had to be redefined due to changes in the financial environment. In particular, MIB started gradually yet necessarily to refrain from the investment choices of the past according to which the biggest part of the MIB's assets was (held) in cash, term deposits and bonds like bonds of E.I.B., which are no longer available. Gradually, the investment management, which always retains the limitations of a conservative investor profile, is assigned to the specialised departments of MIB's cooperating banks but also independent investment managers professionals, so that the necessary distribution for the reduction of the investment risk is assured.



As 2017 was the last year of validity of the 3-year reinsurance contract that was signed between the MIB and its reinsurers, negotiations were conducted for its renewal in 2018. The reinsurance contract for the year 2018 was signed with reduced by 5% premium (i.e. € 75.200) and steady cover by the cooperating reinsurers for claims of amounts starting and exceeding € 750.000, thus offering significant reinsurance protection to the whole market for claims of motor accidents abroad. It is reminded that the reinsurers are all rated with A to A-

As regards other issues, the MIB and its member companies continued to effect payments for claims abroad under the current restrictions on capital transactions. The Greek Bureau is one of the best among its counterpart Bureaux of the 47 countries and in order to maintain its good image, we always advise our members to be cautious and pay the claims abroad in time.

Development of Accidents:

Accidents caused abroad by vehicles with Greek registration plates

In 2017 the number of accidents caused by cars with Greek registration plates that occurred abroad amounted to **1125**, compared to 1097 accidents in 2016, showing a **slight increase of 2,6%**.

Among the countries where most car accidents with Greek registration plates occur **Germany** with **265** accidents (23,6% of the accidents), followed by **Italy** with **205** accidents (**18,2%** of the accidents) are, like last year, first on the list.

Compensations paid by the insurance companies members of the Bureau, for accidents that occurred abroad amounted to € 4.135.671 in 2017, against € 4.656.499 in 2016, showing a decrease of 11,2%.

During 2017 the MIB continued to pay compensations abroad on behalf of the companies whose **operating licences were revoked, as well as for uninsured vehicles**. The Bureau's compensations paid in 2017 for companies whose licences were revoked amounted to € 304.538,38 (40 cases) against to € 447.548,69 (14 cases) in 2016. This amount mainly parts from payments for *International Life Ins. Co.* and *Enterprise Ins. Co. Plc* which were operating under FOS.

The Bureau's compensations paid in 2017 for uninsured vehicles amounted to € 424.263,94 (8 claims) against € 389.481,54 (12 claims) in 2016. In total, the compensations for revoked licences and uninsured vehicles in 2017 amounted to € 728.802,32 compared to € 837.030,23 in 2016, showing a decrease of 12,9%.

A great drop was also reported in payments of claims in excess of the minimum obligatory limits of Greece, which amounted to € 159.844,35 in 2017 against € 1.879.756,52 in 2016.

Therefore, the total payments of the Greek market abroad amounted to € 5.024.317,67 compared to € 7.373.285,34 in 2016, showing a decrease of 31,9%.

Accidents caused in Greece by vehicles with foreign registration plates

The accidents that occurred in Greece involving cars with foreign registration plates and were settled by the



Motor Insurers' Bureau and its appointed correspondents and agents amounted in 2017 to **4230**, compared to 4320 in 2016, showing a slight **decrease of 2,1%**. The settlement of 86% of these accidents is made by the appointed correspondents of the foreign insurance companies, while the rest 14% was settled by the Bureau through its agents. For the first year the MIB and its member companies had to carry out the settlement of so many accidents. This was due to the problems with the payments, caused by two Bulgarian insurance companies, whose correspondents terminated their contracts. This resulted in all claims of these companies to be handled by the Bureau.

The compensations of foreign insurance companies paid through correspondents and the Bureau to Greek victims of car accidents with foreign registration plates amounted to **€ 8.130.659** in 2017 compared to € 9.590.089 in 2016, showing a decrease of 15,2%.

In the accidents in Greece by cars with foreign registration plates **the accidents of Bulgarian cars rank steadily first**, with **1498** accidents, reaching **35,4%** of all accidents and are followed by German cars with 13,8% of accidents.

Financial Results for the fiscal year 2017 based on IFRS

The financial status of the Bureau remains very good. The Bureau is financially sound and can effectively fulfil its obligations. The brief information that follows provides the necessary data on the financial situation and results of the MIB during the past fiscal year (01.01.2017- 31.12.2017), as well as on important events and how these affected its financial statements.

ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR 2017

Total Assets during the year 2017 reached € 43,18 million compared to € 40,98 million during 2016. The € 34,05 million were disposed for investments of the MIB, ie the total investments of the Bureau in comparison to year 2016 have increased by 6,9% and consist 79,9% of the assets.

MIB's own Funds amounted to €33.843.339,05, which shows an increase compared to 2016 by €5,67 million, ie an increase of about 20,15%.

Finally, the M.I.B. for the year 2017 increased its net position by €5.676,432 which is mainly (€4.316.757,71) due to the reduction in the provisions for outstanding damages, and for the remainder amount due to the actual increase of its net assets.

The revenues of the MIB from the contributions of its Members, which are the main source of funding, amounted to €3.674.525 for the year 2017 against the amount of €3.085.547 for the year 2016, showing an increase of €588.978, ie: 19,08%.

Revenues from the issuance of Frontier Insurance Certificates amounted to €151.673 compared to €147.502 in the previous year, ie an increase of 2,82%.

Investments' income-gains in the year 2017 increased by 56,66% compared to the corresponding period of the year 2016. The investments are valued at the fair value.



On 15 November 2017 the Hellenic Republic made a proposal which carries the title “Designated Securities, Short Exchange Ratios and Long Exchange Ratios”, referring to the exchange of Greek Bond series resulting from the 2012 debt restructuring procedure, better known as PSI+, against 5 new benchmark bonds. The exchange took place with an established ratio, with the new bonds expiring in the years 2023, 2028, 2033, 2037 and 2042, while the average duration remains invariable in respect to the old titles. The new bonds offer fixed coupons ranging from 3,5% to 4,2%.

At the exchange of 5 December 2017, the MIB, upon decision of the Management Committee, participated with titles of nominal value of € 2.829.645,00, receiving new titles of 2.861.200,00 nominal value.

The breakdown of the financial investments into market value and cash flows were as follows:

<u>CASH & CASH EQUIVALENTS</u>	14,3%
<u>TERM DEPOSITS</u>	21,1%
<u>BONDS OF HELLENIC GOVERNMENT</u>	7,9%
<u>GREEK TREASURY BONDS</u>	3,1%
<u>BONDS OF E.I.B.</u>	32,7%
<u>BONDS OF E.I.B. (NOK)</u>	6,8%
<u>BONDS OF FOREIGN COUNTRIES</u>	8,7%
<u>MUTUAL FUNDS</u>	5,4%

Operating expenses showed an increase of 19,08% mainly due to the wages indexing for the first year after seven years, with the view to restore to an extent the continuous wage cuts imposed on the personnel resulting from the increased EFKA contributions as well as the TEAPAE contributions, and the costs for the 30th Anniversary events of the Bureau in May 2017.

The M.I.B.'s receivables (excluding those from the reinsurers' share in insurance reserves) for 2017 amount to € 1,52 million against € 2,3 million in 2016. The decrease is mainly due to the reduced receivables from foreign reinsurance companies and the Guarantee Fund.

Financial risks and uncertainties

Regarding the risks to which the Bureau is exposed, these are mentioned on page 20 et seq. of the Financial Statements. The Bureau has taken all necessary measures to minimize exposure to them. The Management Committee considers that the financial risk management has been successful for the closed year ended.

It is worth particularly mentioning the issue of Operational Risk and Corporate Governance. The Bureau has internal control and report mechanisms which include the detailed mapping of the internal procedures and controls, the division of responsibilities, the constant education of the personnel, the authorisations' and agreements' procedures, as well as the operational monitoring of the internal control. Given that improving the internal control framework in which the MIB operates is a continuous and evolving procedure, the



establishment of corporate governance policies and modern internal control systems is already in progress, as mentioned before.

Additionally, essential in the dealing of the insurance risk is the Reinsurance Treaty of the Bureau, which has already been mentioned above.

Prospects

The Bureau follows all developments and, with a sense of responsibility, continually improves the services offered to the victims of international road accidents, its member companies and generally to those involved in the settlement of these accidents. The Bureau's main concern is to preserve and enhance the good image of the Greek insurance market abroad.

The Greek Bureau continues to participate in the decision-making bodies concerning the international settlement of road accidents. Specifically, we have been elected to participate in the Coordination Committee of the Council of Bureaux which together with the Management Committee constitute the supreme decision-making bodies and now meet jointly, in the Monitoring Committee which controls the financial stability of the Green Card System and proposes measures and intervenes to the Bureaux who face problems with the solvency of their insurance companies, in the Specific Rules Committee dealing with the issues of implementation of the Internal Regulations between the Bureaux of the EEA countries and in the Ad hoc Insolvency Working Group dealing with insolvency and freedom of services issues.

The developments in technology will be one of the major challenges of the forthcoming years. The green card will soon be displayed only in mobile phones, the insurance will be electronically and remotely checked by the police bodies, the electronic communication between Bureaux, insurance companies, claims handling companies and citizens will be expanded. The Greek Bureau is closely following the developments and it will be able to respond to the big challenges to come.

Following the above you are kindly requested to approve the Statement of Financial Position, the Statement of Comprehensive Income, the Statements of changes in Equity, the Statement of Cash Flow and the proceedings of the Management Committee of year 2017.

For the Management Committee

The Chairman

Anastasios Pagonis

Athens, 4/7/2018

True translation from the original in Greek Independent Auditor's Report

To the Members of "MOTOR INSURERS' BUREAU"

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of "MOTOR INSURERS' BUREAU" (the Bureau), which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in equity and cash flow for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of "MOTOR INSURERS' BUREAU" as of December 31, 2017, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the European Union.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as they have been transposed in Greek Legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We are independent of the Bureau, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), as transposed into Greek legislation and the ethical requirements relevant to the audit of the financial statements in Greece and we have fulfilled our responsibilities in accordance with the provisions of the currently enacted law and the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bureau for the year ended 31 December 2016 were audited by another auditor. For this financial year, the Certified Public Accountant expressed an unmodified opinion on those financial statements on 3 June 2017.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, as endorsed by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as they have been transposed into Greek Legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Taking into consideration that Management is responsible for the preparation of the Management Committee's Report, according to the provisions of paragraph 5 of article 2 (part B) of L. 4336/2015, we note the following:

- a) In our opinion the Management Committee's Report content is consistent with the accompanying financial statements for the year ended December 31, 2017.
- b) Based on the knowledge we obtained during our audit about the "MOTOR INSURERS' BUREAU" and its environment, we have not identified any material inconsistencies in the Management Committee's Report.

Athens, 26 June 2018

The Certified Public Accountant

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STATEMENT OF FINANCIAL POSITION
As at 31/12/2017

	31/12/2017	31/12/2016
ASSETS		
Intangible assets	0,20	1.804,61
Own-used property, plant and equipment (PPE)	1.519.706,82	1.609.700,07
Securities at fair value through profit or loss	22.304.124,98	20.771.573,92
Other non-current receivables	2.921,30	2.921,30
Receivables from reinsurers	52.347,19	284.359,73
Reinsurers' share in insurance reserves	5.616.000,00	4.782.000,00
Receivables from Insurance companies Members of M.I.B.-Greece (contributions)	615.496,56	599.331,33
Other receivables	849.060,27	1.424.297,94
Cash and cash equivalents	12.220.538,17	11.511.849,23
Total Assets	43.180.195,49	40.987.838,13
EQUITY AND LIABILITIES		
Equity		
Initial constitutional contributions	969.848,42	969.848,42
Capital reserves and surplus for the year	32.873.490,63	27.197.058,15
Total Equity	33.843.339,05	28.166.906,57
Insurance (technical) reserves		
Provisions for unearned premiums	371.474,96	313.387,67
Provisions for outstanding claims incurred and other insurance provisions	8.606.205,00	12.147.050,00
Total insurance reserves	8.977.679,96	12.460.437,67
Liabilities		
Income tax payable	15.816,75	1.359,92
Other provisions	0,00	65.375,36
Employee benefits liabilities	185.796,00	166.073,15
Reinsurers liabilities	2.194,15	0,00
Other liabilities	155.369,58	127.685,46
Total liabilities	359.176,48	360.493,89
Total Equity and Liabilities	43.180.195,49	40.987.838,13



STATEMENT OF COMPREHENSIVE INCOME
For the year from 1/1 to 31/12

	31/12/2017	31/12/2016
Members Contributions and Frontier Insurance Premiums	3.826.198,47	3.233.049,91
Less: Reinsurance premiums	(1.504.000,00)	(1.504.000,00)
Net earned premiums	2.322.198,47	1.729.049,91
Change in insurance reserves	4.316.757,71	754.378,94
Claims incurred	(10.605,07)	22.482,26
Investment income	425.793,21	446.133,08
Gain/(loss) arising from Investments' valuation	449.095,65	112.325,45
Other income	100.445,27	44.946,42
Operating expenses	(1.239.050,22)	(1.033.401,05)
Other expenses	(596.549,70)	(451.030,75)
Surplus for the year before taxes	5.768.085,32	1.624.884,26
Income tax expense	(91.652,84)	(66.530,80)
Surplus for the year net of tax	5.676.432,48	1.558.353,46
Surplus for the year	5.676.432,48	1.558.353,46
Other total income	-	-
Total comprehensive income for the period	5.676.432,48	1.558.353,46



STATEMENT OF CHANGES IN EQUITY

	Initial constitutional contributions	Reserves and surplus for the year	Total Equity
Balance at 1/1/2016	963.848,42	25.638.704,69	26.602.553,11
Increase in initial constitutional contributions	6.000,00	0,00	6.000,00
Surplus for the year 2016 net of tax	0,00	1.558.353,46	1.558.353,46
Change in Equity for the period 01/01/16-31/12/16	6.000,00	1.558.353,46	1.564.353,46
Balance at 31/12/2016	969.848,42	27.197.058,15	28.166.906,57
Surplus for the year 2017 net of tax	0,00	5.676.432,48	5.676.432,48
Change in Equity for the period 01/01/17-31/12/17	0,00	5.676.432,48	5.676.432,48
Balance at 31/12/2017	969.848,42	32.873.490,63	33.843.339,05



STATEMENT OF CASH FLOWS (Indirect Method)

31/12/2017

31/12/2016

Cash Flows from Operating Activities

Surplus for the year before taxes

5.768.085,32

1.624.884,26

Plus/Less adjustments for non-cash items and cash items excluded from operating activities:

Depreciation and Amortisation

101.192,65

104.565,68

Interest income

(425.793,21)

(446.496,84)

(Gain)/Loss arising from valuation of financial assets

(449.095,65)

(124.350,27)

Insurance (Technical) reserves

(4.316.757,71)

(754.378,94)

Provisions for employee compensations due to termination of employment

19.722,85

9.464,12

Provisions for impairment of receivables

540.000,00

451.000,00

Income from unused provisions

(63.488,30)

1.112,41

Total of plus/less adjustments

(4.594.219,37)

(746.695,26)

(Increase)/Decrease in:

Receivables for reinsurers

232.012,54

(127.132,47)

Receivables from Insurance companies Members of M.I.B. (contributions)

(16.165,23)

(60.522,39)

Other receivables

(48.918,93)

84.393,50

Liabilities to Reinsurers

2.194,15

0,00

Other liabilities

27.684,12

17.836,12

Income tax paid

(77.196,01)

(83.237,62)

Other provisions

(1.887,06)

0,00

Net cash Flows from operating activities (a)

1.287.886,48

709.526,14

Cash flows from Investing Activities

Purchases of intangible assets and property, plant and equipment (PPE)

(9.394,99)

(80.278,51)

Interest and similar income

505.931,45

446.496,84

Net cash flow from investing activities (b)

496.536,86

366.218,33

Cash Flows from Financing Activities

Change in financial liabilities and initial constitutional contributions

0,00

6.000,00

Net cash flow from financing activities (c)

0,00

6.000,00

Net increase/(decrease) in cash and cash equivalents (a) + (b) + (c)

1.788.126,39

1.081.744,47

Cash and cash equivalents at beginning of the period

11.511.849,23

10.430.104,76

Cash and cash equivalents at end of the period

13.299.975,62

11.511.849,23