

To the General Meeting of  
**Canopus Reinsurance AG, Zurich**

Zurich, 28 February 2019

## **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the accompanying financial statements of Canopus Reinsurance AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2018.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

## **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Licensed audit expert  
(Auditor in charge)

US CPA

### **Enclosures**

- ▶ Financial statements (balance sheet, income statement and notes)
- ▶ Proposed appropriation of available earnings

## Financial Statement of Canopus Reinsurance AG

### Management report

#### Overview including competition, supply and demand

In the past financial year 2018, Canopus Reinsurance AG (CRe) was again affected by natural catastrophe events in the USA. The company reports an annual loss of CHF 38.3m. At the same time, the balance sheet total increased by CHF 63.2m to CHF 820.6m. At year's end, the recorded shareholder equity of CHF 397m also remained at a high level comparable to the previous year. In relation to the balance sheet total, the shareholder equity was 48.4% compared with 57.2% in the preceding year.

The financial result for 2018 is mainly affected by the very high catastrophe losses in the USA caused by the California Wildfire and the proportionately allocated losses from the new 60% quota share contract written in 2018 with Flectat Limited ("Flectat"), a Canopus Group company. While the losses are high in absolute terms, they fell within the modelled range of outcomes. CRe's result reflects the composition of its book, which largely consists of high margin but volatile nat cat business.

The costs incurred were higher than planned due to additional restructuring costs for the re-domiciliation of the company from Zurich to Bermuda. Gross written premiums increased by CHF 233.8m and the underwriting margin increased by CHF 63.4m, well above the previous year's value (CHF -65.1m in 2017). The reason for this increase is the new 60% quota share contract with Flectat. The combined ratio dropped from 184% in 2017 to 121% in the reporting period.

Due to the ongoing re-domiciliation to Bermuda, it was decided that CRe would not write any new third party business in 2018. This extraordinary event required CRe to interact with FINMA and BMA frequently.

The administration costs in 2018 amounted to CHF 42.2m, which corresponds to an administrative cost ratio of 19.9% (14.8% in 2017). The high cost ratio is mainly due to additional one-off re-domiciliation costs and the strategic realignment of the company. Direct costs were additionally burdened by reallocated Group expenses resulting from the outsourcing of services to the Group.

At the end of the year, CRe held investments with a carrying amount of CHF 531.6m. The current income from investments amounted to CHF 4.3m, significantly lower than last year with CHF 12.4m. The main reason was the unexpected sharp rise in USD interest rates during the fourth quarter. In a still difficult investment environment, this results in a return on investment of 0.9% (2.0 % in 2017).

The Board of Directors will not propose a dividend to the Annual General Meeting.

#### Staff

In 2018, CRe employed an average of 5.3 full-time equivalents (FTE), reduced from 6.3 FTE at the beginning of the year to 4.5 FTE at year-end. The main driver behind this reduction was the restructuring of the company in the course of the re-domiciliation.

## Vision, Strategy and Strategic Priorities

The protracted soft market conditions, which have shaped the business environment of the Company and the Group in recent history, have alleviated following the 2017 and 2018 catastrophes. Although rate increases have been more moderate than initially expected, the ongoing market softening appears to have halted. However, with significant political and economic uncertainties, vulnerabilities to a shock still exist. Inflation spikes, increasing levels of protectionism and the return to volatility in equity and bond prices, all pose significant risks to stability.

The risks to economic growth remain significant not least because of the UK's decision to leave the European Union ("Brexit"). EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all of the other member states on a cross-border basis. The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the Prudential Regulation Authority ("PRA").

## Extraordinary events

The management buyout to Centerbridge was completed by the 9th March 2018 and the name changed from Sampo Japan Canopus Reinsurance AG to Canopus Reinsurance AG. The Canopus Group, including Canopus Reinsurance AG, is operating as an independent company with its own management, strategy, underwriting and overall concept.

All remaining quota share contracts from previous years with the Group were commutated. This concerns the internal quota share contracts with Syndicate 4444 and Syndicate 958 and the quota share contract with Everest Re. The termination of these contracts resulted in a gain from the discounting effect of CHF 5.5m.

Funds at Lloyds (FAL) has again increased the amount of funds required by its members since last year. By the end of December 2018, CRe contributed CHF 367.4m pledged assets to cover the funds required by Canopus to support its interest in the 2019 Year of Account of Syndicate 4444. The additional assets pledged by CRe to FAL on behalf of the Syndicate are indemnified by Flectat Limited at market conditions. Even after this transaction, the calculation of CRe's SST ratio still shows a comfortable level of over 120% with the assumption that the target capital is still the same as at the beginning of the year. However, it can certainly be assumed that the target capital at the end of the year was considerably lower than at the beginning of the year, as no new business was written and the exposure decreased in the course of the year.

## Risk management

Due to the volatile nature of reinsurance business, and the potential for significant losses, CRe has a dedicated risk policy and maintains a tight risk management system. The features of this risk management system are explained in more detail in the attached Financial Statement under the Note section (n) Information on risk assessment. All events and effects of 2018 are in line with expectations.

## Outlook

Due to the strategic adjustment of the Canopus Group it was decided to relocate the headquarters of CRe to Bermuda. The relocation from Switzerland to Bermuda is in its final stages. In the future, CRe will primarily act as a captive reinsurer for the Canopus Group and will only selectively underwrite open market business. Thus, the strategic orientation of CRe will focus on internal transactions for the time being. Even after re-domiciliation of the company to Bermuda, Sampo Holdings Inc. will maintain the parental guarantee for the reinsurance business assumed by CRe until the end of 2017 until the final settlement of all reserves.



Watson, Michael  
Chairman of the Board of Directors



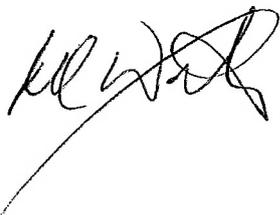
Schumacher, Patrick  
Chief Executive Officer



# Income statement

in CHF

	Notes	2018	2017
Gross premium written		341,338,343	107,575,697
Premiums ceded to reinsurers	12	-624,606	-10,716,910
<b>Net premiums written</b>		<b>340,713,737</b>	<b>96,858,787</b>
Change in unearned premium reserves	13	-129,036,289	-2,827,519
Change in reinsurers' share of unearned premium reserves	13	-39,930	-43,720
<b>Net premiums earned</b>		<b>211,637,517</b>	<b>93,987,548</b>
<b>Total technical income</b>		<b>211,637,517</b>	<b>93,987,548</b>
Gross claims and claim expenses paid		-87,927,864	-61,990,561
Reinsurer's share of claims and claim expenses		17,894	529,733
Change in technical provisions	13	-123,780,647	-78,708,378
Change in reinsurers' share of technical provisions	13	-64,071	-403,029
<b>Net claims and claim expenses incurred</b>		<b>-211,754,688</b>	<b>-140,572,234</b>
Direct commissions and underwriting expenses	14	-1,415,534	-18,505,600
Administrative expenses	15	-42,037,808	-13,891,946
<b>Net acquisition costs and administrative expenses</b>		<b>-43,453,342</b>	<b>-32,397,546</b>
<b>Total technical expenses</b>		<b>-255,208,030</b>	<b>-172,969,780</b>
<b>Total technical result</b>	16	<b>-43,570,513</b>	<b>-78,982,232</b>
Income from investments	17	23,333,777	19,959,913
Expenses from investments	18	-19,001,146	-7,542,177
<b>Net income from investments</b>		<b>4,332,630</b>	<b>12,417,736</b>
Other financial expenses		-127,498	-258,045
<b>Operating income / loss</b>		<b>-39,365,380</b>	<b>-66,822,541</b>
Other income and expenses	19	857,855	2,020,003
Currency translation adjustments		-	-4,088,723
<b>Profit / loss before tax</b>		<b>-38,507,525</b>	<b>-68,891,261</b>
Direct tax		213,755	-342,044
<b>Profit / Loss</b>		<b>-38,293,769</b>	<b>-69,233,305</b>




# Cash flow statement

in CHF

<b>Cash flows from operating activities</b>	<b>2018</b>	<b>2017</b>
Profit / (Loss) before tax	-38,507,525	-68,891,261
P&L average/closing rate differences	-273,059	629,315
Net fair value losses/(gain) on investments including FX	11,795	1,060,722
(Increase)/Decrease in debtors, prepayments and accrued income	-133,087,540	-38,012,148
Increase/(Decrease) in creditors	4,572,455	-3,868,955
Increase in net claims and unearned premium reserves	92,950,225	104,103,905
Depreciation of property and equipment	67,193	931,945
Amortisation of intangible assets	1,432,308	1,151,274
Currency translation adjustment losses	-	4,088,723
<b>Net cash inflow from operating activities</b>	<b>-72,834,148</b>	<b>1,193,521</b>
Income tax paid	213,755	-342,044
<b>Net cash from operating activities</b>	<b>-72,620,393</b>	<b>851,477</b>
<b>Cash flows from investing activities</b>		
Purchase less sales of financial assets	65,340,799	-22,490,819
Other	-	-
<b>Net cash used in investing activities</b>	<b>65,340,799</b>	<b>-22,490,819</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	-
Purchase of own shares	-	-
Dividend payments	-	-
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows for the financial year</b>	<b>-7,279,594</b>	<b>-21,639,342</b>
<b>Change of cash and cash equivalent in the financial year</b>		
Balance at the beginning of the financial year	33,850,492	57,885,709
Exchange rate difference on cash and cash equivalents	207,913	-2,395,875
Balance at the end of the financial year	26,778,812	33,850,492
<b>Net change during the financial year</b>	<b>-7,279,593</b>	<b>-21,639,342</b>



# Financial Statement of Canopus Reinsurance AG

## Notes to the Financial Statement

The following notes are an integral part of the income statement and balance sheet for the period 1 January to 31 December 2018.

### 1. General information

Canopus Reinsurance AG ("CRe"), incorporated and registered in Switzerland, is a reinsurance company 100% owned by Canopus AG ("Group"). Fortuna Holdings Ltd. is the ultimate controlling party owning 100% of Canopus AG.

### 2. Basis of presentation

CRe presents its financial statements in accordance with Swiss law. The latest version of the Swiss Code of Obligations has been applied effective from 23 November 2015 (date of incorporation of CRe).

All amounts in this financial statement including the notes are shown in Swiss Francs (CHF), pursuant to Art. 958d, paragraph 3, CO, unless otherwise specified.

### 3. Summary of significant accounting policies

#### (a) Foreign currency translation

As is common practice in the international reinsurance business, accounts are denominated in the original currencies. For the purposes of the balance sheet, translations are made into USD at year-end exchange rates; income statement amounts are translated at the relevant quarterly exchange rates. The resulting exchange-rates differences are recognised in the income statement. Net non-realised gains derived from foreign-currency translation are reserved.

The presentation currency of this financial statement is CHF. Assets and liabilities are translated at year-end exchange rate of USD/CHF 0.99433; Income statement is translated at the average exchange rate of 0.98729; Equity is kept at historical exchange rates.

#### (b) Current assets

Receivables and deposits represent debtors with fixed or determinable settlement amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in the Income Statement when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms.

#### (c) Investments

Fixed-interest securities are valued at amortised cost less required impairments. The annual amortisation amount is recognised as current income.

Equity investments and investment funds are valued at the lower of cost or market value.

#### (d) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value at year end. Fair values are determined by reference to quoted market prices for similar instruments and using appropriate valuation techniques, including discounted cash flow and options pricing models. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not formally designated as a hedging instrument, changes in the fair value are recognised immediately in the income statement. All derivatives are carried as assets if the fair value is positive and as liabilities if the fair value is negative.

#### **(e) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

#### **(f) Net technical provisions**

Unearned premiums, the provision for outstanding claims and other technical provisions are based on information supplied by cedants. Final calculations conducted internally may result in the original reported provisions being adjusted. Additional provisions are created based on estimates for claims incurred but not yet reported.

#### **(g) Premium and claim portfolio movements**

Premiums consist of premium portfolio inflows and outflows and claims paid consist of the corresponding claims portfolio inflows and outflows.

#### **(h) Taxation**

The tax expense represents the sum of current tax.

Current tax is determined based on the taxable profit or loss for the year and adjustments to tax payable or recoverable on prior years' profits or losses. The taxable profit or loss differs from the profit or loss before tax as reported in the income statement because it excludes items of income or expense that may be taxable or deductible in other years or are expected never to be taxable or deductible. The Company's liability or asset for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Other provisions for taxes include liabilities relating to taxes on income and capital at year-end as well as estimated income tax on years that have not yet been assessed for tax purposes.

#### **(i) Shareholders information**

CRé's shareholder is Canopus AG (incorporated in Zürich) holding 100% of the shares. The share capital consists of 100 million shares, each with a nominal value of CHF 1.

#### **(k) Parental guarantee**

CRé benefits from a parental guarantee issued by Sompo Holdings Inc. in Japan (the "Guarantor") on any obligations deriving from reinsurance policies for the year of accounts 2017 and 2018:

- The obligations of the Guarantor under the guarantee ranks pari passu with all other unsecured and unsubordinated indebtedness of the Guarantor.
- The guarantee is unconditional and payable on first demand.

#### **(l) Undisclosed reserves**

There are no undisclosed reserves.

#### **(m) Information on risk assessment**

##### **Governance and responsibilities**

The Board of Directors is responsible for the risk management principles and policies, as well as for approving the overall risk tolerance. The operational risk processes are delegated to an independent risk function that is responsible for risk assessment, reporting and escalation.

CRé's risk management function is fully embedded in the Group risk management framework. One of the objectives of an efficient Internal Control System (ICS) is to promote and enhance the risk and control culture at CRé in all areas and at all levels. All staff is instructed to proactively report deficiencies and risks in their areas of activity to enable timely action to be taken to remedy them.

## **Risk management objectives and methodology**

The careful selection and underwriting of insurance risks is at the core of CRe's business model. The Company deploys a variety of risk management tools, processes and functions to manage its operational and financial risks, and seeks to optimize the balance between risks taken and earnings opportunities.

CRe's risk management strategy is aimed at:

- Maintaining CRe's financial strength
- Safeguarding the reputation of CRe and the Group
- Enabling CRe to protect and generate sustainable shareholder value

The two main elements of CRe's risk management approach are:

- A system of internal controls aimed at avoiding and reducing undesired risk
- Regular analysis and measurement (quantification) of risks

The primary tool for measuring and quantifying risks at the legal-entity level is the internal risk modelling framework developed for the Swiss Solvency Test (SST) and based on the Group capital model.

### **Risk identification**

Risks are identified and classified according to their potential exposure to one or to a combination of the following risk types: insurance, market, credit, operational, liquidity, reputational and strategic risks.

The majority of CRe's risk and control activities are in the area of underwriting risks, focusing on the correct assessment of risk, exposure, price, wording and guidelines.

### **Risk evaluation and measurement**

The evaluation and quantitative measurement of the risks are documented in the quarterly Internal Risk Report.

Risk is defined as the possibility of a future deviation from a predefined goal, which can, individually or cumulatively; significantly affect the financial situation of CRe.

CRe determines the economic capital required to absorb losses from risks crystallising by using the stochastic internal risk model as developed for the Swiss Solvency Test (SST). The economic risk capital corresponds to the 99% tail value at risk (TVaR) over a one-year time horizon. This represents an estimate of the expected annual loss likely to occur with a frequency of less than once in one hundred years.

### **Internal Control System (ICS)**

CRe has a holistic approach to the ICS and its application is a continuous process, mainly based on the segregation of duties. The ICS is adjusted periodically to reflect changes in the business and control environment.

CRe adheres to the Group framework of regulations and policies.

There are no other facts requiring disclosure under Art. 663b CO.

# Financial Statement of Canopus Reinsurance AG

## Disclosures and explanations on balance sheet items

### 1. Investments in CHF

Duration	Cash and cash equivalents	Other investments *	Derivative financial instruments	Fixed-interest securities	Equity shares	Total
<b>2018</b>						
Less than one year	26,778,812	23,909,076	-	18,523,540	-	69,211,427
Between one and two years	-	-	-	60,209,838	-	60,209,838
Between two and five years	-	51,559,420	-	151,018,984	-	202,578,405
Over five years	-	-	-	44,154,592	-	44,154,592
Other non-dated instruments	-	141,880,062	-	-	13,799,705	155,679,766
	<b>26,778,812</b>	<b>217,348,557</b>	<b>-</b>	<b>273,906,954</b>	<b>13,799,705</b>	<b>531,834,028</b>
Duration	Cash and cash equivalents	Other investments *	Derivative financial instruments	Fixed-interest securities	Equity shares	Total
<b>2017</b>						
Less than one year	33,850,492	2,465,805	-	13,729,238	-	50,045,535
Between one and two years	-	-	-	47,963,339	-	47,963,339
Between two and five years	-	-	-	180,432,559	-	180,432,559
Over five years	-	13,572,985	-	134,977,788	-	148,550,773
Other non-dated instruments	-	172,036,229	-	-	15,542,242	187,578,471
	<b>33,850,492</b>	<b>188,075,018</b>	<b>-</b>	<b>377,102,924</b>	<b>15,542,242</b>	<b>614,570,676</b>

Level	Cash and cash equivalents	Other investments *	Derivative financial instruments	Fixed-interest securities	Equity shares	Total
<b>2018</b>						
Level 1	26,778,812	117,393,355	-	163,443,159	13,799,705	321,415,031
Level 2	-	99,955,202	-	110,463,795	-	210,418,997
	<b>26,778,812</b>	<b>217,348,557</b>	<b>-</b>	<b>273,906,954</b>	<b>13,799,705</b>	<b>531,834,028</b>

Level	Cash and cash equivalents	Other investments *	Derivative financial instruments	Fixed-interest securities	Equity shares	Total
<b>2017</b>						
Level 1	33,850,492.26	89,931,580	-	230,653,968	15,542,242.48	369,978,283
Level 2	-	98,143,438.47	-	146,448,956	-	244,592,394
	<b>33,850,492</b>	<b>188,075,018</b>	<b>-</b>	<b>377,102,924</b>	<b>15,542,242</b>	<b>614,570,676</b>

Rating	2018	2017
AAA	177,352,341	62,047,941
AA	72,319,188	207,255,722
A	112,086,887	92,270,801
BBB	14,210,575	51,735,804
<BBB	-	-
not rated	155,865,037	201,260,408
	<b>531,834,028</b>	<b>614,570,676</b>

\* Details of the Other investments in notes 2

## 2. Other investments

in CHF

	2018	2017
Holdings in collective investment schemes	198,709,349	172,036,230
Investments in senior secured loans	-	13,572,985
Deposits with credit institutions	18,639,208	2,465,804
	<b>217,348,557</b>	<b>188,075,018</b>

## 3. Tangible and intangible assets

in CHF

	2018	2017
Property and equipment	-	112,732
Revaluation of assets under constructions *	-	-
Depreciation property and equipment	-	-45,949
	<b>-</b>	<b>66,783</b>
Intangible assets	-	3,416,094
Depreciation intangible assets	-	-1,992,530
	<b>-</b>	<b>1,423,564</b>

\* No tangible and intangible assets left

Schedule of amortisation	Start period	Start period
Tangible assets		
Furniture	01/2016	01/2016
Computers and Communication	01/2016	01/2016
Intangible assets		
IT programmes and interfaces technical accounting	01/2016	01/2016

#### 4. Technical provisions non-life \*

in CHF

<b>2018</b>	<b>Gross</b>	<b>Retro</b>	<b>Net</b>
Unearned premium reserve	147,278,204	-	147,278,204
Claims outstanding			
Reported	106,238,429	-210,302	106,028,127
IBNR	119,493,616	-178,383	119,315,233
ULAE	1,518,063	-	1,518,063
AVO risk margin	37,452,832	-	37,452,832
	<b>411,981,144</b>	<b>-388,685</b>	<b>411,592,459</b>

<b>2017</b>	<b>Gross</b>	<b>Retro</b>	<b>Net</b>
Unearned premium reserve	17,960,751	-35,682	17,925,069
Claims outstanding			
Reported	96,975,218	-273,152	96,702,066
IBNR	118,579,924	-177,294	118,402,630
ULAE	2,094,292	-	2,094,292
AVO risk margin	18,583,509	-	18,583,509
	<b>254,193,694</b>	<b>-486,128</b>	<b>253,707,566</b>

\* 70% of 2018 Technical Provision results from Internal Quota Contracts with Canopus Group

#### 5. Receivables from reinsurance operations

in CHF

	<b>2018</b>	<b>2017</b>
Debtors arising out of reinsurance operations	17,725,557	43,651,708
Insurance receivables out of group operations*	261,911,337	84,040,544
Other debtors	-	37,808
	<b>279,636,894</b>	<b>127,730,060</b>

\* Receivables in respect of other affiliated companies belonging to the Canopus Group

#### 6. Other receivables

in CHF

	<b>2018</b>	<b>2017</b>
Receivables from group undertakings *	6,349,559	6,978,994
Other debtors	106,276	499,909
	<b>6,455,835</b>	<b>7,478,904</b>

\* Affiliated companies belonging to the Canopus Group

## 7. Accrued income and prepaid expenses

in CHF

	2018	2017
Prepayments	445,409.13	61,601
Accruals	1,781,406.83	1,489,441
	<b>2,226,816</b>	<b>1,551,042</b>

## 8. Payables from reinsurance operations

in CHF

	2018	2017
Creditors arising out of reinsurance operations	-	-351,088
Insurance payables out of direct operations *	-	53,204,160
Accruals profit commissions	298,601	4,670,205
	<b>298,601</b>	<b>57,523,277</b>

\* Payables in respect of other affiliated companies are now included in Receivables (see note 5)

## 9. Other liabilities

in CHF

	2018	2017
Liabilities due to group undertakings *	5,549,902	971,479
Tax liabilities	-	32,111
Investment Straddler	2,200,146	7,815,646
Derivative financial instruments	185,270	417,371
Other creditors	-	-
	<b>7,935,317</b>	<b>9,236,607</b>

\* Affiliated companies belonging to the Canopus Group

## 10. Accrued expenses and deferred income

in CHF

	2018	2017
Deferred income	549,314.63	807,270
Accruals	2,456,727.92	2,415,030
	<b>3,006,043</b>	<b>3,222,300</b>

11. Statement of changes in equity

in CHF

	Share capital	Legal capital reserves	Free reserves		Retained earnings	Currency conversion difference	Total equity
			General reserves	Organisation fund *			
<b>As at 31.12.2016</b>	<b>100,000,000</b>	<b>50,000,000</b>	<b>284,510,000</b>	<b>5,396,928</b>	<b>62,554,016</b>	<b>15,666,452</b>	<b>518,127,396</b>
Appropriation of earnings	-	-	-	-	-	-	-
Dividend payments	-	-	-	-2,097,608	2,097,608	-	-
Allocation to free reserves	-	-	-	-	-69,233,305	-	-69,233,305
Profit for the year	-	-	-	-	-	-15,666,452	-15,666,452
Currency conversion differences	-	-	-	-	-	-	-
<b>As at 31.12.2017</b>	<b>100,000,000</b>	<b>50,000,000</b>	<b>284,510,000</b>	<b>3,299,320</b>	<b>-4,581,681</b>	<b>-</b>	<b>433,227,639</b>
Appropriation of earnings	-	-	-	-	-	-	-
Dividend payments	-	-	-	-1,539,341	1,539,341	-	-
Allocation to free reserves	-	-	-	-	-38,293,769	-	-38,293,769
Profit for the year	-	-	-	-	-	2,399,666	2,399,666
Currency conversion differences	-	-	-	-	-	-	-
<b>As at 31.12.2018</b>	<b>100,000,000</b>	<b>50,000,000</b>	<b>284,510,000</b>	<b>1,759,979</b>	<b>-41,336,109</b>	<b>2,399,666</b>	<b>397,333,536</b>

\* Set-up Organization fund in 2015 CHF 10,000,000 (USD 10,000,000)

## Disclosures and explanations on income statement items

### 12. Premiums ceded to reinsurers

in CHF

	2018	2017
Ordinary retrocessions	-624,606	-812,753
Industry loss warranty (ILW)	-	-9,904,158
	<b>-624,606</b>	<b>-10,716,910</b>

### 13. Changes in technical provisions non-life

in CHF

2018	Gross	Retro	Net
Unearned premium reserve	-129,036,289	-39,930	-129,076,219
Claims outstanding			
Reported	-73,550,682	-64,071	-73,614,753
IBNR	-32,179,210	-	-32,179,210
ULAE	571,637	-	571,637
AVO risk margin	-18,622,391	-	-18,622,391
	<b>-252,816,936</b>	<b>-104,001</b>	<b>-252,920,937</b>
<b>2017</b>	<b>Gross</b>	<b>Retro</b>	<b>Net</b>
Unearned premium reserve	-2,827,519	-43,720	-2,871,239
Claims outstanding			
Reported	-22,712,112	-114,164	-22,826,276
IBNR	-53,819,178	-288,865	-54,108,043
ULAE	-1,705,810	-	-1,705,810
AVO risk margin	-471,277	-	-471,277
	<b>-81,535,896</b>	<b>-446,749</b>	<b>-81,982,645</b>

**14. Changes in direct commissions and underwriting expenses**

in CHF

	<b>2018</b>	<b>2017</b>
Acquisition costs, brokerage and commissions	-5,781,535	-17,064,008
Profit commissions	4,366,001	37,033
Changes in deferred acquisition costs	-	-1,515,817
Other underwriting costs	-	37,192
	<b>-1,415,534</b>	<b>-18,505,600</b>

**15. Administrative expenses**

in CHF

	<b>2018</b>	<b>2017</b>
Personnel expenses	-2,986,628	-6,528,609
Travel	-48,393	-193,802
Premises, assets and IT	-2,498,417	-3,063,057
Professional fees	-832,479	-1,543,880
Recharges & Reclassification	-35,236,547	-2,396,112
Other operating expenses	-435,344	-166,486
	<b>-42,037,808</b>	<b>-13,891,946</b>

16. Technical result by line of business

in CHF

	2018	Property	Casualty	Marine, Aviation, Transport	Motor	Personal Accident	Health	Miscella- neous
Gross premium written	341,338,343	198,477,660	53,525,665	45,669,823	25,078,890	4,703,205	-	13,883,101
Premiums ceded to reinsurers	-624,606	-536,110	-88,497	-	-	-	-	-
<b>Net premiums written</b>	<b>340,713,737</b>	<b>197,941,550</b>	<b>53,437,168</b>	<b>45,669,823</b>	<b>25,078,890</b>	<b>4,703,205</b>	-	<b>13,883,101</b>
Change in unearned premium reserves	-129,036,289	-62,942,834	-21,935,075	-14,168,227	-15,397,601	-3,102,543	-	-11,490,009
Change in reinsurers' share of unearned premium reserves	-39,930	-2,808	-37,122	-	-	-	-	-
<b>Net premiums earned</b>	<b>211,637,517</b>	<b>134,995,908</b>	<b>31,464,971</b>	<b>31,501,596</b>	<b>9,681,289</b>	<b>1,600,661</b>	-	<b>2,393,092</b>
<b>Total technical income</b>	<b>211,637,517</b>	<b>134,995,908</b>	<b>31,464,971</b>	<b>31,501,596</b>	<b>9,681,289</b>	<b>1,600,661</b>	-	<b>2,393,092</b>
Gross claims and claim expenses paid	-87,927,864	-73,076,901	-8,624,413	-3,611,827	-2,496,976	-116,451	-	-1,295
Reinsurers' share of claims and claim expenses	17,894	11,089	-	6,804	-	-	-	-
Change in technical provisions	-123,780,647	-67,324,503	-18,114,258	-23,348,473	-9,233,245	-2,128,534	-	-3,631,634
Change in reinsurers' share of technical provisions	-64,071	-39,707	-0	-24,364	-	-	-	-
<b>Net claims and claim expenses incurred</b>	<b>-211,754,688</b>	<b>-140,430,022</b>	<b>-26,738,671</b>	<b>-26,977,860</b>	<b>-11,730,221</b>	<b>-2,244,985</b>	-	<b>-3,632,929</b>
Direct commissions and underwriting expenses	-1,415,534	508,641	-1,912,941	-8,979	-2,255	-	-	-
<b>Net acquisition costs</b>	<b>-1,415,534</b>	<b>508,641</b>	<b>-1,912,941</b>	<b>-8,979</b>	<b>-2,255</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total technical expenses before admin expenses</b>	<b>-213,170,222</b>	<b>-139,921,381</b>	<b>-28,651,613</b>	<b>-26,986,839</b>	<b>-11,732,476</b>	<b>-2,244,985</b>	-	<b>-3,632,929</b>
<b>Total technical result before admin expenses</b>	<b>-1,532,705</b>	<b>-4,925,473</b>	<b>2,813,358</b>	<b>4,514,757</b>	<b>-2,051,187</b>	<b>-644,323</b>	-	<b>-1,239,837</b>
Admin expenses	-42,205,647							
<b>Total technical result</b>	<b>-43,738,352</b>							

**17. Income from investment**

in CHF

<b>2018</b>	<b>Income</b>	<b>Realized gains</b>	<b>Unrealized gains</b>	<b>Total</b>
Fixed-interest securities	10,671,274	1,320,497	7,235,205	19,226,976
Equity shares	904,597	-	-	904,597
Derivative financial instruments	-	-	-	-
Investments in senior secured loans	1,421,301	-	-	1,421,301
Deposits with credit institutions	1,780,903	-	-	1,780,903
Other	-	-	-	-
	<b>14,778,075</b>	<b>1,320,497</b>	<b>7,235,205</b>	<b>23,333,777</b>

<b>2017</b>	<b>Income</b>	<b>Realized gains</b>	<b>Unrealized gains</b>	<b>Total</b>
Fixed-interest securities	10,014,690	1,850,003	6,045,421	17,910,114
Equity shares	459,609	-	-	459,609
Derivative financial instruments	-	52,217	-	52,217
Investments in senior secured loans	1,372,537	-	-	1,372,537
Deposits with credit institutions	159,166	-	-	159,166
Other	6,271	-	-	6,271
	<b>12,012,272</b>	<b>1,902,220</b>	<b>6,045,421</b>	<b>19,959,913</b>

**18. Expenses from investment**

in CHF

<b>2018</b>	<b>Expenses</b>	<b>Realized losses</b>	<b>Unrealized losses</b>	<b>Total</b>
Fixed-interest securities	-	-5,670,366	-11,260,926	-16,931,292
Equity shares	-	-	-	-
Derivative financial instruments	-	-437,858	-164,315	-602,173
Management fees and expenses	-1,467,682	-	-	-1,467,682
	<b>-1,467,682</b>	<b>-6,108,224</b>	<b>-11,425,241</b>	<b>-19,001,146</b>

<b>2017</b>	<b>Expenses</b>	<b>Realized losses</b>	<b>Unrealized losses</b>	<b>Total</b>
Fixed-interest securities	-	-4,079,153	-2,330,140	-6,409,293
Equity shares	-	-	-	-
Derivative financial instruments	-	-	-104,872	-104,872
Management fees and expenses	-1,028,012	-	-	-1,028,012
	<b>-1,028,012</b>	<b>-4,079,153</b>	<b>-2,435,013</b>	<b>-7,542,177</b>

**19. Other income and expenses**

in CHF

	<b>2018</b>	<b>2017</b>
Profit/Loss on exchange	-5,240,323	1,824,603
Return on unwinding of commutation discount	5,424,880	
Other income	673,298	195,400
	<b>857,855</b>	<b>2,020,003</b>

## Other notes to the financial statement

### 20. Audit fees

in CHF

	2018	2017
Audit fees	-110,553	-175,754
	<b>-110,553</b>	<b>-175,754</b>

### 21. Total amount of collaterals provided for third-party liabilities

in CHF

	2018	2017
Facilities (LOC, pledged accounts, etc.)	28,938,502	9,349,740
Funds at Lloyds	364,833,662	106,916,470
	<b>393,772,163</b>	<b>116,266,210</b>

Barclays has granted a credit facility of up to CHF 20,733,090 (USD 21,000,000)

### 22. Full-time equivalents

	2018	2017
Average number of full-time equivalents	5	12
	<b>5</b>	<b>12</b>

# Financial Statement of Canopus Reinsurance AG

## Proposal for the appropriation of distributable earnings

in CHF

	Notes	2018	2017
Retained earnings carried forward	11	-4,581,681	62,554,016
Profit / Loss		-38,293,769	-69,233,305
<b>Distributable earnings</b>		<b>-42,875,450</b>	<b>-6,679,289</b>

### Proposal of the Board of Directors:

Distributable earnings	-42,875,450	-6,679,289
Transfer to Legal capital reserves	-	-
Transfer to Organisation fund	1,539,341	2,097,608
Dividend payments	-	-
<b>Amount carried forward</b>	<b>-41,336,109</b>	<b>-4,581,681</b>

