

Financial statements as of 31 December 2017, Canopus Reinsurance AG

The following report of the statutory auditor relates to
Canopus Reinsurance AG, previously known as
Sompo Japan Canopus Reinsurance AG,
and renamed in March 2018

Report of the statutory auditor

with financial statements as of 31 December 2017 of

Sompo Japan Canopius Reinsurance AG, Zürich

To the General Meeting of
Sompo Japan Canopius Reinsurance AG, Zürich

Zurich, 25 April 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Sompo Japan Canopius Reinsurance AG, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2017.

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 2017 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



Christian Fleig
Licensed audit expert
(Auditor in charge)



Kerry Herholdt
CA (SA)

Enclosures

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

Financial Statement of Sampo Japan Canopus Reinsurance AG

Management report

Overview including competition, supply and demand

In the past financial year 2017, Sampo Japan Canopus Reinsurance AG (SCRe) was affected by the natural catastrophe events in the US and thus no longer able to repeat the successful results of last year. The company reports an annual loss of CHF 69.2m with a balance sheet total of CHF 757.4m. The total reported shareholder equity at year-end of CHF 433.2m, representing a percentage of 57.2% of total assets, is still at a very comfortable level.

The financial result for 2017 is mainly affected by the very high catastrophe losses in the USA, caused by Hurricanes Harvey, Irma and Maria and California Wildfire shortly before the end of the year, supplemented by additional claims incurred as a result of the discounting Ogden interest rate adjustments for lump-sum payments for personal injury claims confirmed by the UK court. While the losses are high in absolute terms they fell within the modelled range of outcomes. SCRe'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 one-off start-up and closure costs for the Singapore and USA branches. While gross written premiums increased by CHF 13.9m, net earned premiums decreased by CHF 37.2m. The underwriting margin dropped by CHF 84.6m, well below the previous year's value (CHF 19.6m in 2016). The reason for this is the exceptionally high burden from natural catastrophes already mentioned above, which is also reflected in the very high combined ratio of 184% (86% in 2016).

As in previous years, 2017 was characterized by a challenging market environment, with SCRe continuing to focus its underwriting on maintaining profitability and adhering to reliable, prudent and selective underwriting principles. The Bermuda branch generated more signed premiums as in the previous year (CHF 84.2m compared to CHF 71.6m in 2016) despite the difficult environment. Due to the ongoing management buyout negotiations, it was decided at the beginning of the year that SCRe would not write any new business in Singapore and the US. At the end of the third quarter, licenses for both locations were returned due to the high running costs and the decision to close the Singapore and US branches.

The Zurich branch signed roughly the same European business as last year (CHF 23.4m compared to CHF 22.0m in 2016).

The integration of the global group reinsurance business into SCRe was halted due to the ongoing management buyout. This extraordinary event required SCRe to interact with FINMA frequently as well as with other relevant supervisory authorities such as Delaware, BMA and MAS.

The underwriting provisions at year-end amounted to CHF 254.2m. This corresponds to a coverage ratio of 271% (160% in 2016). The technical result was negative at CHF 79.0m (CHF 1.2m in 2016), a significant deterioration compared to the previous year.

The administration costs in 2017 amounted to CHF 13.9m, which corresponds to an administrative cost ratio of 14.8% (13.9% in 2016). The high cost ratio is mainly due to additional one-off set-up and liquidation costs of the Singapore and US branch 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 SCRe held investments with a carrying amount of CHF 614.6m. The current income from investments amounted to CHF 12.4m, which was in the same range as last year with CHF 12.8m. In a difficult investment environment, this results in a return on investment of 2.0% (2.0 % in 2016).

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

Staff

In 2017, SCRe employed an average of 12 full-time equivalents (FTE), reduced from 12.3 FTE at the beginning of the year to 7.7 FTE at year-end. The main driver behind this reduction was the transfer of SCRe's underwriting team (4 employees) to Canopus Europè Ltd. Zurich Branch in December 2017.

Vision, Strategy and Strategic Priorities

The reinsurance market continues to be characterised by wealth of capital and fierce competition. Reinsurance has been a buyer's market for many years and rate increases – despite the 2017 cat losses – are very modest and not reversing the soft market. Profitable customer accounts and business areas are under even greater pressure. Price is the most important distinguishing feature, leaving little room for expansion. In such an environment, underwriting discipline and cost control are essential to secure results.

Extraordinary events

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

At the end of February 2017, the discount rates for lump-sum payments for personal injury claims in the United Kingdom (Ogden) were revised by a court from an earlier positive rate of 2.5% to a negative rate of 0.75%. This change had a significant impact on the provisions for personal injury claims, which we have under existing internal quota shares with syndicate 958 from previous years.

The natural catastrophe reinsurance business written by SCRe went through a very eventful year. The US hurricane season in particular caused very high losses (HIM). Additional damage was caused by the largest open fire in the history of the state of California, which took place in December.

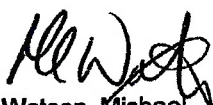
Funds at Lloyds (FAL) have massively increased the amount of funds required by its members. At the beginning of December 2017 SCRe contributed CHF 106.9m pledged assets to cover the funds required by the syndicate. The assets pledged by SCRe to Funds at Lloyds (FAL) on behalf of the Syndicate are indemnified by Flectat Limited at market conditions.

Risk management

Due to the volatile nature of reinsurance business, and the potential for significant losses, SCRe 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 2017 are in line with expectations.

Outlook

Going forward SCRe will cease to write open market business and serve exclusively as a captive reinsurer for Canopus Group. The strategy of the group foresees a premium volume of CHF 511.6m compared to CHF 107.6m in 2017. This is to be achieved by drawing internal quota share treaties with Syndicate 4444. Thus, the strategic orientation of SCRe will focus on internal transactions for the time being. Even after the management buyout, Sompo Holdings Inc. will maintain the parental guarantee for the reinsurance business assumed by SCRe 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

Financial Statement of Sompo Japan Canopus Reinsurance AG

Balance sheet as at 31 December

In CHF

Assets	Notes	2017	2016
Investments	1	580,720,184	581,884,292
Fixed-interest securities		377,102,924	419,855,359
Equity shares		15,542,242	-
Derivative financial instruments	9	-	768,726
Other investments	2	188,075,018	161,260,207
Cash and cash equivalents	1	33,850,492	57,885,709
Tangible assets	3	66,783	1,041,852
Intangible assets	3	1,423,564	2,686,011
Reinsurance technical provisions non-life	4	486,128	959,838
Deferred acquisition costs		4,096,360	2,324,800
Receivables from reinsurance operations	5	127,730,060	100,314,265
Other receivables	6	7,478,904	1,938,311
Accrued income and prepaid expenses	7	1,551,042	1,569,762
Total assets		757,403,517	750,604,840


Liabilities and equity

		2017	2016
Technical provisions non-life	4	254,193,694	209,315,093
Payables from reinsurance operations	8	57,523,277	4,520,759
Other liabilities	9	9,236,607	16,562,608
Accrued expenses and deferred income	10	3,222,300	2,078,984
Total liabilities		324,175,878	232,477,444
Share capital		100,000,000	100,000,000
Legal capital reserves		50,000,000	50,000,000
Free reserves		287,809,320	289,906,928
Retained earnings		-4,581,681	62,554,016
Currency conversion difference		-	15,666,452
Total equity	11	433,227,639	518,127,396
Total liabilities and equity		757,403,517	750,604,840

Income statement

in CHF

	Notes	2017	2016
Gross premium written		107,575,697	93,678,593
Premiums ceded to reinsurers	12	-10,716,910	-1,903,837
Net premiums written		96,858,787	91,774,756
Change in unearned premium reserves	13	-2,827,519	39,344,003
Change in reinsurers' share of unearned premium reserves	13	-43,720	79,376
Net premiums earned		93,987,548	131,198,135
Total technical income		93,987,548	131,198,135
Gross claims and claim expenses paid		-61,990,561	-51,773,795
Reinsurer's share of claims and claim expenses		529,733	648,717
Change in technical provisions	13	-78,708,378	-33,199,673
Change in reinsurers' share of technical provisions	13	-403,029	-123,662
Net claims and claim expenses incurred		-140,572,234	-84,448,413
Direct commissions and underwriting expenses	14	-18,505,600	-27,253,777
Administrative expenses	15	-13,891,946	-18,280,712
Net acquisition costs and administrative expenses		-32,397,546	-45,534,490
Total technical expenses		-172,969,780	-129,982,903
Total technical result		-78,982,232	1,215,232
Income from investments	16	19,959,913	26,201,166
Expenses from investments	17	-7,542,177	-13,440,685
Net income from investments		12,417,736	12,760,482
Other financial expenses		-258,045	-481,346
Operating income / loss		-66,822,541	13,494,367
Other income	18	2,020,003	2,942,722
Other expenses		-	-
Currency translation adjustments		-4,088,723	-
Profit / loss before tax		-68,891,261	16,437,090
Direct tax		-342,044	-9,435
Profit / Loss		-69,233,305	16,427,654

Cash flow statement

in CHF

Cash flows from operating activities	Notes	2017	2016
Profit / (Loss) before tax		-68,891,261	16,437,090
P&L average/closing rate differences		629,315	624,054
Net fair value losses/(gain) on investments including FX		1,060,722	-
(Increase)/Decrease in debtors, prepayments and accrued income		-38,012,148	5,709,781
Increase/(Decrease) in creditors		-3,868,955	-19,410,280
Increase in net claims and unearned premium reserves		104,103,905	-47,084,652
Depreciation of property and equipment		931,945	-1,041,850
Amortisation of intangible assets		1,151,274	-759,036
Currency translation adjustment losses		4,088,723	-
Net cash inflow from operating activities		1,193,521	-45,524,893
Income tax paid		-342,044	-9,435
Net cash from operating activities		851,477	-45,534,328
Cash flows from investing activities			
Purchase less sales of financial assets		-22,490,819	20,017,392
Other		-	-
Net cash used in investing activities		-22,490,819	20,017,392
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Purchase of own shares		-	-
Dividend payments		-	-
Net cash from financing activities		-	-
Cash flows for the financial year		-21,639,342	-25,516,937
Change of cash and cash equivalent in the financial year			
Balance at the beginning of the financial year		57,885,709	80,900,396
Exchange rate difference on cash and cash equivalents		-2,395,875	2,502,250
Balance at the end of the financial year		33,850,492	57,885,709
Net change during the financial year		-21,639,342	-25,516,937

Financial Statement of Sompo Japan 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 2017.

1. General Information

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

2. Basis of presentation

SCRe 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 SC Re).

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 0.98826; Income statement is translated at the average exchange rate of 0.9979; Equity is kept at historical exchange rates.

During 2017, a 2015 currency translation error (CHF 1.06m) was identified. This was corrected in the current year profit and loss.

(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

SCRe's shareholder is Sompo 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

SCRe benefits from a parental guarantee issued by Sompo Japan Nipponkoa Insurance Inc. in Japan (the "Guarantor") on any obligations deriving from reinsurance policies:

- 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) Rating

- Standard & Poor's: A+ «Outlook under review»
- AM Best: A «Outlook under review»

(m) Undisclosed reserves

There are no undisclosed reserves.

(n) 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.

SCRe'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 SC Re 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 SCRe'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.

SCRe's risk management strategy is aimed at:

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

The two main elements of SCRe'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 SCRe'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 SCRe.

SCRe 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)

SCRe 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.

SCRe adheres to the Group framework of regulations and policies.

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

Financial Statement of Sompo Japan 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
2017						
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
	33,850,492	188,075,018	-	377,102,924	15,542,242	614,570,676

	Cash and cash equivalents	Other investments *	Derivative financial instruments	Fixed-interest securities	Equity shares	Total
2016						
Less than one year	57,885,709	27,298,366	768,726	27,196,315	-	113,149,116
Between one and two years	-	-	-	57,906,550	-	57,906,550
Between two and five years	-	-	-	187,060,347	-	187,060,347
Over five years	-	14,146,731	-	147,692,146	-	161,838,877
Other non-dated instruments	-	119,815,110	-	-	-	119,815,110
	57,885,709	161,260,207	768,726	419,855,359	-	639,770,001

Level	Cash and cash equivalents	Other investments *	Derivative financial instruments	Fixed-interest securities	Equity shares	Total
2017						
Level 1	33,850,492	89,931,580	-	230,653,968	15,542,242	369,978,283
Level 2	-	98,143,438	-	146,448,956	-	244,592,394
	33,850,492	188,075,018	-	377,102,924	15,542,242	614,570,676

	Cash and cash equivalents	Other investments *	Derivative financial instruments	Fixed-interest securities	Equity shares	Total
2016						
Level 1	57,885,709	68,352,560	-	301,326,524	-	427,564,793
Level 2	-	92,907,647	768,726	118,528,836	-	212,205,209
	57,885,709	161,260,207	768,726	419,855,359	-	639,770,001

Rating	2017	2016
AAA	62,047,941	76,498,449
AA	207,255,722	258,063,007
A	92,270,801	112,339,872
BBB	51,735,804	58,468,435
<BBB	-	-
not rated	201,260,408	134,400,238
	614,570,676	639,770,001

* Details of the Other investments in notes 2

2. Other investments
in CHF

	2017	2016
Holdings in collective investment schemes	172,036,230	119,850,882
Investments in senior secured loans	13,572,985	14,146,731
Deposits with credit institutions	2,465,804	27,262,594
	188,075,018	161,260,207

3. Tangible and Intangible assets
in CHF

	2017	2016
Property and equipment	112,732	113,162
Revaluation of assets under constructions *	-	950,393
Depreciation property and equipment	-45,949	-21,703
	66,783	1,041,852
Intangible assets	3,416,094	3,359,017
Depreciation intangible assets	-1,992,530	-673,007
	1,423,564	2,686,011

* Capital expenses for IT related items which have not gone in live production

Schedule of amortisation	Start period	Asset life
Tangible assets		
Furniture	01/2016	5 years
Computers and Communication	01/2016	3 years
Intangible assets		
IT programmes and interfaces technical accounting	01/2016	3 years

4. Technical provisions non-life
in CHF

2017	Gross	Retro	Net
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
	254,193,694	-486,128	253,707,566

2016	Gross	Retro	Net
Unearned premium reserve	16,981,898	-82,391	16,899,507
Claims outstanding			
Reported	90,271,051	-404,076	89,866,975
IBNR	82,759,089	-473,371	82,285,718
ULAE	404,043	-	404,043
AVO risk margin	18,899,011	-	18,899,011
	209,315,093	-959,838	208,355,254

5. Receivables from reinsurance operations
in CHF

	2017	2016
Debtors arising out of reinsurance operations	43,651,708	27,632,761
Insurance receivables out of group operations*	84,040,544	72,648,531
Other debtors	37,808	32,973
	127,730,060	100,314,265

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

6. Other receivables
in CHF

	2017	2016
Receivables from group undertakings *	6,978,994	1,938,311
Other debtors	499,909	-
	7,478,904	1,938,311

* Affiliated companies belonging to the Sompo Canopus Group

7. Accrued income and prepaid expenses
in CHF

	2017	2016
Prepayments	61,601	-
Accruals	1,489,441	1,569,762
	1,551,042	1,569,762

8. Payables from reinsurance operations
in CHF

	2017	2016
Creditors arising out of reinsurance operations	-351,088	61,962
Insurance payables out of direct operations*	53,204,160	25,283
Accruals profit commissions	4,670,205	4,433,514
	57,523,277	4,520,759

* Payables in respect of other affiliated companies belonging to the Sompo Canopus Group

9. Other liabilities
in CHF

	2017	2016
Liabilities due to group undertakings *	971,479	5,049,429
Tax liabilities	32,111	-142,163
Investment Straddler	7,815,646	11,613,978
Derivative financial instruments	417,371	-
Other creditors	-	41,364
	9,236,607	16,562,608

* Affiliated companies belonging to the Sompo Canopus Group

10. Accrued expenses and deferred income
in CHF

	2017	2016
Deferred income	807,270	1,070,529
Accruals	2,415,030	1,008,455
	3,222,300	2,078,984

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 *			
As at 01.01.2016	100,000,000	50,000,000	284,510,000	7,888,000	43,938,947	-294,561	486,042,386
Appropriation of earnings	-	-	-	-	-	-	-
Dividend payments	-	-	-	-2,491,072	2,491,072	-	-
Allocation to free reserves	-	-	-	-	16,427,654	-	16,427,654
Profit for the year	-	-	-	-	-303,657	15,961,013	15,657,356
Currency conversion differences	-	-	-	-	62,554,016	15,666,452	518,127,396
As at 31.12.2016	100,000,000	50,000,000	284,510,000	5,396,928	62,554,016	15,666,452	518,127,396
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	-	-	-	-	-4,581,681	-	433,227,639
As at 31.12.2017	100,000,000	50,000,000	284,510,000	3,299,320	-4,581,681	-	433,227,639

* 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

	2017	2016
Ordinary retrocessions	-812,753	-1,903,837
Industry loss warranty (ILW)	-9,904,158	-
	-10,716,910	-1,903,837

13. Changes in technical provisions non-life

in CHF

2017	Gross	Retro	Net
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
	-81,535,896	-446,749	-81,982,645
2016	Gross	Retro	Net
Unearned premium reserve	39,344,003	79,376	39,423,379
Claims outstanding			
Reported	-8,758,766	-376,269	-9,135,034
IBNR	-5,844,276	252,607	-5,591,669
ULAE	-389,287	-	-389,287
AVO risk margin	-18,207,344	-	-18,207,344
	6,144,330	-44,287	6,100,044

14. Changes in direct commissions and underwriting expenses

in CHF

	2017	2016
Acquisition costs, brokerage and commissions	-17,064,008	-15,588,851
Profit commissions	37,033	-4,502,061
Changes in deferred acquisition costs	-1,515,817	-7,162,865
Other underwriting costs	37,192	-
	-18,505,600	-27,253,777

15. Administrative expenses
in CHF

	2017	2016
Personnel expenses	-6,528,609	-5,768,772
Travel	-193,802	-310,574
Premises, assets and IT	-3,063,057	-1,823,256
Professional fees	-1,543,880	-1,560,302
Recharges & Reclassification	-2,396,112	-8,366,721
Other operating expenses	-166,486	-451,088
	-13,891,946	-18,280,712

16. Income from investment
in CHF

2017	Income	Realized gains	Unrealized gains	Total
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
	12,012,272	1,902,220	6,045,421	19,959,913

2016	Income	Realized gains	Unrealized gains	Total
Fixed-Interest securities	9,644,743	3,952,320	9,897,257	23,494,320
Equity shares	194,504	-	-	194,504
Derivative financial instruments	-	1,044,883	6,607	1,051,490
Investments in senior secured loans	1,194,894	-	-	1,194,894
Deposits with credit institutions	265,958	-	-	265,958
Other	-	-	-	-
	11,300,099	4,997,203	9,903,864	26,201,166

17. Expenses from investment
in CHF

2017	Expenses	Realized losses	Unrealized losses	Total
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
	-1,028,012	-4,079,153	-2,435,013	-7,542,177

2016	Expenses	Realized losses	Unrealized losses	Total
Fixed-interest securities	-	-6,894,023	-6,010,589	-12,904,612
Equity shares	-	-	-	-
Derivative financial instruments	-	-	-	-
Management fees and expenses	-536,073	-	-	-536,073
	-536,073	-6,894,023	-6,010,589	-13,440,685

18. Other income
in CHF

	2017	2016
Profit/Loss on exchange	1,824,603	2,395,229
Other income	195,400	547,494
	2,020,003	2,942,722

Other notes to the financial statement

19. Audit fees

in CHF

	2017	2016
Audit fees	-175,754	-241,219
	-175,754	-241,219

20. Total amount of collaterals provided for third-party liabilities in CHF

	2017	2016
Facilities (LOC, pledged accounts, etc.)	9,349,740	40,914,490
Funds at Lloyds	106,916,470	
	116,266,210	40,914,490

Barclays has granted a credit facility of up to CHF 19,958,000 (USD 20,000,000)

21. Full-time equivalents

	2017	2016
Average number of full-time equivalents	12	14
	12	14

Financial Statement of Sompo Japan Canopus Reinsurance AG

Proposal for the appropriation of distributable earnings

in CHF

	Notes	2017	2016
Retained earnings carried forward	11	62,554,016	43,635,290
Profit / Loss		-69,233,305	16,427,654
Distributable earnings		-6,679,289	60,062,944

Proposal of the Board of Directors:

Distributable earnings	-6,679,289	60,062,944
Transfer to Legal capital reserves	-	-
Transfer to Organisation fund	2,097,608	2,491,072
Dividend payments	-	-
Amount carried forward	-4,581,681	62,554,016