

Report of the statutory auditor

with financial statements as of 31 December 2016 of

Sompo Japan Canopius Reinsurance AG, Zürich

To the General Meeting of

Sompo Japan Canopius Reinsurance AG, Zürich

Zurich, 22 May 2017

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 2016.

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 2016 comply with Swiss law and the company's articles of incorporation.

Other matter

The financial statements of Sompo Japan Canopius Reinsurance AG for the year ended 31 December 2015 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 24 May 2016.

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

General overview incl. Competition, Supply and Demand

SC Re closed its first full financial year successfully with a positive result. The company reports an annual profit of USD 16.5m with total assets of USD 728m. Shareholder equity was USD 503m at year end, still accounting for well over half of our total balance sheet. The current balance sheet structure places us in a good position to cope with the challenges of the current market which is defined by persistent low or negative interest rates and substantial excess risk capital. Although we have changed the reporting currency for our financial statements from GBP to USD, our year-on-year comparability has not been substantially impacted by this change.

The 2016 financial results are characterised by incurred costs within plan and the absence of material catastrophe losses. As a consequence the financial result is very positive and exceeding the plan. While Net Written Premium were 7% below plan, SC Re's underwriting margin stands at USD 27.7m (vs USD 10.1m plan) and the underwriting result amounts to USD 11.6m (vs a planned loss of USD 5m). The combined ratio of 83% is 27% better than plan.

2016 was marked by a continuously challenging market environment and SC Re has focused its underwriting on maintaining profitability. We continue to adhere to reliable, cautious and selective underwriting principles. In order to actively serve local markets effectively we have adjusted underwriting resources in our offices. SJNK's retro treaties were successfully transferred from Tokyo to Bermuda and generated substantially more premium than planned (USD 54m vs USD 23m). On the other hand, SC Re has not written any business in Singapore and US due to license timing (vs original plan USD 41m) and wrote slightly less European business in Zurich (USD 22m vs USD 24m).

We have made substantial progress in integrating the global reinsurance business unit and rolling out SC Re. In 2016, SC Re has established branches in Singapore and US and received the respective regulatory approvals. Following careful consideration SC Re decided to withdraw its Hong Kong branch license application. In addition, a submission to the PRA for a UK branch has been withdrawn following the announcement of the Endurance acquisition. We have set up a finance team to assume additional tasks from Group and have established operations, systems and risk framework while keeping costs below plan budget. Lastly, SC Re maintained positive regular interaction with external auditors, FINMA and other relevant regulatory authorities, such as BMA and MAS.

Technical provisions amounted to USD 203m at year-end. This translates to a coverage ratio of 154% (technical provisions divided by earned premiums). The technical result closed positively at USD 1.2m representing 1% of earned premium.

Administration costs in 2016 amounted to USD 27.4m, equivalent to an administrative expense ratio of 20.7% (in line with plan). The high expense ratio is largely driven by one-off set-up costs and the CHF strengthening against the USD/EUR income basis. Costs were also influenced by reallocated Group expenses as well as additional audit and reporting obligations (due to a necessary change of auditor during the year).

At year end, SC Re was holding investment assets with a book value of USD 620m. Current income from investments was USD 12.8m. This represents a return on investments of 2.1 %, in line with plan.

The Board of Directors is proposing no dividend to the General Meeting.

Staff

During 2016, SC Re operated with an average workforce of 14 full-time equivalent employees (FTEs). While staffing in finance functions has increased (plus 2 FTE), the underwriting team has been reduced as a response to the market conditions (minus 4 FTE).

Vision, Strategy and Strategic Priorities

The reinsurance market is characterised by an abundance of capital and fierce competition. Reinsurance has been a buyer market for the last 5 years, but rates have been falling since 2011 and are reaching levels similar to the end of the 90s. Profitable client accounts and lines of business are even more under pressure. Price appears to be the main differentiator leaving little room for expansion. In such an environment underwriting discipline and cost control are essential to safeguard bottom line results. On a positive note, brokers and clients are continuously expressing their desire to trade with SC Re. Sompo's brand is widely recognized and differentiates us from most Lloyd's syndicates and Bermudian players. We have deployed a careful expectation management – our long term commitment does not come immediately or at any price. Our short-term focus continues to be on corrective portfolio measures and a gradual build up of core market and product competencies. At the core of our strategy lies the formation of an aligned global reinsurance underwriting culture. We need to complement our excellent property catastrophe skills at Group level with high quality local and specialty underwriting teams. At the same time, we will have to balance short-term profitability considerations with a long-term strategy – people and infrastructure investments are necessary to ensure mid-term success.

Extraordinary events

On 28 March 2017 SOMPO Holdings, Inc. ("SOMPO") has completed the acquisition of 100% of the outstanding ordinary shares of Endurance Specialty Holdings Ltd. Endurance has been integrated into SOMPO through the creation of Sompo International, which is based in Bermuda and operates as a fully integrated global commercial insurance and reinsurance platform. Sompo International also encompasses SOMPO's existing international commercial insurance and reinsurance businesses.

In February 2017 it became known that Sompo Canopus will not be integrated into Sompo International and is considering a management buyout. Sompo Canopus Group (of which SC Re is part) will continue to operate as a separate business and brand, with own management, strategy, underwriting appetites and overall plan.

Lastly, SC Re switched from GBP to USD as functional currency, while CHF remains SC Re's reporting currency.

Risk management

Due to the volatile nature of reinsurance business, and the potential for significant losses, SC Re 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 (I) Information on risk assessment.

All events and impacts seen in 2016 have been within the expected range.

Outlook

For 2017, the planned premium volume for SC Re is substantially lower than originally planned (USD 98m vs USD 356m). The re-underwriting of the Asian reinsurance book contributes with USD 120m to this reduction. Following the announcement of the Endurance acquisition SC Re has decided not to write any business in its Singapore and US branches. These decisions have contributed to the premium reduction.

Until SC Re's strategic direction will be clarified (see Extraordinary Events) SC Re will focus on the continuous underwriting team strengthening, the operational excellence under Service Level Agreements, current systems and seamless interactions with FINMA, other regulators and auditors.



Watson, Michael
Chairman of the Board of Directors



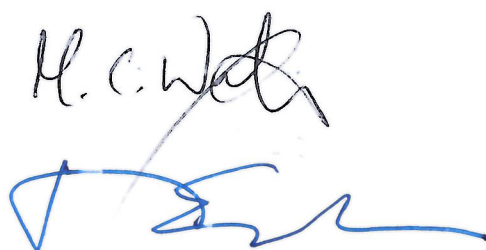
Eugster, Markus
Chief Executive Officer

Financial Statement of Sompo Japan Canopius Reinsurance AG

Balance Sheet in USD thousands

Assets	Note	USD	
		31.12.2016	31.12.2015
Investments		563,681	573,421
Fixed-interest securities		407,259	397,360
Other investments	1	156,422	176,061
Receivables from derivative financial instruments		746	
Cash and cash equivalents		56,149	80,900
Reinsurers' share of technical provisions		931	977
Property and equipment		1,010	
Deferred acquisition costs		2,255	5,591
Intangible assets		2,605	1,869
Insurance receivables	2,6	97,305	114,890
Other receivables	6	1,880	497
Prepaid expenses	3	1,523	1,369
TOTAL ASSETS		728,085	779,514

Liabilities and equity	Note	USD	
		31.12.2016	31.12.2015
Technical provisions	4	203,035	218,072
Insurance payables	5,6	17,711	47,864
Other liabilities	6	4,757	27,535
TOTAL LIABILITIES		225,503	293,471
Share capital		100,000	100,000
Legal capital reserves		289,982	292,398
Reserves from capital contributions		284,510	284,510
Organization fund		5,472	7,888
Legal retained earnings	17	50,000	50,000
Voluntary retained earnings	17	62,600	43,644
Transfer to Organization fund		4,528	2,112
Voluntary reserves		51,100	51,100
Profit / loss carried forward		-9,568	
Profit / loss		16,540	-9,568
TOTAL EQUITY	7	502,582	486,042
TOTAL LIABILITIES AND EQUITY		728,085	779,514

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Income Statement in USD thousands

	Note	USD	
		2016	2015
Gross premium written		94,320	8,957
Premiums ceded to reinsurers		-1,917	
Net premiums written		92,403	8,957
Change in unearned premium reserves	8	39,613	2,314
Change in reinsurers' share of unearned premium reserves		80	
Net premiums earned		132,096	11,271
Total technical income		132,096	11,271
Gross claims and claim expenses paid		-52,128	-4,785
Reinsurer's share of claims and claim expenses		653	
Change in technical provisions	8	-33,427	-3,184
Change in reinsurers' share of technical provisions	8	-125	
Net claims and claim expenses incurred		-85,027	-7,969
Acquisition costs and administrative expenses		-45,846	-6,074
Net acquisition costs and administrative expenses		-45,846	-6,074
Total technical expenses		-130,873	-14,043
Income from investments	10	26,381	6,621
Expenses from investments	11	-13,533	-8,931
Net income from investments		12,848	-2,310
Other financial expenses		-484	-228
Operating income / loss		13,587	-5,310
Other income		2,963	45
Other expenses			-4,275
Profit / loss before tax		16,550	-9,540
Income tax expense		-10	-28
PROFIT / LOSS		16,540	-9,568

Financial Statement of Sampo Japan Canopus Reinsurance AG

Balance Sheet in CHF thousands

Assets	Note	CHF	
		31.12.2016	31.12.2015
Investments		581,115	573,421
Fixed-interest securities		419,855	397,360
Other investments		161,260	176,061
Receivables from derivative financial instruments		769	
Cash and cash equivalents		57,886	80,900
Reinsurers' share of technical provisions		960	977
Property and equipment		1,042	
Deferred acquisition costs		2,325	5,591
Intangible assets		2,686	1,869
Insurance receivables		100,314	114,890
Other receivables		1,938	497
Prepaid expenses		1,570	1,369
TOTAL ASSETS		750,605	779,514

Liabilities and equity	Note	CHF	
		31.12.2016	31.12.2015
Technical provisions		209,315	218,072
Insurance payables		18,259	47,864
Other liabilities		4,904	27,536
TOTAL LIABILITIES		232,478	293,472
Share capital		100,000	100,000
Legal capital reserves		289,907	292,398
Reserves from capital contributions		284,510	284,510
Organization fund		5,397	7,888
Legal retained earnings		50,000	50,000
Voluntary retained earnings		62,554	43,939
Transfer to Organization fund		4,603	2,112
Voluntary reserves		51,092	51,395
Profit / loss carried forward		-9,568	
Profit / loss		16,427	-9,568
Currency translation reserves		15,666	-295
TOTAL EQUITY		518,127	486,042
TOTAL LIABILITIES AND EQUITY		750,605	779,514

Income Statement in CHF thousands

	Note	CHF	
		2016	2015
Gross premium written		93,679	8,957
Premiums ceded to reinsurers		-1,904	
Net premiums written		91,775	8,957
Change in unearned premium reserves		39,344	2,314
Change in reinsurers' share of unearned premium reserves		79	
Net premiums earned		131,198	11,271
Total technical income		131,198	11,271
Gross claims and claim expenses paid		-51,774	-4,785
Reinsurer's share of claims and claim expenses		649	
Change in technical provisions		-33,200	-3,184
Change in reinsurers' share of technical provisions		-125	
Net claims and claim expenses incurred		-84,450	-7,969
Acquisition costs and administrative expenses		-45,534	-6,074
Net acquisition costs and administrative expenses		-45,534	-6,074
Total technical expenses		-129,984	-14,043
Income from investments		26,201	6,621
Expenses from investments		-13,441	-8,931
Net income from investments		12,760	-2,310
Other financial expenses		-481	-227
Operating income / loss		13,493	-5,309
Other income		2,943	45
Other expenses			-4,276
Profit / loss before tax		16,436	-9,540
Income tax expense		-9	-28
PROFIT / LOSS		16,427	-9,568

Financial Statement of Sompo Japan Canopus Reinsurance AG

Notes to the Financial Statements 2016

The following notes are an integral part of the income statement and balance sheet.

Below Sompo Japan Canopus Reinsurance AG has disclosed all details required for compliance with Art. 663b of the Swiss Code of Obligations (CO) for the period from 1 January to 31 December 2016.

1. General information

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

2. Basis of presentation

SC Re 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 these financial statements including the notes are shown in United States Dollars (USD), thousands, rounded to the nearest thousand, unless otherwise specified.

Pursuant to Art. 958d, paragraph 3, CO, Balance Sheet and Income Statement must also be presented in Swiss Francs (CHF).

3. Summary of significant accounting policies

(a) Foreign currency translation

Foreign currency transactions are translated from original currency into the functional currency USD. Items included in the Income Statement are retranslated using the average rate, and monetary items included in the Balance Sheet are translated at the closing rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement for the period.

Assets and liabilities year end translation rate of exchange is USD/CHF 1.03093, Income Statement average rate of exchange is 0.9932 and Equity historical rates of exchange are applied.

(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

SC Re's shareholder is Sompo Canopus AG (incorporated in Zürich), which holds 100% of the shares in the Company.

The share capital consists of 100 million shares, each with a nominal value of CHF 1.

(k) Parental guarantee

SC Re benefits from a parental guarantee issued by Sompo Japan Nipponkoa Insurance Inc. in Japan (the "Guarantor") on 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) 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.

SC Re'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 of reinsurance risks is at the core of SC Re'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.

SC Re's risk management strategy is aimed at:

- maintaining SC Re's financial strength,
- safeguarding the reputation of SC Re and Sompo Canopus Group,
- enabling SC Re to protect and generate sustainable shareholder value.

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

- a system of internal controls aimed at avoiding and reducing undesired risk and
- the 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 Sompo Canopus 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 SC Re'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 SC Re.

SC Re 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)

SC Re 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.

As part of Sompo Canopus (Group), SC Re adheres to the group framework of regulations and policies. There are no other facts requiring disclosure under Art. 663b CO.

Financial Statement of Sampo Japan Canopus Reinsurance AG

Disclosures, breakdowns and explanations on Balance Sheet items in USD thousands

1. Other investments

	31.12.2016	31.12.2015
Holdings in collective investment schemes	116,255	166,611
Investments in senior secured loans	13,722	
Deposits with credit institutions	26,445	9,450
Total	156,422	176,061

2. Insurance receivables

	31.12.2016	31.12.2015
Receivables from insurance companies	97,305	114,890
Total	97,305	114,890

3. Prepaid expenses

	31.12.2016	31.12.2015
Accrued interest on investments	1,523	1,369
Total	1,523	1,369

4. Technical provisions

Non-life	Technical provisions (gross)		Reinsurers' share		Technical provisions written (net)	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Unearned premium reserve	16,472	55,766	-80		16,392	55,766
Loss reserves	186,563	162,306	-851	-976	185,712	161,330
Other technical provisions						
Actuarial reserves						
Provisions for policyholder participations						
Provisions for surplus funds						
Total	203,035	218,072	-931	-976	202,104	217,096

5. Insurance payables

	31.12.2016	31.12.2015
Liabilities to insurance companies	17,711	47,864
Total	17,711	47,864

6. Receivables from and liabilities to related parties

	Third-party	Participants	Management bodies	Share- holdings	Total 31.12.2016
Insurance receivables		97,305			97,305
Other receivables	1,880				1,880
Insurance payables	11,266	6,445			17,711
Other liabilities	4,757				4,757

	Third-party	Participants	Management bodies	Share- holdings	Total 31.12.2015
Insurance receivables		114,890			114,890
Other receivables	497				497
Insurance payables		47,864			47,864
Other liabilities	27,535				27,535

7. Statement of changes in equity

	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Organi- zational fund	Total equity
As of 31.12.2014						
As of 23 Nov 2015	100,000	284,510	50,000	51,100	10,000	495,610
Transfer to legal retained earnings						
Transfer to voluntary retained earnings						
Profit for the period				-9,568		-9,568
Transfer to organizational fund				2,112	-2,112	
As of 31.12.2015	100,000	284,510	50,000	43,644	7,888	486,042
Transfer to legal retained earnings						
Transfer to voluntary retained earnings						
Currency translation reserves						
Profit for the period				16,540		16,540
Transfer to organizational fund				2,416	-2,416	
As of 31.12.2016	100,000	284,510	50,000	62,600	5,472	502,582

Financial Statement of Sampo Japan Canopus Reinsurance AG

Disclosures, breakdowns and explanations on Income Statement items in USD thousands

8. Change in technical provisions

Non-life	Technical provisions (gross)		Reinsurers' share		Technical provisions written (net)	
	2016	2015	2016	2015	2016	2015
Unearned premium reserve	* -39,294		-80		* -39,374	
Change in loss reserves	** 24,257	3,184	125		** 24,382	3,184
Change in other technical provisions						
Change in actuarial reserves						
Change in provisions for policyholder participations						
Change in provisions for surplus funds						
Total	-15,037	3,184	45		-14,992	3,184

* FX revaluation of -USD 319 of the Unearned premium reserve is included in FX gains/losses and not in the Change in unearned premium reserve (USD 39'613)

** FX revaluation of USD 9,170 of the Loss reserves is included in FX gains/losses and not in the Change in loss reserves (-USD 33,427)

9. Audit fees

	2016	2015
Audit services	243	171
Other services		
Total	243	171

10. Income from investments

	Income*		Net unrealized gains		Net realized gains		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Real estate								
Participations								
Fixed-interest securities	11,376	432	9,972	924	3,979	5,222	25,327	6,578
Loans								
Mortgage loans								
Shares								
Other investments	1,054	43					1,054	43
Total	12,430	475	9,972	924	3,979	5,222	26,381	6,621

* Income relates to dividends for shares (incl. from associates), interest coupons, interest on cash and cash equivalents and rental income

11. Expenses from investments

	Current expenses*		Net unrealized losses		Net realized losses		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Real estate								
Participations								
Fixed-interest securities	540	6	6,052	2,319	6,941	6,606	13,533	8,931
Loans								
Mortgage loans								
Shares								
Other investments								
Total	540	6	6,052	2,319	6,941	6,606	13,533	8,931

* Expenses relate to administrative expenses in connection with real estate and external asset management costs (out-of-pocket expenses, transfer fees, etc.)

12. Personnel expenses

Personnel expenses for fiscal year 2016 amount to USD 5,754 (2015: USD 1,052) and are included in the line item Administrative expenses.

13. Depreciation of real estate and equipment and amortization of intangible assets

	31.12.2016	31.12.2015
Property and equipment	21	6
Intangible assets	653	
Total	674	6

Financial Statement of Sompo Japan Canopius Reinsurance AG

Other notes to the financial statements in USD thousands

14. Total amount of collateral provided for third-party liabilities

	31.12.2016	31.12.2015
Guarantees	8,421	17,976
Licenses	32,897	32,342
Total	41,318	50,318

15. Liabilities to pension schemes

	31.12.2016	31.12.2015
AXA Winterthur		300
Total	-	300

16. Full-time equivalents

The annual average number of full-time equivalents for the reporting year was 14 and for the previous year 11.

17. Reclassification correction

During 2016 a classification error was noted, resulting in USD 50m being reclassified from voluntary retained earnings into legal retained earnings.

18. Subsequent events

On 28 March 2017 SOMPO Holdings, Inc. ("SOMPO") has completed the acquisition of 100% of the outstanding ordinary shares of Endurance Specialty Holdings Ltd. Endurance has been integrated into SOMPO through the creation of Sompo International, which is based in Bermuda and operates as a fully integrated global commercial insurance and reinsurance platform. Sompo International also encompasses SOMPO's existing international commercial insurance and reinsurance businesses.

In February 2017 it became known that Sompo Canopius will not be integrated into Sompo International and is considering a management buyout. Sompo Canopius Group (of which SC Re is part of) will continue to operate as a separate business and brand, with own management, strategy, underwriting appetites and overall plan.

Financial Statement of Sompo Japan Canopius Reinsurance AG

Proposal for the appropriation of distributable earnings in USD thousands

	Note	31.12.2016	31.12.2015
Profit carried forward incl. Voluntary retained earnings	17	41,532	51,100
Profit / Loss		16,540	-9,568
Distributable earnings		58,072	41,532

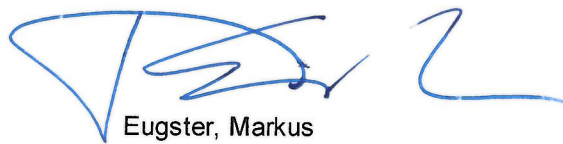
Proposal of the Board of Directors:

Distributable earnings	58,072	41,532
./. Transfer to legal retained earnings		
./. Dividend payments		
Amount carried forward	58,072	41,532



Watson, Michael

Chairman of the Board of Directors



Eugster, Markus

Chief Executive Officer