
Arch Re Accident & Health ApS

Frederiksgade 19, DK-1265 København K

Annual Report for 1 January - 31 December 2017

CVR No 30 19 42 84

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
31/05 2018

Jens Steen Jensen
Chairman



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Arch Re Accident & Health ApS for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 31 May 2018

Executive Board

Søren Scheuer
Executive Officer

Jakob Kolbye
Executive Officer

Board of Directors

Marc Grandisson
Chairman

Søren Scheuer

Maamoun Jamil Rajeh

Independent Auditor's Report

To the Shareholders of Arch Re Accident & Health ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Arch Re Accident & Health ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

in a manner that gives a true and fair view.

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

Hellerup, 31 May 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Jesper Edelbo

statsautoriseret revisor

mne10901

Company Information

The Company

Arch Re Accident & Health ApS
Frederiksgade 19
DK-1265 København K

Telephone: + 45 88887660
Website: www.archre.dk

CVR No: 30 19 42 84
Financial period: 1 January - 31 December
Municipality of reg. office: Copenhagen

Board of Directors

Marc Grandisson, Chairman
Søren Scheuer
Maamoun Jamil Rajeh

Executive Board

Søren Scheuer
Jakob Kolbye

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Financial Statements of Arch Re Accident & Health ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The company's main purpose is to mediate reinsurance products and associated operations.

Development in the year

The income statement of the Company for 2017 shows a profit of TDKK 1,291, and at 31 December 2017 the balance sheet of the Company shows equity of TDKK 25,414.

Unusual events

The financial position at 31 December 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

| | <u>Note</u> | <u>2017</u> TDKK | <u>2016</u> TDKK |
|---|-------------|---------------------|---------------------|
| Gross profit/loss | | 12.894 | 11.995 |
| Staff expenses | 1 | -12.266 | -12.253 |
| Depreciation | | -93 | -113 |
| Profit/loss before financial income and expenses | | 535 | -371 |
| Financial income | | 123 | 158 |
| Financial expenses | | -34 | -79 |
| Profit/loss before tax | | 624 | -292 |
| Tax on profit/loss for the year | 2 | 667 | 5 |
| Net profit/loss for the year | | 1.291 | -287 |

Distribution of profit

Proposed distribution of profit

| | | | |
|-------------------|--|--------------|-------------|
| Retained earnings | | 1.291 | -287 |
| | | 1.291 | -287 |

Balance Sheet 31 December

Assets

| | Note | 2017 TDKK | 2016 TDKK |
|--|------|---------------|---------------|
| Other fixtures and fittings, tools and equipment | | 389 | 482 |
| Property, plant and equipment | 3 | 389 | 482 |
| Deposits | | 234 | 231 |
| Fixed asset investments | | 234 | 231 |
| Fixed assets | | 623 | 713 |
| Receivables from group enterprises | | 30.891 | 29.170 |
| Deferred tax asset | | 0 | 51 |
| Corporation tax | | 496 | 784 |
| Prepayments | | 257 | 441 |
| Receivables | | 31.644 | 30.446 |
| Cash at bank and in hand | | 2.906 | 4.439 |
| Currents assets | | 34.550 | 34.885 |
| Assets | | 35.173 | 35.598 |

Balance Sheet 31 December

Liabilities and equity

| | Note | 2017 TDKK | 2016 TDKK |
|--|------|---------------|---------------|
| Share capital | | 135 | 135 |
| Share premium account | | 119 | 119 |
| Retained earnings | | 25.160 | 23.869 |
| Equity | 4 | 25.414 | 24.123 |
| Provision for deferred tax | | 7 | 0 |
| Provisions | | 7 | 0 |
| Payables to group enterprises | | 2.647 | 2.265 |
| Other payables | | 7.105 | 9.210 |
| Short-term debt | | 9.752 | 11.475 |
| Debt | | 9.752 | 11.475 |
| Liabilities and equity | | 35.173 | 35.598 |
| Contingent assets, liabilities and other financial obligations | 5 | | |
| Related parties | 6 | | |
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Statement of Changes in Equity

| | Share capital <u>TDKK</u> | Share premium account <u>TDKK</u> | Retained earnings <u>TDKK</u> | Total <u>TDKK</u> |
|------------------------------|------------------------------|---|-------------------------------------|----------------------|
| 2017 | | | | |
| Equity at 1 January | 135 | 119 | 23.869 | 24.123 |
| Net profit/loss for the year | <u>0</u> | <u>0</u> | <u>1.291</u> | <u>1.291</u> |
| Equity at 31 December | <u>135</u> | <u>119</u> | <u>25.160</u> | <u>25.414</u> |
| 2016 | | | | |
| Equity 1. januar | 135 | 119 | 24.156 | 24.410 |
| Net profit/loss for the year | <u>0</u> | <u>0</u> | <u>-287</u> | <u>-287</u> |
| Equity at 31 December | <u>135</u> | <u>119</u> | <u>23.869</u> | <u>24.123</u> |

Notes to the Financial Statements

1 Staff expenses

| | | |
|--------------------------------|---------------|---------------|
| Wages and salaries | 10.671 | 10.462 |
| Pensions | 10 | 9 |
| Other social security expenses | 35 | 187 |
| Other staff expenses | 1.550 | 1.595 |
| | <u>12.266</u> | <u>12.253</u> |

| | | |
|------------------------------------|----------|----------|
| Average number of employees | <u>4</u> | <u>5</u> |
|------------------------------------|----------|----------|

2 Tax on profit/loss for the year

| | | |
|---|-------------|-----------|
| Current tax for the year | 101 | 0 |
| Deferred tax for the year | 58 | -42 |
| Adjustment of tax concerning previous years | -826 | 37 |
| | <u>-667</u> | <u>-5</u> |

3 Property, plant and equipment

| | |
|---|---|
| | Other fixtures and fittings, tools and equipment |
| | <u>TDKK</u> |
| Cost at 1 January | <u>1.583</u> |
| Cost at 31 December | <u>1.583</u> |
| Impairment losses and depreciation at 1 January | 1.101 |
| Depreciation for the year | <u>93</u> |
| Impairment losses and depreciation at 31 December | <u>1.194</u> |
| Carrying amount at 31 December | <u>389</u> |

4 Equity

The share capital consists of 135,000 shares of a nominal value of TDKK 1,000. No shares carry any special rights.

Notes to the Financial Statements

| | <u>2017</u> TDKK | <u>2016</u> TDKK |
|---|---------------------|---------------------|
| 5 Contingent assets, liabilities and other financial obligations | | |

Contingent liabilities

The Company has rent liabilities at a total amount of TDKK 464 in the non-cancellable period of 1 year.

6 Related parties

Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Arch Re Accident & Health ApS' share capital is wholly owned by Arch Reinsurance Ltd. Bermuda.

Consolidated Financial Statements

The largest group in which this company is included is Arch Capital Group,

| <u>Name</u> | <u>Place of registered office</u> |
|--------------|-----------------------------------|
| Ltd. Bermuda | |

The Group Annual Report of Arch Capital Group, Ltd. Bermuda may be obtained at the following address: 100 pitts Bay Road, Pembroke HM 08, Bermuda.

Notes to the Financial Statements

7 Accounting Policies

The Annual Report of Arch Re Accident & Health ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Financial Statements for 2017 are presented in TDKK.

Recognition and measurement

The Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

7 Accounting Policies (continued)

Income Statement

Revenue

The company's revenues derive from commissions earned from mediation of insurance contracts and administrations. The commission is taken to income when the premiums are paid.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Other external expenses

Other external expenses comprise expenses for premises as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

7 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment 3-5 years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning salary, insurance premiums, subscriptions and interest.

Notes to the Financial Statements

7 Accounting Policies (continued)

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.