Gefion Insurance A/S

Østergade 10, DK-1100 Copenhagen K
CVR No. 36016493

Annual Report 2017

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 30 April 2018

Per Bergmann
Chairman

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Company Information

The Company	Gefion Insurance A/S Østergade 10, 4. DK-1100 Copenhagen K
	Telephone: +45 70 60 69 00 E-mail: info@gefioninsurance.com Web: www.gefioninsurance.com
	CVR No.: 36 01 64 93 Reg. No.: 53117 Established: 2 June 2014 Financial year: 1 January – 31 December
Board of Directors	Jørn Anker-Svendsen (Chairman) Antoine Roland Spillmann (Vice Chairman) Troels Knut Rørbæk Askerud Robert Aron Robertson
Board of Executive	Tonny Anker-Svendsen
Auditor	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Banks	Nykredit A/S Danske Bank A/S Jyske Bank A/S

Management's Review

Main activity

Gefion Insurance A/S's main activity is to write direct and assumed non-life insurance risks in the EU through insurance brokers and insurance agents. The Company is primarily targeting short tail business with low catastrophe exposure and attractive loss ratios.

The operational model is based on a high degree of outsourcing of labor-intensive processes thus making it highly scalable. This is reflected in the fact that most of the sales and distribution of insurance products is carried out by insurance brokers and insurance agents - operating under and in compliance with strict guidelines from Gefion Insurance A/S. Gefion Insurance A/S and its advisors regularly audit all outsourced activities.

The Company can write business as published on the homepage of the Danish Financial Supervisory Authority ("DFSA") (ftnet.dk).

The majority of the shares are held by the management team and the remainder by a Swiss partner.

Development in 2017

The promising pipeline has been converted to actual business in the second full year of business. The Company continues to pursue the policy of entering into portfolios of insurance products with reputable and established agents who have several years of proven records of accomplishment - both in terms of premium income and loss ratio. This has led to gross written premiums of MDKK 1.784 in 2017, which is well above the expectations for the year.

The gross written premiums are coming from 20 Binders in UK, Ireland, Poland, Germany, France and Denmark.

Premium income net of quota share reinsurance and excess of loss reinsurance amounted to MDKK 296.9 in 2017 compared to MDKK 142.0 in 2016.

The underwriting result amounted to a profit of MDKK 18.3 compared with a loss of MDKK 4.4 in 2016. The underwriting result is considered satisfactory with a combined ratio of 98.7 (2016: 100.9) representing an improvement from 2016 of 2.2.

The underwriting result was adversely affected by a negative run-off net of reinsurance from 2016 of MDKK 19.0. The negative prior years claims development primarily relates to latent claims reported on UK motor programs and adverse development on Binders terminated in 2016.

The return on investments represents a loss of MDKK 8.1, of which MDKK 5.0 relates to interest payments on subordinated loans.

The year shows a net income of MDKK 9.6 compared to a loss of MDKK 3.1 in 2016. The result for the year is proposed carried forward to next year.

Management's Review

Capital and Solvency

The share capital was increased in April 2017 by MDKK 37.2 and then amounts to MDKK 93.2. The equity amounted to MDKK 76.6 after transfer of the net profit for the year.

In July 2017 the Company has taken a new subordinated loan of MEUR 10, corresponding to MDKK 74.4 At the same time the prior subordinated loan has been redeemed resulting in a net increase in subordinated loan capital of approximately 5 MEUR.

The solvency capital requirement ("SCR") of Gefion Insurance A/S is calculated based on a full implementation of the Solvency II regulation, using the standard model, and amounts to MDKK 120.6 at 31 December 2017 and eligible own funds to meet SCR of MDKK 148.6. This results in a Solvency ratio of 1.23. Please refer to section "Events after the balance sheet date" in Management's Review and Note 0 for further information.

Uncertainties regarding the figures in this report

Management uses estimates and judgements that in nature are uncertain but justifiable.

Regarding accounting estimates and judgements reference is made to note 21.

Furthermore, it is an integral part of Gefion Insurance A/S's business model to protect the policyholders and the capital base by ceding 70-90% of its risk to quota share reinsurance and buy excess of loss reinsurance coverage limiting Gefion's maximum single claim loss to an amount of EUR 500k. Because of the Company's very limited risk exposure, large claims will only affect the Company's financial performance marginally.

Gefion Insurance A/S only buys reinsurance coverage from international reinsurance companies with a minimum rating of A- ("S&P") and with local market knowledge.

Gefion Insurance A/S will only assume new business provided such opportunities have been assessed by and passed with the approval of the Company's underwriting committee - an advisory panel. The underwriting committee consists of four external non-executives with substantial experience from direct insurance, assumed insurance, insurance agencies and actuarial knowledge.

Expectations for 2018

Gefion Insurance A/S expects a continued positive development of the Company's activity level with a further increase in premium income and a positive result. However, the present budget reflects a continuation of the current situation, with possibilities to revise as the capital position requires. This is further explained in Note 0. The increase in premium income will be a combination of more business with existing agents and new agents to be on boarded in 2018.

The Company expects a positive underwriting result and net result in the level of MDKK 25-30 for 2018.

Management's Review

Events after the balance sheet date

On 30 April 2018 the Company's share capital has been increased by MEUR 2.0. The increase of the share capital by MEUR 2.0 improves the ratio of eligible own funds to SCR to 1.26 as of 31 March 2018.

Besides from this, in the opinion of Management, from the balance sheet date to the present date, no other matters of major significance have arisen that are likely to materially influence the assessment of the Company's financial position.

Risk information

Managing and minimizing business risks is an important and fundamental part of how Gefion Insurance A/S conducts its business and the Board of Directors determines the overall policies and guidelines.

The Company's risk management can be divided into the following areas:

Financial risk: The Company's target is to maintain adequate capital to absorb the risks that arise from the Company's operations. The overall goal is to hedge against risks stemming from the Company's activities or to limit such risks to a level that allows the Company to maintain normal operations even in the case of adverse events in the outside world.

Insurance risk: Gefion Insurance A/S purchases both proportional and non-proportional reinsurance on the international reinsurance market. Therefore, large claims will only have limited effect on the Company's finances. The Board of Directors approves the reinsurance structure on a yearly basis. The Company has a self-retention of maximum EUR 500k.

Market risk: It is the Company policy to invest in assets with low risk profile. In 2017, the Company has placed funds in bank deposits, government bonds and Danish mortgage bonds, all in accordance with the investment policy approved by the Board.

Credit risk: Credit risk is the risk of losses caused by one or more counter-parties' breach of their payment obligations. Gefion Insurance A/S is exposed to this risk regarding both insurance and investments. Within insurance, it is the cover holders and reinsurance companies' ability to pay that is the major risk factor. The risk is mitigated by strict follow up procedures on the cover holders holding Gefion Insurance A/S's funds and the payment thereof to the Company. Furthermore, cover is only bought from reinsurance companies with a minimum rating of A- (S&P).

Operational risk: The risk arises from losses due to insufficient or faulty procedures and policies or human or systematic errors including breakdown in IT systems.

The Company's operations are systematized through a structure of policies, procedures and guidelines that cover all main operational areas. The policies, procedures and guidelines are frequently controlled and tested for compliance and adjusted if necessary.

Management's Review

Employees

The Boards of Directors and Executives and our core staff, totaling 15 people, have collected more than 100 years of insurance and banking experience, and are actively empowered to share and utilize this knowledge to help our insurance brokers and insurance agents and thus our insurance customers.

Remuneration structure

Gefion Insurance A/S's remuneration policy is intended to optimize long-term value creation at a group level. In accordance with Section 77(d) of the Danish Financial Business Act and Section 139 of the Danish Companies Act, the Annual General Meeting has adopted the "Remuneration policy".

Besides salary policy, the remuneration policy also includes pension policies. The remuneration policy covers Board of Directors and Management.

The remuneration of Management is based upon a fixed basic salary without any pension contribution. Gefion Insurance A/S has standard pension commitments towards the Executive Management and no type of pension compensation on retirement is granted to any other staff.

Individual bonuses or other types of variable salary are as a general rule not paid. The determination of the fixed basic salary paid to Management is based on a specific assessment of the individual employee. In its assessment, Gefion Insurance A/S includes, among other factors, the employees position, characteristics and performance.

Audit committee

The Board of Directors of Gefion Insurance A/S acts as Audit Committee for the Company.

Management's Review

Management positions

Board of Directors

Chairman: Jørn Anker-Svendsen

- Gefion Forsikringsholding Aktieselskab (Chairman)

Vice Chairman: Antoine Roland Spillmann

- Bruellan SA, Switzerland (Director)
- Odey SA, Switzerland (Director)
- Bondpartners SA, Switzerland (Director)

Troels Knut Rørbæk Askerud

- Ejendomsselskabet Ewaldsgade 2 A/S (Chairman)
- GICA Insurance Solutions ApS (Director)
- Sensa A/S (Director)
- Kraken A/S (Chairman)
- Consiglio Management Services ApS (Director)
- A/S af 24. juli 1995 (Director)
- Copenhagen Indoor Golf Center A/S (Director)
- A/S Codanova (Chairman)
- Gefion Insurance Global Solutions ApS (Director)
- Ejendomsselskabet Øresund Strandpark ApS (CEO)
- K/S Thoravej 28 (Director)
- Dance ApS (Chairman)
- Den Kongelige Danske Ballets Fond (Chairman)
- Gefion Forsikringsholding Aktieselskab (Director)
- Emporium 1 ApS (CEO)
- Vich 4918 A/S (Chairman)
- Esplanaden Invest ApS (Director)
- A/S af 1. Juli 2003 (Director & CEO)
- Pecunia MIIM Anpartsselskab (Director & CEO)
- Star Box A/S (Director)
- Ejendomsselskabet Esplananden 44 ApS (CEO)
- Star Box Holding A/S (Director)
- Selskabet af 31.12.2015 (Director & CEO)
- Ricco's Kaffe ApS (Chairman)
- Eye oh ApS (Director)
- Kafferiet ApS (Director)
- 21st North ApS (Chairman)
- Kraken Holding ApS (CEO)
- Rüds Foodlab ApS (Director)
- Twin Raven Brokerage & services Ltd. (Director)

Management's Review

Management positions (continued)

Robert Aron Robertson

- Asia Seafood Inc, S-Korea (Director)
- Kimi Sarl, Luxembourg (Director)
- Neptune Holding BV, The Netherlands (Director)
- Samskip Holding BV, The Netherlands (Director)
- Gefion Forsikringsholding Aktieselskab (Director)
- Nora Capital EHF (Director)
- Oryggismidstod Islands hf, Iceland (Director)
- ASI ehf, Iceland (Director)
- Lumar Seafood International S.L., Spain (Director)
- Festing EHF, Iceland (Director)
- Festir EHF, Iceland (Director)

Board of Executive

Chief Executive Officer: Tonny Anker-Svendsen

- Kraken Ejendom A/S (Director)
- GICA Insurance Solutions ApS (Chairman)
- Kraken A/S (Director)
- TAS Group ApS (Chairman & CEO)
- TAS Group Ejendomme ApS (CEO)
- UCAP Holding A/S (Director)
- Gefion Insurance Global Solutions ApS (Chairman)
- Anker-Svendsen ApS (Director & CEO)
- TAS 2 Toftebakken ApS (CEO)
- TAS 3 Bagsværd ApS (CEO)
- Gefion Forsikringsholding Aktieselskab (CEO)
- Kraken Holding ApS (CEO)
- Twin Raven Brokerage & services Ltd. (Director)

Statement by the Management

Today the Board of Directors and the Board of Executive have considered and approved the Annual Report of Gefion Insurance A/S for the financial year 1 January - 31 December 2017.

The Annual Report has been prepared in accordance with the Financial Business Act and the Danish Financial Supervisory Authority Order on financial reporting requirements for insurance companies.

We consider the adopted accounting policies to be appropriate and in our opinion, the Annual Report gives a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017.

We believe that the management review contains a fair review of the development of the Company's activities and financial position, together with a description of the principal risks and uncertainties that the Company can be affected by.

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

Copenhagen 30 April 2018

Board of Executive

Tonny Anker-Svendsen
CEO

Board of Directors

Jørn Anker-Svendsen
Chairman

Antoine Roland Spillmann
Vice Chairman

Robert Aron Robertson

Troels Knut Rørbæk Askerud

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Copenhagen 30 April 2018

Board of Executive

Tonny Anker-Svendsen
CEO

Board of Directors

Jørn Anker-Svendsen Chairman	Antoine Roland Spillmann Vice Chairman
Robert Aron Robertson	Troels Knut Rørbæk Askerud

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Copenhagen 30 April 2018

Board of Executive

Tonny Anker-Svendsen
CEO

Board of Directors

GEFION INSURANCE

Jørn Anker-Svendsen Chairman	Antoine Roland Spillmann Vice Chairman
Robert Aron Robertson	Troels Knut Rørbæk Askerud

Independent Auditor's report

To the shareholders of Gefion Insurance A/S

Our opinion

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

Our opinion is consistent with our Auditor's Long-form Report to the Board of Directors.

What we have audited

Gefion Insurance A/S's financial statements for the financial year 1 January to 31 December 2017 comprise the income statement and statement of comprehensive income, the balance sheet, the statement of changes in equity and the notes, including summary of accounting policies ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Gefion Insurance A/S on 2 June 2014 for the financial year ending 31 December 2014. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 4 years including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2017. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Measurement of provisions for insurance contracts	
The Company's provisions for insurance contracts amount to a total of DKK 1,353 million, which represents 74% of the Total of liabilities and equity.	We reviewed and assessed the business processes and relevant internal controls implemented by the Company regarding premiums and claims processing and provisioning.
Premium provisions amount to DKK 654 million, claims provisions amount to DKK 662 million, profit margin amounts to DKK 25 million and risk margin amounts to DKK 12 million.	We assessed and challenged the models, methods and assumptions used based on our experience in order to evaluate whether these are in line with regulatory and accounting requirements. This included an assessment of the continuity in the basis for the calculation of provisions for insurance contracts.
Premium provisions are recognised as future	We used our own actuaries to assess the actuarial methods and

payments, including payments for administration and claims handling, regarding unexpired risk periods for in-force policies. Claims provisions are calculated as the present value of the payments, which the Company is expected to be liable to pay in connection with insurance events that have taken place on or before the balance sheet date exceeding amounts already paid in connection with these events. In addition, direct and indirect costs are included in connection with the settlement of claims. We focused on the measurement of premium and claims provisions because these are significant for the Financial Statements and are based on accounting estimates and actuarial methods that include assumptions about future events. Reference is made to the Financial Statements note 21 "Accounting Policies" section "Accounting estimates and judgements".	models applied by the Company. We considered the assumptions applied and the calculations made, including the assumptions relating to the timing and magnitude of future payments. We tested the accuracy and completeness of the data used in the actuary calculations. For premium provisions we tested the calculation, including the assumptions applied and calculation of amounts provided in respect of unexpired risk included in premium provisions. For claims provisions we tested the calculation, including the assumptions applied and actuarial estimates, analysis of run-off results, triangles and the data used to underlying documentation.

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 in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business 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 Business Act. We did not identify any material misstatement in Management's Review.

The key figure Solvency ratio

Management is responsible for the key figure Solvency ratio, included in Five-year summary in note 20 of the Financial Statements.

As disclosed in Five-year summary in note 20 the key figure is exempt from audit requirement. Accordingly, our opinion on the Financial Statements does not cover the key figure Solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to consider, whether the key figure Solvency ratio is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on this, we conclude that the key figure Solvency ratio is materially misstated, we are required to report that fact. We have nothing to report in this respect.

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 Business Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the 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 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 in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 30 April 2018
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Jesper Edelbo
State Authorised Public Accountant
mne10901

Income statement for the period 1 January – 31 December 2017

Note	DKK '000	2017	2016
1-2	Gross premiums	1,783,773	817,923
	Ceded premiums	-1,455,693	-600,115
	Change in gross premium provisions	-342,134	-319,387
	Change in risk margin	8,952	-8,626
	Changes in profit margin	-17,952	-6,992
	Change in ceded premium provisions	319,988	259,147
	Premium income net of reinsurance, total	**296,934**	**141,950**
	Gross paid claims	-418,518	-51,197
	Ceded paid claims	311,858	36,480
	Change in gross claims provisions	-531,614	-133,273
	Change in risk margin	-7,014	-3,250
	Change in ceded claim provisions	414,706	94,574
3	**Cost of claims net of reinsurance, total**	**-230,583**	**-56,666**
	Acquisition costs	-387,017	-212,404
4-5	Administration expenses	-58,885	-39,127
	Reinsurance commission and profit participations with reinsurers	397,884	161,783
	Insurance operating costs net of reinsurance, total	**-48,018**	**-89,748**
	Insurance technical results	**18,334**	**-4,464**
12	Income from affiliated companies	-257	474
	Interest income and dividend etc.	2,381	479
6	Currency and marketable securities adjustments	-4,042	3,051
	Interest expenses	-5,655	-3,055
	Administrative expenses relating to investment activities	-539	-24
	Return on investments, total	**-8,112**	**925**
	Return and revaluations, insurance provisions	-	6
	Return on investments after return and revaluations of insurance provisions	**-8,112**	**931**
7	Other income	1,369	160
	Net result before tax	**11,592**	**-3,373**
8	Tax on net result	-1,957	322
	Net result for the year	**9,635**	**-3,051**
	Statement of comprehensive income		
	Net result for the year	9,635	-3,051
	Other comprehensive income	-	-
	Total comprehensive income for the year	**9,635**	**-3,051**
	Proposed distribution of profit		
	Transferred to retained profit or deficit	**9,635**	**-3,051**

Balance sheet at 31 December 2017

Assets

Note	DKK '000	2017	2016
	Software	2,480	1,951
9	**Intangible assets, total**	**2,480**	**1,951**
10	Office equipment etc.	1,423	2,559
11	Leasehold improvements	1,663	1,750
	Tangible assets, total	**3,085**	**4,309**
12	Shares in affiliated companies	8	265
	Investments in affiliated companies, total	**8**	**265**
	Equities	18	40,297
	Bonds	224,817	136,473
	Other financial investments assets, total	**224,836**	**176,770**
	Investment assets, total	**224,844**	**177,035**
	Reinsurer's share of premium provisions	571,004	257,725
	Reinsurer's share of claim provisions	507,318	97,559
	Reinsurer's share of provision for insurance contracts, total	**1,078,322**	**355,285**
	Amounts receivable from policy holders	212,292	28,735
	Amounts receivable from intermediaries	125,529	167,152
	Amounts receivable - direct insurance contracts, total	**337,821**	**195,887**
	Amounts receivable from affiliated companies	4,318	535
	Other amounts receivable	1,883	1,182
	Amounts receivable, total	**1,422,345**	**552,889**
13	Deferred tax assets	4,950	6,907
	Cash and bank deposits	161,111	89,397
	Other	107	107
	Other assets, total	**166,167**	**96,410**
	Accrued interest income	2,166	911
	Other prepayments	16,121	9,099
	Prepayments and accrued income, total	**18,287**	**10,011**
	Assets, total	**1,837,208**	**842,606**

Balance sheet at 31 December 2017

Liabilities and Equity

DKK '000		2017	2016
Note			
	Share capital	93,166	55,980
	Retained earnings	-16,596	-26,231
14	**Equity, total**	**76,570**	**29,749**
	Subordinated loan	71,093	37,917
15	**Subordinated loans, total**	**71,093**	**37,917**
	Premium provisions, gross	654,159	320,656
	Profit margin	24,944	6,992
	Claims provisions, gross	662,051	137,200
	Risk margin	12,103	14,368
	Technical provisions, total	**1,353,257**	**479,216**
	Provisions total	**1,353,257**	**479,216**
	Amounts payable in connection with direct insurance	33,282	47,467
	Amounts payable in connection with reinsurance	288,826	235,274
	Amounts payable to affiliated companies	-	421
	Other payables	3,337	3,148
	Liabilities other than provisions, total	**325,445**	**286,311**
	Accruals and deferred income	**10,843**	**9,412**
	Liabilities and Equity, total	**1,837,208**	**842,606**

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Statement of changes in equity

2017 (DKK '000)	Share capital	Retained earnings	Total
Shareholders's equity at 31 December 2016	55,980	-26,231	29,749
Profit for the period	-	9,635	9,635
Other comprehensive income	-	-	-
Total comprehensive income	**55,980**	**-16,596**	**39,384**
Increase in share capital in 2017	37,186	-	37,186
Allocation to the owners	-	-	-
Shareholders's equity at 31 December 2017	**93,166**	**-16,596**	**76,570**

2016 (DKK '000)			
Shareholders's equity at 31 December 2015	55,980	-23,180	32,800
Profit for the period	-	-3,051	-3,051
Other comprehensive income	-	-	-
Total comprehensive income	**55,980**	**-26,231**	**29,749**
Allocation to the owners	-	-	-
Shareholders's equity at 31 December 2016	**55,980**	**-26,231**	**29,749**

Notes

Note 0 - Capital injection and expectations for solvency capital requirement, going concern

The going concern assumption at the reporting date requires that the Company has adequate capital resources to cover its future capital need.

Eligible own funds amounted to MDKK 148.3 at 31 December 2017.

By shareholder decision of 30 April 2018 Gefion Insurance A/S obtained commitment from its shareholders for an increase of the Company's share capital by the amount of MEUR 2.0 by injection of cash.

The cash injection of share capital by MEUR 2.0 improves the eligible own funds by MDKK 15.1 as of 30 April 2018, as described in the Management's Review and thereby improving the solvency ratio.

Outlook for 2018

Given unchanged market conditions, the Company's total business volume is expected to have the capacity to generate an underwriting income as well as a net income. The underwriting performance is expected to continue the positive trend, resulting in a combined ratio of 97-98 in 2018.

Following, the above-mentioned injection of cash and the expected underwriting income to be generated in 2018, the Management expect the Company's eligible own funds to gradually increase throughout 2018.

Management continually focuses on possible measures to strengthening the company's eligible own funds and to maintain a limited risk exposure.

This includes, an increase of the average quota share reinsurance for 2018 from approximately 75% in 2017 to 85%. This will progressively reduce the net insurance risk exposures and thereby also improving the ratio of eligible own funds to SCR of the Company.

Furthermore, the Company has appointed an external capital advisor to support the capital structure of the Company resulting in increased efficiency of capital management. The Company is currently engaged in progressed negotiations with potential third party institutional investors with a view to further increasing the share capital of the Company before the end of 2018.

Concurrently, with the focus on maintaining a relatively limited risk exposure and actions taken to strengthen the capital position, Management expects the Company's eligible own funds to gradually improve from the underwriting income to be generated in 2018. Overall, this is expected to improve the solvency ratio at year-end. On this basis, Management has prepared the Financial Statements for the Company as a going concern.

Notes

Note 1 – Insurance technical result (Classes of business)

2017 (DKK '000)	Liability	Motor Liability	Motor Hull	Various	Total
Gross premiums	19,277	1,278,052	467,574	18,870	1,783,773
Gross premium income	15,563	1,018,672	382,740	15,664	1,432,639
Gross claims incurred	-4,359	-708,967	-241,500	-2,321	-957,146
Gross operating expenses	-5,645	-324,587	-111,834	-3,836	-445,902
Net ceded result	-4,418	17,690	-16,962	-7,566	-11,257
Technical result	**1,141**	**2,808**	**12,444**	**1,942**	**18,334**
Number of claims incurred	30	26,004	9,771	93	35,898
Average value of claims incurred	145	27	25	25	27
Annual claims frequency	2.4%	3.6%	6.6%	8.3%	5.0%

2016 (DKK '000)	Liability	Motor Liability	Motor Hull	Various	Total
Gross premiums	9,980	575,933	220,678	11,332	817,923
Gross premium income	7,264	343,635	121,478	10,541	482,918
Gross claims incurred	-1,478	-138,608	-44,889	-2,744	-187,719
Gross operating expenses	-2,984	-180,058	-63,711	-4,778	-251,532
Net ceded result	-2,251	-32,611	-11,913	-1,356	-48,131
Technical result	**552**	**-7,642**	**965**	**1,662**	**-4,464**
Number of claims incurred	8	8,682	3,068	52	11,810
Average value of claims incurred	185	16	15	53	16
Annual claims frequency	1.0%	1.9%	1.0%	1.8%	1.5%

Notes

Note 2 – Gross premium income

DKK '000	2017	2016
Gross premiums	1,783,773	817,923
Change in gross premium provisions incl. risk and profit margin	-351,134	-335,005
Gross premium income incl. change in risk and profit margin	**1,432,639**	**482,918**
Gross premium income direct business by location of the risk		
Denmark	39,298	9,717
Other EU countries	1,393,341	473,201
Other countries	-	-
Direct insurance	**1,432,639**	**482,918**

Note 3 – Run-off result, net of reinsurance

DKK '000	2017	2016
Gross business	-69,637	815
Ceded business	50,646	-496
Run-off result net of reinsurance	**-18,991**	**319**

Note 4 – Auditor's fee

DKK '000	2017	2016
Fee for the auditors elected by the Annual General Meeting:		
Fee for statutory audit of the annual accounts	781	244
Fee for other assurance services	45	-
Fee for tax advisory services	25	-
Fee for other advisory services	1,069	356
Total fee	**1,920**	**600**

Fee for other advisory services rendered by PwC consists mainly of sundry accounting and advice on capital rules etc.

Notes

Note 5 – Staff costs

DKK '000	2017	2016
Staff costs can be specified as follows:		
Wages and salaries	21.008	15.294
Pensions	1.218	427
Other expenses to social security	94	76
Payroll tax	3.119	2.086
Total staff costs (excluding Board of Directors fees)	**25.439**	**17.883**
Average number of employees	**12**	**12**
Board of Directors' fee		
Jørn Anker-Svendsen	300	300
Troels Knut Rørbæk Askerud*	-	-
Antoine Roland Spillmann	225	338
Robert Aron Robertson	150	225
Total fee	**675**	**863**

The Board of Directors receives a fixed fee only.

* Troels Knut Rørbæk Askerud receives no separate Board of Directors' fee in addition to the remuneration included in Total staff costs above.

Board of Executive's fee		
Tonny Anker-Svendsen	4.125	2.324
Total fee	**4.125**	**2.324**

The Board of Executives receives a fixed fee only.

No other than the Board of Executive has a significant impact on the Company's risk profile.

Notes

Note 6 – Currency and marketable securities adjustments

DKK '000	2017	2016
Unrealized marketable adjustments on bonds and equities	253	3,293
Realized marketable adjustments on bonds and equities	-2,784	-37
Currency adjustments	-1,512	-205
	-4,042	**3,051**

Note 7 – Other income

DKK '000	2017	2016
Other income from service contracts	27,531	-
Other expenses related to service contracts	-26,162	-
Other income	-	160
	1,369	**160**

Note 8 – Tax on net result

DKK '000

	2017	2016
Adjustment of deferred tax	-1,957	322
Tax on net results can be specified as follows:		
Calculated 22.0% tax on net profit before tax	-2,550	742
Tax value of not tax deductible costs	-	-
Adjustment as a consequence of future change in tax rate	-	-420
Adjustment related to prior years	593	-
	-1,957	**322**
Effective tax rate	16.9%	9.5%

Notes

Note 9 – Intangible assets - software

DKK '000

	2017	2016
Cost at 1 January	2,657	1,411
Additions during the year	1,386	1,246
Cost at 31 December	4,043	2,657
Impairment and depreciation at 1 January	706	235
Depreciation for the year	857	471
Impairment and depreciation at 31 December	1,563	706
Net asset value at 31 December	**2,480**	**1,951**

Note 10 – Tangible assets – Office equipment etc.

DKK '000

	2017	2016
Cost at 1 January	2,897	918
Additions during the year	106	1,979
Cost at 31 December	3,003	2,897
Impairment and depreciation at 1 January	338	46
Depreciation for the year	1,242	292
Impairment and depreciation at 31 December	1,580	338
Net asset value at 31 December	**1,423**	**2,559**

Notes

Note 11 – Tangible assets – Leasehold improvements

DKK '000

	2017	**2016**
Cost at 1 January	2,015	1,384
Additions during the year	122	631
Cost at 31 December	2,137	2,015
Impairment and depreciation at 1 January	265	100
Depreciation for the year	210	165
Impairment and depreciation at 31 December	475	265
Net asset value at 31 December	**1,663**	**1,750**

Note 12 – Shares in affiliated companies

DKK '000

	2017	**2016**
Cost at 1 January	75	75
Additions during the year	-	-
Cost at 31 December	75	75
Revaluation at 1 January	190	-75
Share of profit/loss for the year	-257	265
Impairment and depreciation at 31 December	-67	190
Net asset value at 31 December	**8**	**265**

Shares in affiliated companies are specified as follows:

Name	Reg. Office	Ownership share	Share capital	Equity	Net profit/loss for the year
Gefion Insurance Global Solutions ApS	Copenhagen	100%	50	8	-257

Gefion Insurance A/S owns 100% of Gefion Insurance Global Solutions ApS (share capital tDKK 50), Østergade 10 4., DK-1100 Copenhagen K, which in turn owns 50% of GICA Insurance Solutions ApS (share capital tDKK 50), Østergade 10 4., DK-1100 Copenhagen K and 50% of Nordic Insurance Solutions ApS (share capital tDKK 50), Palægade 3, DK 1261 Copenhagen K.

Intra Group Transactions: Gefion Insurance A/S paid tDKK 278 in commission to GICA Insurance

Notes

Note 13 – Deferred tax

DKK '000	2017	2016
Financial result	9,635	-3,051
Change in deferred tax	-1,957	322
Recognized as:		
Deferred tax assets	**4,950**	**6,907**

Note 14 – Equity

DKK '000	2017	2016
Equity at 31 December	76,570	29,749
Subordinated loan capital	60,309	37,917
Profit margin after 22% deferred tax	19,456	6,992
Deferred tax assets	-4,950	-4,390
Intangible assets	-2,480	-1,951
Other items	-597	-
Eligible own funds at 31 December	**148,307**	**68,317**

Share capital

The Company's share capital comprises of 12,500,000 shares of a nominal value of EUR 1, of which no shares carry any special rights.

Notes

Note 15 - Subordinated loan

The Company has subordinated loan capital of MEUR 10, corresponding to tDKK 74,449.

The subordinated loan was raised on July 2017. Costs of raising new subordinated loan in 2017 amounted to tDKK 3,365. The loan costs are amortized over the life of the loan.

The subordinated loan carries interest at a floating rate at EURIBOR01, if such rate is below zero, EURIBOR01 is deemed to be zero, plus a margin of 10.0%. The interest rate on the loan in 2017 was 10.0%. The interest expense amounted to tDKK 3,267 for 2017.

Regarding the calculation of the total eligible own funds to meet the Solvency Capital Requirement, tDKK 60,309 of the Company's subordinated loan capital of tDKK 74,449 was recognised in accordance with the applicable rules.

The creditors have no rights to call the loan before maturity or otherwise terminate the loan agreement. The loan is automatically accelerated upon the bankruptcy or liquidation of Gefion Insurance A/S. The loan respect all other creditors of Gefion Insurance A/S before the loan will be settled.

The subordinated loan capital of tEUR 5,100 issued in 30 December 2015 was called by Gefion Insurance A/S in July 2017 after approval by the Danish FSA.

The subordinated loan carried interest at 8% per annum. The interest expense amounted to tDKK 1.720 for 2017.

Note 16 - Related parties, etc.

Related parties to Gefion Insurance A/S comprise the following:

Controlling interest

Gefion Forsikringsholding Aktieselskab (Registered office: DK – Copenhagen)	Principal shareholder

Ownership

The following shareholders are registered in the register of shareholders as owners of at least 5% of the voting rights or at least 5% of the share capital.

Gefion Forsikringsholding Aktieselskab
Østergade 10, 4.
DK-1100 Copenhagen K

Antoine Spillmann
Rue Sigismond-Thalberg 2
1201 Geneve
Switzerland

The Annual Report for Gefion Insurance A/S is included in the consolidated accounts for Gefion Forsikringsholding Aktieselskab.

Notes

Gefion Insruance A/S has entered into an agreement with Anker-Svendsen ApS regarding rent of office locations. Settlement is carried out on cost recovery basis.

Mr. Troels Askerud (Askerud & Partners I/S) has provided legal advisory services to Gefion Insurance A/S.

Note 17 – Information on sensitivity

Effect on Equity in DKK '000 Event	2017
Increase in interest rate of 1.0%	5,989
Decrease in interest rate of 1.0%	-359
Foreign currency risk (VaR 99.5%)	-2,696
Loss on Counterparty (8%)	-1,516

Note 18 – Securities

The company has registered the following assets as security for technical provisions:

DKK '000	2017	2016
Bonds	213,572	116,002
Deposits with credit institutions	72,904	89,397
Other	-	36,221
Reinsurance contracts	1,079,063	250,734
	1,365,539	492,354

Note 19 – Contingent liabilities

The Company and the parent company, Gefion Forsikringsholding Aktieselskab, are jointly liable for employee income tax, payroll tax etc. and company tax chargeable to the jointly registered companies.

The Company has entered into leasing contracts with accumulated leasing payments of tDKK 918 over the next 9 months.

The Company has entered into a tenancy agreement with accumulated rent payments of tDKK 2,550 over the next 17 months.

The Company/Group has submitted an agreement of subordination as regards to the intercompany receivable from GICA of tDKK 1,527 and the intercompany receivable from GICS of tDKK 1,797.

Notes

Note 20 - Financial highlights and key figure

DKK '000	2017	2016	2015	2014
Gross premium income	1,432,639	482,918	10,037	-
Gross claims incurred	-957,146	-187,720	-5,996	-
Total insurance operating costs	-445,902	-251,531	-29,684	-2,535
Result of ceded business	-11,257	-48,131	-928	-
Insurance technical result	18,334	-4,464	-26,573	-2,535
Return on investments after insurance technical interest	-8,112	931	-513	-145
Net result for the year	9,635	-3,051	-21,089	-2,091
Run-off result, net of reinsurance	18,991	-319	-	-
Total insurance technical provisions	1,353,257	479,216	16,181	-
Total insurance assets	1,416,144	551,172	16,530	-
Total equity and subordinated loan	147,663	67,666	70,861	53,889
Total assets	1,837,208	842,606	97,437	56,742
Key ratios:				
Gross claims ratio	66.8%	38.9%	59.7%	N/A
Gross expense ratio	31.1%	52.1%	295.7%	N/A
Reinsurance ratio	0.8%	10.0%	9.2%	N/A
Combined ratio	98.7%	100.9%	364.7%	N/A
Operating ratio	98.7%	100.9%	382.0%	N/A
Relative run-off result	-35.2%	0.0%	0.0%	N/A
Return on equity after tax	18.1%	-7.3%	-49.0%	N/A
Solvency ratio (unaudited) *	1.23	1.02	1.50	N/A

Gross claims ratio	(Gross claims incurred/Gross premium income)*100
Gross expense ratio	(Total insurance operating costs/Gross premium income)*100
Reinsurance ratio	(Result of ceded business/Gross premium income)*100
Combined ratio	(Gross claims ratio+Expense ratio+Reinsurance ratio)
Operating ratio	(Combined ratio, where allocated return on investments is added to the Gross premium income)
Relative run-off results	(Run-off results compared to reserves at the beginning of the run-off)
Return on equity	(Result for the year/The average equity)*100
Solvency ratio	(Base capital/Capital requirement)

* The key figure Solvency ratio is exempt from audit requirement, cf. executive order no. 937 dated 27 July 2015 on Financial Reporting on Insurance Companies and cross-sectored Pension Funds, and therefore is unaudited.

Notes

Note 21 - Accounting policies

The Annual Report is presented in accordance with the Financial Business Act and the accounting regulations stipulated for insurance companies issued by the Danish FSA.

The Annual Report covers the period 1 January – 31 December 2017 and is presented in DKK '000. The accounting policies are unchanged from the 2016 Annual Report.

Accounting estimates and judgments

In the preparation of the accounts for Gefion Insurance A/S, estimates and judgments have been used which affect the value of assets and liabilities and consequently the financial results.

Such estimates and judgments are most material to the following sections of the accounts:

Provisions for outstanding claims and related reinsurance recoveries

The Company's estimate for reported and unreported claims and the resulting provisions and related reinsurance recoverable are continually monitored, and updated based on the latest available information. Adjustments resulting from the ongoing review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Estimation of claims provisions is a complex process, however, and significant uncertainty exists as to the ultimate settlement of these liabilities.

The provision risk is significant, in particular for Lines of Business with a long period of settlement of claims. Over the period of settlement, the levels of compensation could be significantly affected by any changes in legislation, case-law or practice in the award in of claims adopted. The estimates made are based on assumptions, own claims data with an uncertainty due to the short history of the binders and to a high degree calculated by benchmarking to market data which the management finds justifiable but uncertain and Others may come to another estimate using different assumptions, parameters and/or methods.

The most critical estimate included in the Company's financial position is the estimate for provisions of gross and net claims incurred but not reported. The total estimate is included within technical provisions in the balance sheet.

Seasonality

The business that the Company writes, primarily Motor, is seasonal in nature. While net earned premiums, are more stable from quarter to quarter, the underwriting income can be driven by weather conditions which may vary significantly by quarters.

General

Recognition and measurement

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, including depreciation, write-downs, provisions and reversals due to changed accounting estimates of amounts previously recognised in the income statement.

Notes

Assets are recognised for in the balance sheet, when it is likely, that future financial advantages will flow to the company, and the values of the assets can be measured in a reliable way.

Liabilities are recognised in the balance sheet, when the company has a legal or actual liability, as the consequence of an earlier occurrence, and when it is likely, that future financial benefits will be deducted by the company, and the value of the liability can be measured in a reliable way. Income is accounted for in the income statement when it is earned, whereas costs are accounted for with the amounts, which can be related to this accounting year.

Value adjustments of financial assets and liabilities are accounted for in the income statement, unless otherwise stated above.

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.

Currencies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses 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.

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 transaction date rates are recognised in financial income and expenses in the income statement.

Insurance contracts

The Company writes contracts which transfer insurance risks.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate if a specified uncertain future event adversely affects the policyholder. Insurance risks is always considered to be material in non-life insurance.

Income Statement

Premium income net of reinsurance

Gross premiums are the premiums which the Company in the accounting period has received, paid or has posted as receivables and payables for direct and indirect insurance contracts, where the insurance period has started before the end of the accounting year. Net premiums are gross premiums with deduction of premiums ceded to reinsurance companies according to reinsurance contracts entered into.

Premium income, net of reinsurance, is the gross premiums adjusted for the movements in unearned premium provisions less deferred acquisitions cost, profit margin and the part of risk margin attributable to unearned premium provisions, and less reinsurers share. This means that the premiums are being recognized in line with the distribution of the risk over the period of cover.

Notes

Cost of Claims net of reinsurance

Claims incurred contains claims paid during the year adjusted for movements in claims provisions corresponding to known and anticipated unknown claims relating to the year and less reinsurers' share. Also included is any change in the part of the risk margin attributable to claims provisions.

Amounts to cover expenses for surveying and assessment and other direct and indirect administrative costs, etc. associated with claims handling are included in the cost of claims. In addition, the item includes run-off results regarding prior years.

Insurance operating costs net of reinsurance

Insurance operating costs which relate, either directly or indirectly, to the acquisition and renewal of the portfolio are included in the acquisition costs. Commissions paid to agents and brokers are generally recorded in the income statement on the date the insurance takes effect.

Administration expenses comprise other cost incurred in the administration of the portfolios including rent, staff costs, IT costs, levies etc. The administration expenses are accounted for on an accrual basis. Depreciation is included in the administration expenses.

Reinsurers commissions have been accounted for on an accrual basis over the insurance contracts' period of cover. Overrider commissions from reinsurers are taken to income when the insurance contracts have been written and are subsequently adjusted to reflect best estimate in accordance with the reinsurance agreements.

Return on Investments

Interest, dividends etc. comprise all interest, dividends etc. earned in the accounting year. Unrealised and realised gains and losses on investments assets are included in the revaluations, which also includes foreign exchange rates adjustments. Interest expenses includes interest payments on subordinated loans.

Administrative expenses relating to investment activities comprise the cost of asset management including transactions costs and amortization of costs associated with raising subordinated loan.

Income from affiliated companies

The income statement includes the proportionate share of the net profits of the individual subsidiaries after full elimination of internal profit/loss.

Notes

Tax on net result and deferred tax assets

Tax for the period, which consists of current tax for the period and changes in deferred tax is recognised in the income statement by the portion attributable to the income statement for the year and recognised directly on equity by the portion attributable to entries directly on equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this period's taxable income adjusted for prepaid tax.

Deferred tax is recognised on all temporary differences between the carrying amount and tax based value of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value either as a set-off against deferred tax liabilities or as net tax assets.

The actual tax is distributed between any jointly taxed Danish subsidiaries in relation to their taxable income (full distribution with reimbursement of taxable losses). The jointly taxed companies are part of the on-account tax system.

Balance sheet

Intangible assets

Intangible assets are measured at cost less accumulated depreciation/amortisation and impairment losses calculated based on the expected useful lives of the assets.

The following useful lives are applied to the individual assets:

- Software 3-5 years

Tangible assets

Leasehold improvements and office furniture etc. 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:

- Leasehold improvements up to 10 years
- Office furniture etc. up to 10 years

Notes

Shares in affiliated companies

Shares in affiliated companies are measured under the equity method according to the accounting policies of the Parent Company with deduction or addition of unrealized intercompany profits and losses and with addition or deduction of the remaining value of positive or negative goodwill stated under the acquisition method.

Investments in group enterprises are measured in the balance sheet at the proportionate share of the net asset value of the enterprises stated under the accounting policies of the Parent Company with deduction or addition of unrealized intercompany profits and losses.

Group enterprises with a negative net asset value are recognized at DKK 0, and any receivables from these enterprises are written down by the Parent company's share of the negative net asset value to the extent they are considered irrecoverable. If the negative net asset value exceeds the receivables, the remaining amount is recognized under liabilities to the extent that the Parent company has a legal or constructive obligation to cover the negative balance of the enterprise.

Financial assets

Financial assets are measured at fair value with any adjustment in value taken to the income statement. The calculation at fair value is based on the listed price of the transactions in active markets. If there is an active market for bonds etc., the measuring is generally based on closing price at the balance sheet date. If there is no closing price, another public price is used which is delivered to the most appropriate. Recognised valuation methods or other Public information available are used to value listed securities where the closing price doesn't reflect fair value.

Valuation methods are based, as far as possible, on Public market data available. If there is no active market for the financial instrument, depending on the nature of the asset, the calculation is based on underlying parameters such as foreign exchange and interest rates, volatility or comparison with market prices on corresponding financial instruments.

The settlement date is used as the timing of the recognition of financial assets.

Reinsurer's share of provision for insurance contracts

Reinsurers' share of the provisions for unearned premiums represents the proportion of reinsurance premiums paid which, net of commission received and based on the spread of risk during the period of cover, relate to the period after the end of the accounting year.

Reinsurers' share of the provisions for outstanding claims has been calculated as the amounts expected to be received from reinsurance companies according to the reinsurance contracts concluded. The reinsurers' share is regularly assessed for impairment and written down to its recoverable amount, as required.

Notes

Receivables

Receivables are measured at amortized cost usually equaling nominal value less provisions for bad debts.

Prepayments and accrued income

Prepayments and accrued income comprise prepaid expenses relating to subsequent years and accrued interest income.

Cash and bank deposits

Deposits comprise investments in Money Market Accounts.

Subordinated loan

The initial recognition of the subordinate loan capital is made at fair value less transaction costs and subsequently measured at amortised cost.

Premium provisions

Provisions for premiums are provided to cover obligations and amounts for unexpired risk periods for insurance contracts in force. The provisions are calculated pro-rated based on inception and expiry dates. The provision for unearned premiums is covering compensation for claims that have not yet incurred, but where the insurance company has taken on the risk through an insurance contract with an external party.

The part of the provision that is attributable to the expected future profit on the provision for unearned premiums, shall be recognised in the balance sheet item "Profit margin".

A "Risk margin" shall be recognised for the premium provision to cover the uncertainty regarding claims that occur after the balance sheet date. The risk margin is recognised in the balance sheet item "Risk margin". Cash inflows related to not collected premiums are reclassified from receivables. The expected future payments are recognised at present value by discounting the payments with the risk-free yield curve calculated by EIOPA.

Notes

Profit margin

Profit margin on insurance contracts is recognised as the expected future profit on bound, but not yet incepted insurance contracts, and incepted insurance contracts with remaining risk period, corresponding to the insurance contracts are covered by the provision for unearned premiums.

Profit margin on insurance contracts is measured as the difference between unearned premiums related to bound but not yet incepted insurance contracts and incepted insurance contracts with remaining risk periods and the expected claims payments related to the insurance contracts. In case the future claims payments for a line of business with homogenous risks are expected to exceed the future premiums, no profit margin will be recognised for this line of business.

Claims provisions

Provision for claims is the amount for covering claims and costs on insurance events occurred in the accounting year or prior to that year.

Provisions for outstanding claims are assessed for each line of business and country-by-country either on a claims-by-claims basis for reported but not settled claims (RBNS) or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). IBNR provisions cover expenses on post-notified claims. IBNER provisions cover individually assessed claims which have been reported but which have been inadequately provided for. The IBNR and IBNER provisions are calculated based on actuarial models (Chain Laddar or Bornhutter-Ferguson) and benchmarked to market data.

The claims reserves are calculated as the sum of the amounts, which the Company to the best of its knowledge expects to be liable to pay in connection with the insurance events occurred until the day of the balance exceeding the amounts that have already been paid in connection with these insurance events.

The claims reserve also contains amounts which the Company to the best of its knowledge expects to pay for direct and indirect costs in connection with the resolving of the claims reserves that year end is reserved for liability in connection with claims, that has not yet been paid. This also applies to direct and indirect costs in connection with these claims. The claims reserves are discounted, dependent on line of business and expected payment patterns. This is done using the risk-free yield curve calculated by EIOPA.

Risk margin

Risk margin is the amount a business will have to pay any acquirer of an insurance portfolio for taking over the risk that the actual expenses in connection with settlement of insurance provisions deviate from best estimate.

The risk margin is calculated using the Solvency II standard formula.

Notes

Liabilities other than provisions

Financial liabilities are recognized initially at the proceeds received net of transaction expenses incurred. Subsequently, financial liabilities are measured at amortised cost corresponding to the capitalized value when applying the effective interest rate; the difference between the proceeds and the nominal value is recognized as an interest in the income statement over the loan period.

Other debt is measured at amortised cost corresponding to nominal value.

Accruals and deferred income

Accruals and deferred income includes not yet paid expenses related to prior years, and income related to subsequent years.

Note 22 – Risk factors

This item is addressed in Management's review in the paragraph "Risk information" on page 6.