



EULER HERMES

Euler Hermes Reinsurance AG

Financial Condition Report

Based on 31/12/2020 figures

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Executive Summary

Reporting and disclosure of its financial situation is a fundamental part of the relationship between an insurance company and its stakeholders, including supervisors and other third parties.

Among these reporting and disclosure requirements, the Financial Condition Report (FCR) production is set out in the Circular Public Disclosure 2016/2 of the Swiss Financial Market Supervisory Authority (FINMA). It contains information that is required for the purposes of supervision.

The qualitative and quantitative information disclosed in this report is based on the situation at the end of year (EoY) 2020

The EUR/CHF rates used in this report are the year-end rates presented by Euler Hermes Reinsurance AG (EH Re AG) in its financial statements for Balance Sheet (for 2020 results: 1 EUR= 1.0815CHF, for 2019 results: 1 EUR = 1.0870 CHF;

In order to fulfil the reporting and disclosure obligations, EH Re AG, as a Solo reinsurance entity, put in place the present FCR, using the structure and containing the information requested in the Circular Public Disclosure 2016/2:

- A description of the business activities;
- A description of the performance (underwriting, financial, and others);
- A description of the system of governance and risk management;
- A description, separately for each category of risk, of the risk profile;
- A description of the balance sheet valuation (assets, liabilities, and risk margin);
- A description of the capital management; and
- A description of the solvency requirements.

Below are described the key elements developed in each of these sections.

Business activities (A)

EH Re AG was a fully owned subsidiary of Euler Hermes Group SAS, the French holding company of Euler Hermes Group (EH Group) until end of July 2020. EH Re AG together with EH Group and Allianz Group have initiated the project 'REACH' with the aim of reviewing EH RE AG's legal and shareholder's structure. The main project steps have been finalized on August 1st, 2020. The EH Re AG by-laws have been updated accordingly and FINMA has approved those on August 20th, 2020.

The new shareholder structure is presented in chapter A.2.1.

EH Group is a fully owned subsidiary of Allianz. EH Re AG is the EH/AZ Group reinsurance company providing reinsurance solutions and capacity for commercial Trade Credit, Surety & Guarantee, and Fidelity business to all EH Group companies as well as to some AZ companies.

EH Re AG also owns 100% of the shares of EH Ré SA, the other reinsurance entity of EH Group.

EH Re AG and Euler Hermes Reinsurance SA (EH Ré SA) reinsure the business of some joint ventures with external companies as well as the worldwide Surety & Guarantee business of Allianz entities from 2014 onwards.

The only change in structure for 2021 was an increase in the number of possible Reinstatements on the top 4 layers (equalizing the reinstatements across all layers). This results in an additional EUR 1bn of Reinstatement coverage.

Company success (B)

Earned premiums have decreased by CHF 380mn (-36%), from CHF 1,054mn to CHF 674mn driven by State support schemes having been implemented in Germany, France, Italy and other countries in Northern Europe with direct cession to the State.

The net financial result has decreased from CHF 36.3 million to CHF 28.8 million in 2020. This development mainly came from higher realized and unrealized currency losses (CHF 31.5 million vs. CHF 12.1 million) and lower realized and unrealized currency gains (CHF 22.8 million vs. CHF 12.9 million). The investment result remained on a similar level (CHF 37.5 million vs. CHF 35.5 million). However, in 2020 EH Re showed significantly higher realized gains on investments (CHF 39.9 million vs. CHF 6.1 million) mainly due to the implementation of the Single Investor Fund where the majority of the bond portfolio has been transferred generating realized gains. On the other hand, there was a high write-down within the Single Investor Fund counterbalancing the realized gains (CHF 34.3 million vs. CHF 3.2 million).

Governance and risk management (C)

EH Re AG management is organized around two management bodies, the Board of Directors (BoD) granted with the executive decision-making power, and the Board of Management (BoM) which takes all fundamental business decisions unless reserved to the BoD.

Note that governance structures have been implemented to keep EH Re AG within the operational and risk environment of the EH Group. The governance structures changes are presented in chapter C.1.2.3.

EH Re AG has also implemented four independent key functions (Risk Management, Compliance, Actuarial which is outsourced to EH SA, and Internal Audit which is outsourced to EH SA), constituting the 2nd and 3rd level of its “three lines of defense” organization.

To ensure the effectiveness of these functions, EH Re AG has set up the Policy Framework which is a set of Corporate Rules aiming to establish binding regulations or guidelines of group-wide relevant topics. It includes but is not limited to high Fit and Proper standards for its BoD, BoM, and Key function holders, as well as other policies that oversee principles and governance of Key functions.

The Risk Management function assesses, measures and monitors EH Re AG’s risks through processes among which are the Swiss Solvency Test (SST), the Own Risk and Solvency Assessment (ORSA), and the Top Risk Assessment (TRA). The latter covers strategic risks which cannot be modelled and Board

members are defined as owners, responsible for the assessment as well as the definition and set up of appropriate risk mitigation plans.

Risk profile (D)

EH Re AG considers the main following risks in its risk profile: insurance, market, credit, liquidity, operational, reputational, and concentration.

The Insurance, Market, and Credit Risk are considered and monitored through the Target Capital (TC) of the SST as well as other quantitative limits. EH Re AG's TC was at CHF 519mn at the end of December 2020, down by CHF 111mn compared to 2019. The decrease is mainly explained by Covid-19 effects and the related state schemes which have significantly impacted the business and premium volume.

EH Re AG diversifies its risk by using different diversification approaches: a Strategic Asset Allocation (SAA) for Market Risk and across investment types, asset managers, geography and industry for Credit Risk. There is no foreseeable specific risk concentration over the business planning period.

Moreover, the forecast and stress simulations performed on liquidity demonstrate that EH Re AG is able to keep its liquidity within its Risk Appetite.

Valuation (E)

The EH Re AG's assets and liabilities are presented and reconciled in Market Consistent Balance Sheet (MCBS) and local Swiss GAAP.

Overall, EH Re AG's Risk Bearing Capital (RBC) amounts to CHF 1,163mn up by 9% compared to 2019, after deduction of a planned dividend of CHF 50mn. It is exclusively composed of basic own funds, with no particular restrictions on it.

Capital management & Solvency requirements (F&G)

EH Re AG complies with FINMA regulatory requirements and strictly applies its Capital Management strategy in terms of solvency.

The SST Ratio is at 227.6% and significantly up compared to the 172.5% ratio of 2019. It is well above the action barrier SST Ratio of 127% defined in EH Re AG Risk Appetite.

For steering reasons and alignment with Group Risk Appetite and processes, EH Re AG also monitors a Solvency II ratio. It has significantly increased from 152% at EoY 2019 to 199% at EoY 2020.

A. Business activities

A.1. Business overview

A.1.1. Business overview

EH Re AG is the EH/AZ Group reinsurance company providing reinsurance solutions and capacity for commercial Trade Credit, Surety & Guarantee, and Fidelity business to all EH Group companies. Also, it covers the related non-consolidated companies in Austria, Portugal, Israel and Solunion, the Euler Hermes' Joint Ventures with Mapfre for the Spanish and Latin American countries.

Since the beginning of 2014, EH Re AG has started to assume not only TCI from EH companies, but also Surety & Guarantee and Fidelity business from EH Group companies as well as from Allianz companies and part of the Mapfre Surety & Guarantee business.

EH Re AG is the center of excellence in terms of EH Group Reinsurance by centralizing the reinsurance needs of the EH companies and retroceding partially the risks to the worldwide reinsurance market.

EH Re AG partly reinsures its business to Allianz as well as to other external reinsurers

The net result of EH Re in 2020 is CHF 90.7 million, CHF 121.7 million (57%) down compared to 2019.

A.1.2. Business outlook

Given the pent-up demand, 2021 can bring a rapid recovery if the vaccination campaign reaches a critical mass by summer. Global GDP should strongly rebound. Besides huge ongoing monetary and fiscal impulses, the main driver will be a positive "confidence shock", triggered by the vaccination campaign, boosting consumption, investment and trade. Upside and downside risks are substantial. A fast and successful vaccination campaign could lift spirits even more, adding +2pp to GDP growth.

The broad-based extension of "temporary" support measures into 2021 is likely to keep insolvencies artificially lower for longer. But their phasing out should start an increase in insolvencies as early as in H2 2021, mainly composed of pre Covid-19 "zombies", i.e. companies that were no longer viable before the crisis but were kept afloat by emergency measures and Covid-19 "zombies", i.e. companies weakened by the excess indebtedness resulting from the crisis. Yet, as pandemic uncertainty prevails and already pushes to new lockdowns, we may see some countries extending further their support measures for companies as they did in 2020 through various types of measures (moratoria on insolvency proceedings and private loan repayments; extended grace periods on tax repayments; state-guaranteed loans; partial furloughs schemes; central bank's liquidity injections). This would delay further the return to a normalized number of insolvencies.

We expect the majority of sectors to return to pre-crisis levels of turnover and profitability only by mid-2022.

In this uncertain context, Euler Hermes stands ready. It appears certain that in 2021, the State Support Schemes are going to be extended. In the longer term, revenue growth will be supported by all lines of business. A disciplined exposure monitoring and vigilance on large exposures should result in a stable claims ratio. The technical result is expected to remain strong and sustainable in the coming years.

Compared to 2020, the overall reinsurance structures of EH Re will mostly remain unchanged in 2021 with adjustments for governance schemes to protect the global economy. The Group Stop Loss treaty implemented since the underwriting year 2019 will continue to cover the net retention of EH Re and the ceding entities.

The financial markets are expected to remain extremely volatile and interest rates low. Accordingly, EH Re will pursue its "safety-oriented" and diversified investment strategy in line with the EH and Allianz Group's Investments Rules. EH Re is continuously pursuing its decision to sell its 100% subsidiary EH Ré SA in Luxembourg in the near future. A buyer has not been found, but the initiative will be continued in 2021 despite the difficult economic environment.

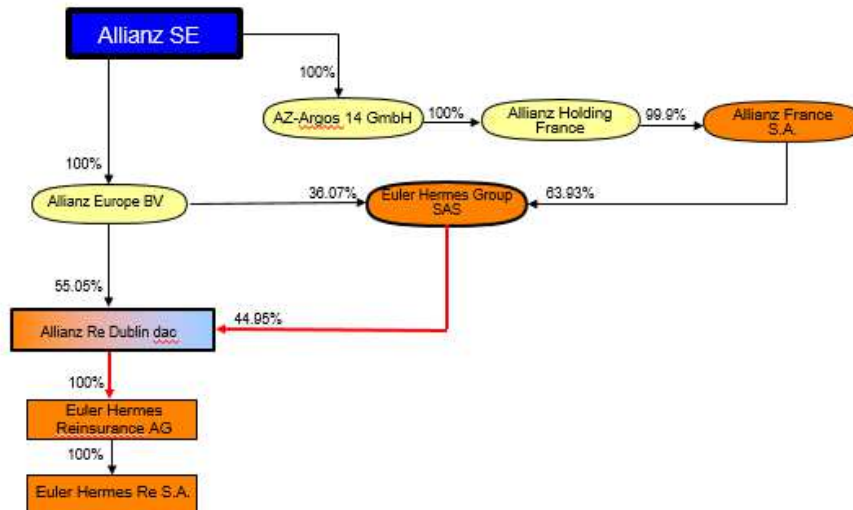
A.2. Legal Entity & Group Structure and Related Party Transactions

A.2.1. Legal Entity & Group structure

EH Re AG has its registered office in Wallisellen, Switzerland:

Euler Hermes Reinsurance AG
Richtiplatz 1
CH-8304 WALLISELLEN
SWITZERLAND

The chart below shows a simplified structure of the shareholders and subsidiaries of EH Re AG:

Figure 1: EH Re AG simplified group structure

A.2.2. Related Party Transactions

A.2.2.1. Insurance relationships

As a EH/AZ Group reinsurance company, EH Re AG has reinsurance relationships with several other Legal Entities (LEs) of EH and Allianz Group, by means of reinsurance treaties.

A.2.2.2. Financial relationships

EH Re AG has granted the two following inter-company loans:

- with EH Ré SA, amounting to CHF 36mn; and
- with Allianz Europe BV, amounting to CHF 108mn.

A.2.2.3. Operational relationships

EH Re AG has set up several contracts and Service Level Agreements (SLA) to outsource some activities to other LEs within the Group, in line with the EH Outsourcing Policy.

Amongst these outsourcing agreements, some are significant either because of the nature of the outsourced activity or because of the amount of the charged services:

- The actuarial function is outsourced to Euler Hermes SA (EH SA);
- The internal audit function is outsourced to Euler Hermes Services SAS (EH SAS);
- EH SA risk function provides support regarding the computation of the Capital Requirement, Risk Governance framework, and Solvency related reporting activities; and

- EH Services provides advice and services to support activities, notably in fields of risk underwriting, information and claims management, commercial and marketing, financial services, and other support (except Information Technology (IT)).

EH Group provides assistance regarding the IT-related activity: applications development, maintenance, and run; Investment Accounting is outsourced to EH SA.

A.2.2.4. Legal ownership

EH Re AG has investments in affiliated enterprises for a total of CHF 151mn, as follows:

- EH Ré SA: CHF 75mn, corresponding to 100% share in the capital;
- EH Patrimonia SA: CHF 59mn, corresponding to 35% in the capital; and
- EH South Express SA: CHF 17mn, corresponding to 49% share in the capital.

A.3. External auditor

The 2019 Financial Statements were audited by:

PricewaterhouseCoopers AG (represented by Enrico Strozzi)
Birchstrasse 160
CH-8050 ZÜRICH
<https://pwc.ch/de.html>

PwC's opinion on the 2020 statutory accounts is that EH Re AG *"complies with Swiss law and the company's articles of incorporation"*.

Also, PwC stated that during their audit they *"have not encountered any misstatements, corrected or uncorrected, in performing the audit that could have a significant impact on the closing process or the annual financial statements"*.

PwC was approved as statutory auditors during the Annual General Meeting on May 11th, 2020 for the financial year 2020

A.4. Supervisory authority

The supervisory authority of EH Re AG is FINMA:

Swiss Financial Market Supervisory Authority (FINMA)
Laupenstrasse 27
CH-3003 BERN
<https://www.finma.ch/en/>

A.5. Significant events in 2020 and subsequent events

- Covid-19 impact:

The Covid-19 pandemic started in the first months of 2020, has gradually affected the whole planet and caused a human crisis of historic scale. It has also plunged the world economy into the deepest recession since World War II. Global real GDP growth contracted by -3.9% in 2020 against -1.5% in 2019. Europe has been one of the hardest-hit regions due to its stringent response to the epidemic, registering a recession of -6.8%.

Various governments, especially in Europe, have included the credit insurance sector in their response to the crisis. In order not to dry up the capacity on the market, they have requested the credit insurance companies to maintain their coverage, in exchange for state support for the sector. This support has taken the shape of the so-called “State Schemes”, which are, in the majority of the cases, proportional reinsurance treaties whereby the local Euler Hermes entities cede a significant share of their business to the States. Those schemes have had a very significant impact on the 2020 net earned premiums of EH Re AG.

Further to the Covid-19 crisis, many states have requested Credit insurers to enter governmental agreements to support the economy. State support schemes have been signed and are effective in the following countries: Germany, France, UK, Italy, Belgium, Netherlands, Luxemburg, Portugal, Denmark, and Norway. All state support programs are presented as a “reinsurance scheme”.

The crisis has also called for a response from the company itself. From an organizational perspective, the great majority of EH Re AG (EH Group) operations have been using home working and remote communication techniques. By doing so, EH Re AG (EH Group) has ensured its employees are safe and has ensured the continuity of the service to the customers.

- The sale of EH Ré SA:

EH Re AG did not manage to find a buyer for its 100% subsidiary EH Ré SA in 2020, but still plans to sell it in the near future.

- Shareholder restructuring:

EH Re AG was part of the EH Group of which EH Group SA is the parent company until end of July 2020.

In 2019, EH Re AG together with EH Group and Allianz Group has initiated the project ‘REACH’ with the aim of reviewing EH RE AG’s legal and shareholder’s structure. The main project steps have been finalized on August 1st, 2020. Governance structures have been implemented to keep EH Re AG within the operational and risk environment of the EH Group. The EH Re AG by-laws have been updated accordingly and FINMA has approved those on August 20th, 2020.

The project REACH has been implemented as follows:

- Step 1: Allianz Re Dublin dac (AZRD), an Irish reinsurer, was placed by Allianz Europe Ltd, a Dutch company, directly under Allianz Europe B.V., another Dutch company, which holds 100% of the shares in Allianz Europe Ltd, by way of dividend distribution in kind;
- Step 2: Sale of the 36% stake held directly by Allianz SE in EH Group to Allianz Europe BV;
- Step 3: EH Group contributed its 100% shareholding in EH RE AG to AZRD. In return, EH Group received newly issued shares in AZRD. As a result of this step, AZRD became the sole shareholder of EH Re AG; the shareholders of AZRD are EH Group and Allianz Europe BV; and

B. Company success

B.1. Underwriting performance

The following table summarizes EH Re AG's underwriting performance at an aggregated level:

Figure 2: EH Re AG aggregated underwriting performance

In CHF mn	EoY 2020	EoY 2019	Δ	%
Earned premiums for own account	674	1,054	-380	-36%
Other income from insurance business	1	1	0	0%
Total income from the insurance business	675	1,055	-380	-36%
Claims expenses for own account	-393	-495	102	-21%
Acquisition and administration costs for own account	-220	-355	135	-38%
Total expenses from the insurance business	-613	-850	237	-28%
Underwriting result	62	205	-143	-70%

Earned premiums have decreased by CHF 380mn (-36%), from CHF 1,054mn to CHF 674mn driven by State support schemes having been implemented in Germany, France, Italy, and in other countries of Northern Europe with direct cession to the State.

Since the underwriting year 2019, the EH US Trade Credit business is being ceded directly to the external market. The business of the prior years is still ceded to EH Re AG, as well as EH US World Agency Facultative, Surety & Guarantee line of business. EH Re AG also continues to provide Excess of Loss cover for the EH US Trade Credit line of business.

The cost of claims has decreased by CHF 102mn (-21%), from CHF 495mn to CHF 393mn, the loss ratio increases from 47% to 58%. The development in claim costs is mainly driven by Trade Credit and partially Surety & Guarantee while claim costs increased for Fidelity. The Loss ratio in Surety & Guarantee remains stable whereas loss ratios in Trade Credit (58% in 2020 compared to 45% in 2019) and Fidelity (57% in 2020 compared to 55% in 2019) have increased.

The expenses decreased in 2020 by CHF 135mn (-38%), from CHF 355mn to CHF 220mn driven by the decrease of premium earned. Overall the cost ratio decreased by 1% (32.6% in 2020 compared to 33.6% in 2019). The Net cost ratio is at 28.6% for Trade Credit, at 37.8% for Surety & Guarantee, and at 33.3% for Fidelity.

The underwriting result shows a profit of CHF 62mn, below 2019 (-70%) with an increase in the net combined ratio (90.8% in 2020 compared to 80.6% in 2019) mainly due to a higher claims ratio partially compensated by a lower cost ratio. The underwriting result in Surety & Guarantee and Fidelity have increased but was overcompensated by the results in Trade Credit. The net combined ratio shows the same trends as the underwriting results in the respective LoBs.

B.2. Financial performance

The following table summarizes EH Re AG's financial performance at an aggregate level:

Figure 3: EH Re AG aggregated financial performance

In CHF mn	EoY 2020	EoY 2019	Δ	%
Interests and dividends	35.1	26.3	9	33%
Realized gains on investments	39.6	6.1	33	545%
Write ups of investments	0.9	9.6	-9	-91%
Investment income	75.6	42.0	34	80%
Investment management expenses	-2.4	-2.3	0	4%
Realized losses on investments	-1.5	-1.0	0	43%
Unrealized losses on investments	-34.2	-3.2	-31	971%
Investment expenses	-38.1	-6.5	-31	482%
Investment result	37.5	35.5	2	6%
Realized & unreal. currency gains	22.8	12.9	10	77%
Other financial income	22.8	12.9	10	77%
Realized & unreal. currency losses	-31.5	-12.1	-19	160%
Other financial expenses	-31.5	-12.1	-19	160%
Financial result	28.8	36.3	-8	-21%

B.2.1. Analysis per nature of income and expenses

The net financial result has decreased from CHF 36.3mn to CHF 28.8mn in 2020. This development mainly came from higher realized and unrealized currency losses (CHF 31.5mn vs. CHF 12.1mn) and lower realized and unrealized currency gains (CHF 22.8mn vs. CHF 12.9mn). The investment result remained on a similar level (CHF 37.5 million vs. CHF 35.5mn). However, in 2020 EH Re showed significantly higher realized gains on investments (CHF 39.9mn vs. CHF 6.1mn) mainly due to the implementation of the Single Investor Fund where the majority of the bond portfolio has been transferred generating realized gains. On the other hand, there was a high write-down within the Single Investor Fund counterbalancing the realized gains (CHF 34.3mn vs. CHF 3.2mn).

B.2.2. Analysis per class of assets

B.2.2.1. Investment income

In CHF mn	EoY 2020	EoY 2019	Δ	%
Investments in affiliated enterprises	15.5	0	15.5	100%
Bonds	48.0	34.4	13.6	39%
Intercompany loans	0.2	0.3	-0.1	-28%
Santis Umbrella Fund Shares	3.8	0.0	3.8	100%
Bond funds	5.2	6.2	-1.0	-16%
Private equity fund of funds	0	0.4	0.1	18%

In CHF mn	EoY 2020	EoY 2019	Δ	%
Property funds	1.8	0	1.8	100%
Other securities	0.0	0.3	-0.3	-100%
Deposits retained on assumed business	0.2	0.3	-0.1	-40%
Cash	0.4	0.1	0.3	172%
Investment income	75.6	42.0	33.4	79%

Despite the decrease in the total value of the investments by CHF 98mn, the investment income increased significantly (increase by CHF 33.4mn in 2020, up to CHF 75.6mn). This is mainly caused by realized gains on bonds in 2020 due to the transfer to Sántis Umbrella Fund and the dividend received from Investment in affiliated enterprises.

In 2020 EH Re AG shows the following investment income per asset classes:

- Investments in affiliated enterprises: income of CHF 15.5mn, CHF 15.5mn increase due to the dividend received from Patrimonia;
- Bonds: income of CHF 48.0mn, CHF 13.6mn increase. The higher income on bonds is caused by higher realized gains due to bonds transfer from EHRE AG to Sántis Umbrella Fund;
- Intercompany loans: income of CHF 0.2mn, slight decrease of CHF 0.1mn;
- Bond Funds: income of CHF 5.2mn, CHF 1mn decrease;
- Private equity funds of funds: income of CHF 0.5mn, CHF 0.1mn increase;
- Property funds: income of CHF 1.8mn, CHF 1.8mn increase;
- Other securities: no income in 2020, CHF 0.3mn decrease;
- Deposits retained on assumed business: income of CHF 0.2mn, CHF 0.1mn decrease; and
- Cash: income of CHF 0.4mn, increase of CHF 0.3mn.

In 2019 and 2020 there was no income from Shares.

B.2.2.2. Investment expenses

In CHF mn	EoY 2020	EoY 2019	Δ	%
Bonds	1.3	3.1	-1.8	-58%
Sántis Umbrella Fund	34.5	0	34.5	
Bond funds	1.6	0.6	1.0	167%
Equity funds	0.1	0	0.1	
Property funds	0.6	0.1	0.5	500%
Other securities	0	2.7	-2.7	-100%
Investment income	38.1	6.5	31.7	488%

Total Investment Expenses increased by CHF 31.7mn, up to CHF 38.1mn, mainly caused by write-downs due to the transfer to Sántis Umbrella Fund.

In 2020, investment expenses according to asset classes were as follows:

- Bonds: expense of CHF 1.3mn, CHF 1.8mn decrease. The lower expenses on bonds are mainly due to lower write-downs in 2020;

- Sántis Umbrella Fund: expenses of CHF 34.5mn, mainly due to write-downs on the side of Single Investor fund - immediate depreciation after the transfer of the investment to the fund;
- Bond Funds: expense of CHF 1.6mn, CHF 1.0mn decrease. The lower expenses on bonds funds are mainly due to lower write-downs in 2020;
- Equity funds: expense of CHF 0.1mn, slightly increase;
- Property funds: expense of CHF 0.6mn, increase of CHF 0.5mn; and
- Other securities: no expense in 2020, CHF 2.7mn decrease. The higher expenses on other securities are mainly due to lower write-downs in 2020.

B.3. Performance of other activities

EH Re AG does not have any other source of income and expenses over the reporting period.

C. Governance and risk management

C.1. Governance framework

C.1.1. Overview

EH Re AG has a Board of Directors (BoD) and a Board of Management (BoM).

EH Re AG has also implemented the following Key Functions:

- Risk function;
- Compliance function;
- Actuarial function which is outsourced to EH SA; and
- Internal Audit function which is outsourced to Euler Hermes Services SAS.

To ensure the effectiveness of these functions, EH Re AG targets a high Fit and Proper standard for Senior Management and Key Function holders across the company.

Core principles and processes are defined to ensure sufficient knowledge, experience and professional qualifications as well as the necessary integrity and soundness of judgment.

C.1.2. Board of Directors (BoD)

C.1.2.1. Role and responsibilities of the BoD

The BoD has executive decision-making power for EH Re AG. It defines the strategic targets and supervises the BoM. The BoD defines the BoM's priorities and objectives on an annual basis. It regularly gathers information on the business through the BoD meetings, the BoD Committees as well as from the BoM, other specific reports and regular exchanges with the Chief Executive Officer (CEO) and other BoM members.

In particular, the BoD has the following tasks:

- Executive management and supervision of the company and issuance of relevant instructions;
- Determination of the basic organizational structures of the company (financial, legal, and operational organization);
- Organization of the accounting, financial controls, and financial planning;
- Appointment and revocation of BoM members and representatives of the company and the determination of signature authorities;
- Supervision of the BoM and the whole management of the company regarding the compliance with laws, articles of association, regulations, and directives;
- Preparation of the annual Management Report and the General Assembly including the resolutions passed within the General Assembly;
- Resolutions about capital increases and resulting changes of the Articles of Association; and
- Official information to the ad-hoc authorities in case of insolvency;

- Check of the qualification of the External Auditors in case of specific missions required by law.

The BoD decides about all business matters and legal transactions with fundamental scope for EH Re which are not limited to the general assembly or another body of the company via law or articles of association or via this Governance Structure.

Unless the law, the Articles of Association or the Governance Structure do not specify anything else, the management of the company is delegated to the CEO.

In order to prepare, execute or supervise the business, the BoD may set up specific committees and allocate tasks to the individual members of the BoD or the other committees.

C.1.2.2. Composition of the BoD

Since 15th October 2020, the BoD is composed of the following members following an extraordinary general assembly:

- Amer Ahmed, Chairman of the Board;
- Wilfried Verstraete, member of the Board; and
- Roland Van Malderghem, external Board member.

C.1.2.3. BoD committees

With the new governance structures after REACH the BoD established the following permanent committees:

- The Audit & Compliance Committee supported by the BoD within the scope of its supervision, finance, and compliance controls as well as the preparation of the Financial Statements of EH Re;
- The Risk Committee supervising the risk management of EH Re;
- The Financial Committee (FiCo) supported by the BoD within the scope of its supervision of the investment strategy and assets management; and
- The Nomination and Remuneration committee supported by BoD within the scope of appointment and remunerating BoD, related committees, and BoM members.

Since 15th October 2020, the Audit & Compliance Committee and the Risk Committee are composed of the following members:

- Roland van Malderghem (chairman);
- Wilfried Verstraete; and
- Amer Ahmed.

Since 15th October 2020, the FiCo is composed of the following members:

- Amer Ahmed (chairman);
- Wilfried Verstraete; and

- Roland Van Malderghem.

Since 15th October 2020, the Nomination & Remuneration Committee is composed of the following members:

- Wilfried Verstraete (chairman);
- Amer Ahmed; and
- Roland van Malderghem.

The BoD can establish other specific committees according to the management/supervision needs and in the interest of EH Re AG. Other committees are set up and put under the responsibility of the BoM according to management specific requirements

The constitution, organization, roles, and responsibilities of the Committees are defined in the “Governance Structures” of the committees approved by the BoD.

C.1.3. Board of Management (BoM)

C.1.3.1. Role and responsibilities of the BoM

The BoM takes all fundamental business decisions unless reserved to the BoD according to the law or the Articles of Association.

The BoM meetings are called regularly by the CEO and have the purpose of information, consulting and decision-making regarding all important and cross-functional business topics, the determination of a consistent business strategy as well as the coordination with EH Group functions, activities, and entities.

Furthermore, each BoM member leads his/her assigned areas within the scope of the ordinary business activity independently.

C.1.3.2. Composition of the BoM

During the year 2020 the composition of the BoM of EH Re AG remains the same as in 2019:

- Benoît des Cressonnières, CEO;
- Birte Inninger, Chief Financial & Administration Officer (CFAO); and
- Nigel Pryor, Chief Underwriting Officer (CUO).

C.1.4. Key functions

C.1.4.1. Key functions in the organization

To ensure an appropriate and rigorous system of governance, EH Re AG has defined Key Functions that address all areas of the company.

As of 31.12.2020, the key function holders remain the same as in 2019:

- Internal Audit function: EH Group Head of Internal Audit;
- Compliance function: EH Re AG Compliance Officer;
- Risk function: EH Re AG Chief Risk Officer (CRO); and
- Actuarial function: Head of Group Loss Reserving (EH Re AG Responsible Actuary).

C.1.4.2. Internal Audit function

The internal audit function is outsourced to EH Group Internal Audit. The scope of EH Group Internal Audit includes all the LEs of the Euler Hermes Group. The function is managed by the Chief Audit Executive (CAE). The CAE reports to the EH Group CEO and the EH Group Audit, Risk & Compliance Committee. The CAE report to EH Re AG Audit and Risk Committee.

C.1.4.2.1. Roles and responsibilities

The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The main task of Internal Audit is to support the organization in accomplishing its objectives by using a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This is achieved by independent, objective assurance and consulting activities designed to add value and improve the organization's operations.

Therefore, Internal Audit activities are geared towards helping the company mitigate risks as well as further assist in strengthening the organization's governance processes and structures. As such, Internal Audit is a key function within the internal control system of Euler Hermes.

In the Three Lines of Defense Model, the Internal Audit function acts as a "Third and Last Line of Defense". See also section C.2.1.2.

C.1.4.2.2. Independence

The Internal Audit function has a standing within the EH Re AG organizational structure that ensures the necessary independence. Necessary independence means that no undue influence is exercised over the Internal Audit function.

C.1.5. Fit & Proper policy

EH Re AG Fit and Proper Policy facilitates the implementation of regulatory requirements and safeguards a high Fit and Proper standard across Euler Hermes for Senior Management.

For these positions, the Policy describes core principles and processes to ensure sufficient knowledge, experience, and professional qualifications as well as the necessary integrity and soundness of judgment.

C.1.5.1. Definition of Fitness & Propriety

A person is considered Fit if his/her professional qualifications, knowledge, and experience are sufficiently adequate to enable sound and prudent fulfilment of his/her role. Fitness includes leadership experience and management skills, the relevant qualifications, other technical skills, qualifications, knowledge, and experience for the specific role as well as common behaviours and values. A person is considered “Proper” if he/she is of good repute and integrity, considering his/her character, personal behaviour, and business conduct, including criminal, financial and supervisory aspects. Propriety includes honesty and financial soundness required for him/her to fulfil his/her position in a sound and prudent manner.

C.1.5.2. Processes for ensuring Fitness and Propriety

Sound processes during recruiting and regular and ad hoc reviews, as well as appropriate training, are necessary to ensure Fitness and Propriety.

C.1.5.2.1. Members of the BoD

Members of the BoD are appointed by the General Assembly every year unless specific rules provide otherwise. All members must fulfil the applicable Fit and Proper requirements and must be approved by FINMA.

C.1.5.2.2. Senior Management and/or Key Function members

EH Re AG ensures that, during the recruiting process of any member of Senior Management or a Key Function, whether internal or external to EH Re AG, their Fitness and Propriety are assessed. An employment or service contract may only be entered into after the successful completion of the defined recruiting process.

C.1.5.2.3. Ad hoc reviews

Ad hoc reviews are required in certain extraordinary situations which give rise to questions regarding a person’s Fitness or Propriety.

In this context, not only the particular circumstance which gave rise to the ad hoc review, but the Fitness and Propriety of the person concerned as a whole are reassessed.

C.1.5.2.4. Outsourcing of a Key Function

In cases where a Key Function is outsourced in accordance with the EH Re AG Outsourcing Policy, a due diligence of the Provider by the Business Owner is performed. It includes a description of the Fit & Proper Test procedures used by the Provider to ensure the Fitness and Propriety of its personnel and a written confirmation that the Provider’s personnel working within the outsourced Key Function is Fit and Proper.

C.1.5.2.5. Assessment results

Based on the information gathered at the time of recruiting, regular or ad hoc review, or outsourcing due diligence, each case is assessed individually either at EH Re AG or at EH Group level.

In case the person/body responsible for the assessment concludes that the Senior Management or Key Function holder subject to the assessment is not or no longer fit or proper, the person is removed from the position without delay, in accordance with applicable employment law.

C.1.5.2.6. Documentation

The Human Resources function retains all documents collected or established as part of recruiting performance reviews and Career Development Conferences.

C.1.5.3. Training

EH Re AG ensures that, on an ongoing basis, relevant professional training is available to Senior Management and Key Function members, to enable them to continuously meet the Fitness requirements of their roles.

Learning and development training programs offered internally ensure a deep understanding of the strategic priorities of Euler Hermes as well as the building of executive skills and abilities. All Senior Management and Key Function members take part in courses relevant to their Fitness at least once within a three-year period.

In support of Propriety, the Compliance function provides regular training on ethical business behavior such as conflicts of interest, anti-fraud and anti-corruption, and other topics, providing employees with clear rules for proper behavior, both for themselves and their teams.

C.2. Risk management system

C.2.1. Risk management framework

C.2.1.1. Risk governance structure

The **Audit & Compliance Committee** is responsible for:

- Monitoring the financial reporting process, including the preparation of the financial statements as well as any investment/divestment, financing, and cash management plans and their implementation;
- Monitoring the financial policy, including the appropriation of income and payment of dividends;
- Monitoring the statutory audit of the annual financial statements and the independence of the statutory auditor;
- Monitoring the functioning of the Actuarial function; and

- Monitoring the activities, adequacy, and effectiveness of the Company's internal control and compliance management systems.

The **Risk Committee** is responsible for:

- Preparing and proposing the Risk Strategy, Risk Appetite, and Limits to the BoM;
- Operational execution of the Limits framework and overseeing the Risk management system;
- Preparing and proposing the Solvency Assessment to the BoM; and
- Defining and operationalizing group-wide Risk Standards (including the corporate rules of the RPF).

The **FiCo** is responsible for approving individual Financing Transactions in line with risk capital considerations.

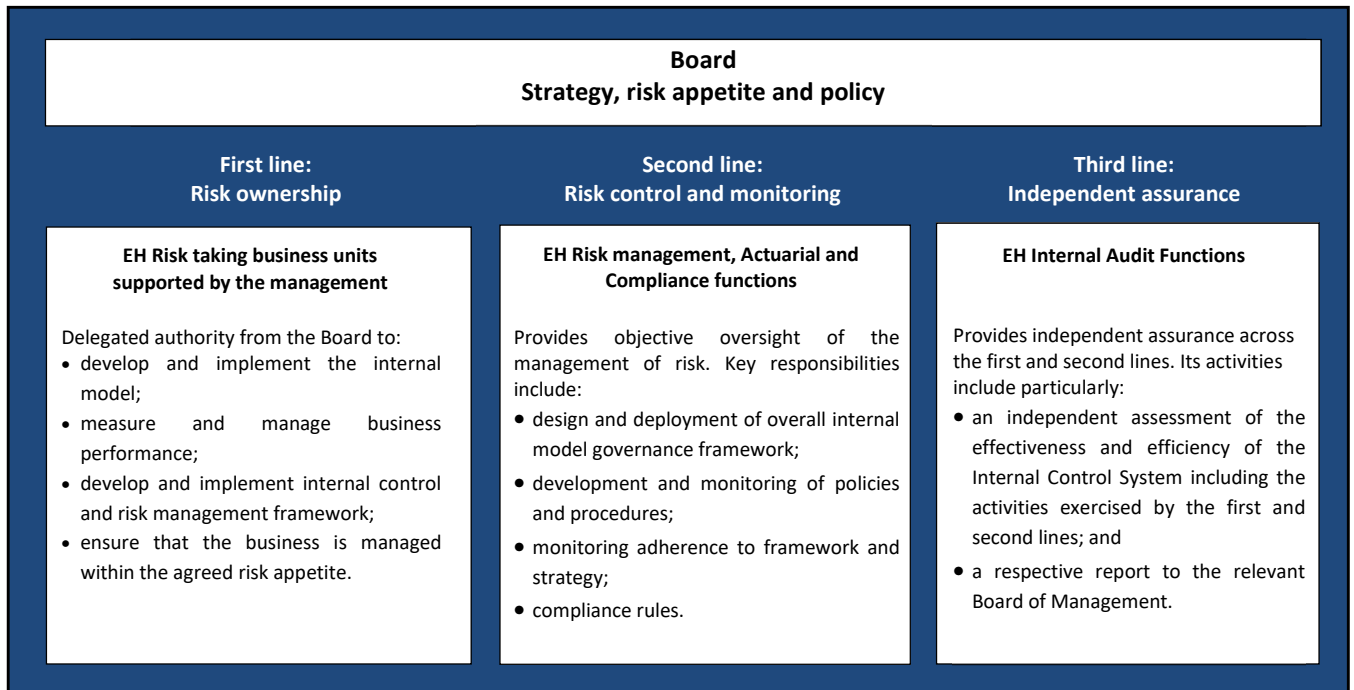
The **Nomination and Remuneration Committee** is responsible for:

- Providing recommendations to the Board of Directors on the appointment of members of the Board of Directors, the Board Committees, and the Management. The Committee will thereby take into account and its provisions on the composition of the Board of Directors. It will also verify the integrity, competence, experience, and independence of each candidate;
- Monitoring the remuneration policy and its consistent implementation, especially with a view to its impact on risk management, business strategy, and the long-term interests of the Company; and
- Providing recommendations to the Board of Directors on the remuneration policy for and the individual remuneration of the members of the Board of Directors, the Board Committees, and the Management.

C.2.1.2. Three-lines-of-defence organization

As part of the Solvency II implementation, EH and therefore EH Re AG has adopted a "three-lines-of-defence" model for risk governance, with clear responsibilities between the different organizational functions as described hereafter:

Figure 4: “Three lines of defence” model



The first line of defense is implicated in the day-to-day management of activities and the management of risk and controls.

The second line of defense is in charge of performing independent controls and challenging the day-to-day management of activities and controls carried out by the first line. This role belongs to the specific independent key control functions: Actuarial, Risk, Legal, Accounting & Reporting, and Compliance.

The third line of defense provides independent assurance with respect to the first and second lines of defense in the form of periodic assessments (Internal Audit).

C.2.2. Risk strategy and risk appetite

The Risk Strategy reflects the general approach towards the management of all material risks arising from the conduct of business and the pursuit of business objectives.

The Risk Appetite elaborates on the Risk Strategy through the establishment of the specific level of risk tolerance for all material quantified and non-quantified risks, and thereby the desired level of confidence, in relation to clearly defined risk and performance criteria, taking into account shareholders’ expectations and requirements imposed by regulators and rating agencies.

The Risk Strategy and Risk Appetite are reviewed at least once a year by the BoD, along with the Planning Dialogue process during which the business strategy and projections are set. This ensures that the business strategy and Risk Strategy are aligned. The Risk Appetite is then adjusted accordingly.

The whole process of setting/revising the business strategy, Risk Strategy and Risk Appetite is a top-down process, cascaded from the Group to the LEs, i.e. to EH Re AG. The cascading process is performed through dedicated meetings between the Group and EH Re AG top management, aiming at aligning the Group expectations and EH Re AG forecasts.

EH Re AG Risk Appetite is monitored quarterly by the ARC; in case of breaches, action plans are set up and monitored quarterly by the ARC. Its components are described in more detail in section D.1.

C.3. Internal control system

C.3.1. Internal Control Framework principles

The internal control framework is laid out in EH Re AG Governance and Controls Policy, as approved by the BoM.

The internal control system has the following objectives:

- To create a solid control environment, by ensuring that every member of personnel is aware of the importance of internal control and the role that they must play in the internal control system;
- To perform control procedures that are commensurate with the risks carried by EH Re AG activities and processes;
- To provide relevant information to the management bodies as part of their decision-making processes; and
- To ensure compliance with the applicable laws and regulations.

With respect to the areas of control, activities, and reporting aspects, the controls are performed within EH Re AG in accordance with requirements regarding independence.

The internal controls describe all the activities undertaken by and within EH Re AG specific control objectives, such that the controls are put in place and applied across all segments and sectors of activity. These controls ensure a permanent assessment of the effectiveness of relevant processes and procedures, their coherence, and their proportional nature within EH Re AG, as well as the potential actions that may be taken to rapidly address any deficiencies.

The internal control system encompasses different control concepts. In addition to general aspects related to control activities, specific controls are also performed. Alongside these controls, reports are submitted to management.

The centralization of the internal control-related information within the EH Group is assumed by the EH Group Risk based on the "Governance and Control Policy".

The EH Re AG Risk function fulfils both a support role and an oversight role within the internal control system.

C.3.2. General elements of the internal control system framework

C.3.2.1. Key functions and three-lines-of-defence model

EH Re AG has implemented Key Functions and a three-lines-of-defense model; each Key Function has a proper policy to define its major principles and processes.

Further details are also provided in sections C.1.4 and C.2.1.2.

C.3.2.2. Committee and Policy framework

The EH Group Legal department is now in charge of defining, updating the Committee, and coordinating the update of the Policies.

Committees are dedicated decision-making bodies put in place to facilitate business steering and to safeguard the Group's oversight. The Committee framework defines the set of committees in place and their functional rules: mandates, authority, and appropriate independence.

The Policy Framework is a set of Corporate Rules aiming to establish binding regulations or guidelines of group-wide relevant topics. It includes four levels (from top to bottom): Code of Conduct, Policies, Standards, and Functional Rules.

The Corporate Rules include the Risk Policy Framework (RPF) under the responsibility of the Risk function within EH Re AG.

The Governance of EH Re AG, including the Governance structures for the BoD and the setup of the BoD committees, has been updated at the end of 2019 according to FINMA requirements.

C.3.3. Specific control areas

The following table presents a brief description of the main control areas set by EH Re AG:

Figure 5: Control areas set by EH Re AG

Control area	Perimeter	Responsibility	Main documentation
Entity level controls assessment	Standard set of entity level controls including testing intervals and allocation of control responsibilities.	Group Risk & Group Internal Audit	Governance and Control Policy
Controls around IT & Information Security (IS)	Establish and implement key controls around component used to store, transmit or process information and the Organizational and Operational set-up of IT and Information Security.	Group IT governance	Integrated Information Risk Management (IIRM) Allianz Functional Rule for Information Technology (AFRIT) Allianz Functional Rule for Information Security (AFRIS)
Controls around risk capital calculation	Validation of models and assumptions.	Group Risk	Standards for Model Governance and Model Change
Controls around P&C (Property & Casualty) underwriting	Control framework: principles, limits, control samples...	Group MMCD & GCI	Standards for P&C underwriting
Controls around investments	Control framework for the investment of own financial assets, based on the risk management framework	Group Asset Management	Standard for Investment Management Organization

D. Risk profile

D.1. Risk profile overview

EH Re AG Risk Appetite is defined according to its available capital, its reinsurance structures (for the retrocession), and the quality of the assumed business from the different LoBs as well as the assumed exposure. EH Re AG follows the EH Group's Risk Appetite.

The EH Group Risk Appetite defines the quantity of risk that EH Group and EH Re AG agree to take, in accordance with the Group strategy / Risk Strategy, to reach a desired level of profitability and, accordingly, the adequate Return on Risk Capital (RoRC).

Thereby, EH Re AG is expected:

- To keep the applicable risk indicators within the targeted zone and not to fall below the respective minimum values;
- Not to exceed the applicable limits; and
- To adhere to the applicable policies, standards, and guidelines.

EH Re AG adheres to the EH group Risk Appetite definition based on the following five core elements:

- Setting target ratings for top risks;
- Managing concentration risk by defining quantitative financial limits;
- Allocating capital and defining minimum and target capital ratios;
- Managing liquidity; and
- Defining policies, standards, and guidelines, in line with the EH activities.

Although the quantitative assessment of the own solvency needs does not include additional risks except those covered by the SST model, EH Re AG has identified risks which complement the risk profile: liquidity risk, operational risk, reputational risk, outsourcing risk, and strategic risk. They are managed through appropriate risk procedures implemented by EH Re AG and assessed in the scope of the TRA process.

These risks are monitored and mitigated through the EH Re AG internal control system.

D.2. Current risk profile

D.2.1. Top risks

The TRA process is described in section C.2.1.5.

EH Re AG TRA most recent full run was carried out in 4Q 2020.

The following table shows the evolution of the Top Risks identified and their assessment between 2019 and 2020. The actual scores result from the assessment of the frequency and impact for each

Top Risk, the impact being the highest score between the economic impact and the reputational impact.

Figure 6: Top Risk Assessment summary

TRA Q4.2020												Evolution
#	Risk	TRA EoF 2020					TRA EoF 2019					
		CE	Probability	Impact	Actual Risk	Target risk	CE	Probability	Impact	Actual Risk	Target risk	
R1	Default of a reinsurer	4	1	3	2	2	4	1	3	2	2	no change
R2	Incorrect data input within FSR1	4	4	3	3	3	4	4	3	3	3	no change
R8	Political & regulatory risk	5	2	2	1	1	5	2	2	1	1	no change
R10	Transfer pricing risk	3	1	3	2	2	3	1	3	2	2	no change
R11	Uncertainty regarding Bonding underwriting	3	2	3	2	2	3	2	3	2	2	no change
R13	Non-compliance with international regulations	4	2	3	2	1	4	2	3	2	1	no change
R14	Risk Management on non-traditional activities	2	3	3	3	2	2	3	3	3	2	no change
R15	Product risk	3	2	3	2	2	3	2	3	2	2	no change
R16	BREXIT						4	3	3	3	3	removed
R17	CUW on non-traditional & non standard activities	2	3	3	3	2	2	3	3	3	2	no change
R18	State Support Schemes	3	3	5	4	3						new

The following evolutions have been identified regarding the Top Risks as objectives

- The action plan of “non-compliance with international regulations” was updated in 4Q 2020.
 - The action plan completed by end 2020 as scheduled targeted review conducted by Allianz Group Compliance end December with no issue identified and Legal change Management deemed best practice. The legal change management tool and the compliance oversight tool are fully implemented.

Next steps: define 2021 TRA action plan and follow-ups.

- The action plan of “Risk management on non-traditional activities” was updated in 4Q 2020.
 - All actions related to Product Framework are now closed but Governance and Control Committee (GovCC) asked to perform a review/assessment of the implementation of the Innovation Committee that is currently under review;
 - Reported concerns are related to:
 - NBB Surety remediation plan: delay was notified to NBB on November 30th and the deadline redefined for end of March. Remediation plan was timely delivered
 - TCU Risk Framework: WA management proposed to stop the original project with the following rationale:
 - 1) TCU exposure and business did not develop as anticipated in 2018 and remains marginal for EH business (ie. below regulatory thresholds)
 - 2) The project is not anymore supported by WA management in the light of other business priorities.
 - Following discussions with Allianz Group Risk, the following alternative actions plan is also proposed by WA management:

- 1) set EH Risk Appetite for TCU business (ie. update on growth targets)
 - 2) run accumulation risk identification and scenarios evaluation.
- The action plan of “Commercial Underwriting (UW) on non-traditional & non-standard activities” was updated in 4Q 2020. Ongoing work on the audit recommendations for XoL and Midterm. Development of up to date and harmonised pricing models. In H1 2021 work on the new ToM for midterm and XoL.
 - The action plan of State Support Schemes is also validated:
 - 1) Implement the requirements defined in the State schemes Rules;
 - 2) Ensure proper FSRI set up according to the SSS defined in the signed agreements;
 - 3) Ensure the organization of local EH BU project teams to implement the State scheme Rules and Guidelines, the EH entities are responsible for the right allocation of the figures, regularly monitoring and reporting according to the signed agreement with regular monitoring and reporting to EH Re;
 - 4) Proactively share upfront with the regulators and the auditors the method to be applied to anticipate any future discussion; and
 - 5) Timely preparation of the exit from the State schemes. The SSS will be valid until the end of June 2021.

D.2.2. Target Capital

EH Re AG uses the FINMA SST model. EH Re AG calculates the SST figures in EUR. However, for presentation purposes, the results have been translated to CHF by using the year-end rates presented in the Executive Summary.

This methodology was used to calculate the TC. The comparison between the TC and the AC using the SST ratio is presented in section F.1.

The table hereunder shows the quantified risks and other elements resulting in the SST TC.

Figure 7: Breakdown of the Target Capital

in CHF mn	EoY 2020	EoY 2019	Var	Sub-section (inside D.2.2)
Prior Year (PY)	318	389	-71	2
Current Year (CY)	170	268	-97	1
Diversification between PY and CY	-82	-80	-2	
Total Insurance Risk	406	577	-171	3
Market Risk	180	189	-9	4
Diversification market and insurance risk	-24	-25	2	
Insurance & Market Risk	563	741	-178	5
Expected Underwriting Performance	-114	-194	80	6
Expected Financial Performance	-13	-17	4	7
Credit Risk	69	74	-6	8

in CHF mn	EoY 2020	EoY 2019	Var	Sub-section (inside D.2.2)
Market Value Margin (MVM)	14	25	-11	9
Total Target Capital (TC)	519	629	-111	

NB: Totals and/or variations might appear different from "2020 minus 2019" due to rounding

The following sections provide explanations about the evolutions of the quantified risks considered in the SST TC calculation: premium, individual events, reserve, market, credit, expected performances and Risk Margin (RM).

D.2.2.1. Current Year (CY) Risk

Figure 8: EH Re AG Premium Risk

in CHF mn	EoY 2020	EoY 2019	Var
Attritional events Premium Risk (AEP)	279	508	-229
Individual Event 1 (IE1)	185	187	-2
Diversification within CY	-149	-171	22
CY gross of stop loss	315	524	-209
Stop loss effect	-145	-256	112
CY net of stop loss	170	268	-97

The CY Risk is calculated using FINMA Stand Re module AEP and IE1.

The CY Attritional Events Premium Risk (AEP) decreased by CHF 229mn (-45%) to CHF 279mn. The decrease results from a decrease in the expected premiums for 2021, due to state support schemes put in place in many European countries. The volatility remains stable compared to the previous year.

EH Re AG has considered the following prescribed IE1 events:

- Experience scenarios: These scenarios are derived from as-if adjusted large historical event losses of the reinsurer by applying as-if adjustments to make them representative of the situation of the current year;
- Portfolio structure scenarios: Portfolio structure scenarios are defined in terms of the inward reinsurance portfolio;
- Political Risk: For this non-experience scenario, it is assumed that a significant political incident takes place; and
- Implications of a financial market turndown: For this non-experience scenario, it is assumed that a significant financial market incident takes place.

Additionally, two own scenarios were modelled to estimate the theoretical impact of the default of EH's major insurance buyers.

Based on these scenarios, a frequency-severity model is fitted for IE1 events, with Poisson frequency and Generalized Pareto severity. The IE1 risk remained stable, decreasing only by CHF 2mn.

The net CY Risk decreased by CHF 97mn due mainly to the decrease in AEP Risk.

D.2.2.2. Previous Year (PY) Risk

Figure 9: EH Re AG Reserve Risk

in CHF mn	EoY 2020	EoY 2019	Var
Attritional events Reserve Risk (AER)	257	278	-21
Individual Event 2 (IE2)	234	235	-1
Diversification within PY	-172	-123	-49
PY	318	389	-71

The PY Risk is calculated using the FINMA Stand Re modules AER and IE2.

EH Re AG has considered the following IE2 events:

- Global shock to expected claims inflation: The scenario assumes an excess of the expected inflation path;
- PY loss increase: This scenario assumes that in the current year a reported loss event from a prior accident year develops worse than expected;
- Retrocession default on reserve: For this scenario, it is assumed that the two retrocessionaires with the highest technical reserves default in the current year, with 100% loss given default; and
- Underpricing: This scenario assumes that the underwriting/pricing has underestimated the loss ratios for reserving for the previous two underwriting years.

Based on these scenarios a frequency-severity model is fitted for IE2 events, with Poisson frequency and Generalized Pareto severity. The IE2 centered Expected Shortfall amounted to CHF 234mn, remaining stable compared to CHF 245mn calculated on year 2019.

The slight increase in AER is a direct consequence of the increase in reserves.

The increase in diversification within PY is mainly due to the reviewed fit of the IE2 distribution function following changes in the IE2 assessed scenarios.

D.2.2.3. Insurance Risk

The Insurance Risk is the result after aggregation of the Reserve and Premium Risks. EH Re AG aggregates insurance risk using FINMA Stand Re model's methodology.

The model output of the aggregation component is the distribution of the one-year change in the risk-bearing capital (discounted, net of outward retrocession) related to the one-year non-life Insurance Risk.

Insurance Risk decreased by CHF 171mn or 30% compared to EoY 2019. The decrease is fully explained by changes in both CY risk and PY risk described in the sections above.

D.2.2.4. Market Risk

The EH Re AG's Market Risk is estimated by using FINMA's standard model "SST Tool". The interest rate risk is estimated based on both reserve liability and fix income investment cash flows.

The table below shows the details of the Market Risk evolution between 2019 and 2020:

Figure 10: Market Risk evolution

in CHFmn	EoY 2020	EoY 2019	Var
Interest Rates in CHF	1	1	0
Interest Rates in EUR	70	77	-7
Interest Rates in USD	2	2	-1
Interest Rates in GBP	0	0	0
All interest rates	72	80	-8
Spreads	76	69	6
Foreign Exchange	10	5	5
Equity	15	50	-35
Real Estate	17	19	-2
Hedge Funds	0	0	0
Private Equity	6	5	0
Participations	80	77	3
Total before diversification	276	306	-30
Diversification	-96	-116	21
Total after diversification	180	189	-9

NB: Totals and/or variations might appear different from "2020 minus 2019" due to rounding

The decrease of CHF 9mn or 5% of market risk after diversification is explained by a change in the asset composition, in particular EH Re holds fewer equity assets, which have a high market risk.

The largest investment class continues to be fixed income (including bond funds and loans) mainly denominated in EUR. The market value of the fixed-income investments decreased slightly which explains the decrease in interest rate risk, especially the decrease in EUR interest rate risk.

D.2.2.5. Insurance & Market Risks

The correlation assumed between Insurance and Market Risk is 80% as prescribed by FINMA for monoliner credit insurers.

The diversification between market and insurance risks remained stable compared to 2019 at CHF 24mn (previously CHF 25mn).

Other changes to overall insurance & market risks are explained in the sections above.

D.2.2.6. Expected Underwriting Performance

For the financial year 2021, the following figures are budgeted for earned premium, claims volume, and expenses.

These figures are based on the historical experience and the expected premium volume from the EH Group LEs and the Allianz Operating Units. The expected insurance result for the current underwriting year is CHF 114mn after discounting and net of retrocession. This amount is made up of the following components:

Figure 11: EH Re AG expected underwriting performance

in CHF mn net & discounted	Budget 2021	Budget 2020
Expected premium	588	1068
Expected losses	-235	-511
Expected expenses	-239	-363
Expected technical underwriting result	114	194

D.2.2.7. Expected Financial Performance

An investment return of CHF 12mn is assumed in the EH Re AG budgeted figures for the 2020 financial year. However, for the SST, an expected investment return of CHF 13mn is estimated based on the SST Standard Model.

The table below shows investment returns per asset type as per FINMA's Standard Model.

Figure 12: Investment returns per asset type

in CHF mn	Expected return 2021	Exposure 2021
Mortgages	1.5%	0
Corporates	0.7%	1414
Equity	4.0%	39
hedge funds	2.0%	0
Private equity	5.0%	12
Real estate	3.0%	90
Delta remainder	0.0%	0
Expected financial performance		13

The SST Standard methodology leads to an expected investment result slightly higher than the expectations from EH Asset Management.

D.2.2.8. Credit Risk

The Credit Risk is computed using the standard approach, based on Basel III methodology. The rating sources are different for reinsurance and investments exposures:

- For retrocession exposure: Standard & Poor's (S&P) ratings; and
- For investment exposure: Ratings defined by Allianz risk rating waterfall approach, based on ratings provided by rating agencies (S&P, Moody's, and Fitch).

As shown in the table below, the Credit Risk on EH Re AG's portfolio is stable at CHF 74mn. The split per class is shown below together with the risk-weighted exposures.

Figure 13: Credit Risk split per class

in CHF mn	Risk-weighted exposure			
	EoY 2020	EoY 2019	Var	%
Central governments and central banks	79	98	-19	-20%
Bank and security dealers	48	18	29	162%
Corporate positions	712	813	-100	-12%
BIS, IMF and multilateral development banks	16	0	16	n.a.
Stock exchanges, clearing houses and central counterparties	1	0	1	n.a.
Total	857	929	-72	-8%
Credit Risk	69	74	-5.8	-8%

The reduction in Credit Risk is in line with the reduction in corporate positions. The exposure to Bank and security dealers increases following the sale of the equity securities (not subject to credit risk) and kept in cash.

D.2.2.9. Market Value Margin

EH Re AG calculates the market value margin using FINMA's standard method. The market value margin is estimated at CHF 14mn, down by CHF 11mn compared to last year.

The effect of the prior year risk on the market value margin is estimated by running off the centred expected shortfall of the PY risk using the aggregated current and prior year cash flow pattern. The effect of the prior year's risk decreases in line with the large decrease in PY and CY Risk. This is the main driver for the decrease in the market value margin.

The credit risk within the SST model is based on the asset portfolio. Hence it is reasonable to develop credit risk in line with the development of the best estimate liabilities because of the assets backing the liabilities. The market value margin of the credit risk is estimated by running off the credit risk using the same pattern as for PY risk.

D.2.3. Stress tests

The three stress tests defined by FINMA for purposes of EoY 2020 are linked to Market Risk. FINMA has removed the Brexit stress test for year-end 2020. These tests are consistent with the tests performed for EoY 2019. The results of these stress tests are not included in the TC calculation; they show the potential impact of these situations on the AC.

The table below shows the impact on the risk-bearing capital of the different stress tests performed over the last two years:

Figure 14: Impact of the stress tests on the risk-bearing capital

<i>in CHF mn</i>	EoY 2020	EoY 2019	Var	%
Global recession	-105	-137	32	-24%
Global depression	-263	-320	56	-18%
Real estate crisis in Switzerland	-105	-137	32	-24%

The overall impact on risk-bearing capital of those scenarios decreased compared to the previous year. The main reasons for this decrease are the changes in the scenario parametrization and the de-risking of the investment portfolio.

D.2.4. Liquidity ratios

D.2.4.1. General principles

In accordance with EH Re AG's Liquidity Risk Management Standard, an analysis has been performed to identify liquidity resources and liquidity needs and to project the evolution of EH Re AG's liquidity ratio over different time horizons and in different conditions.

The liquidity ratio is defined as the fraction of liquidity needs over liquidity resources:

- Liquidity resources mainly come from premiums, reinsurance receivables, and investment inflow; and
- Liquidity needs mainly include claims and related expenses, reinsurance payables, operating expenses, dividends and the planned purchase of assets.

EH Re AG's Risk Appetite defines the following thresholds for the liquidity ratio management:

- Ratio > 100%: Red (action level);
- 100% > Ratio > 80%: Amber (alert level); and
- Ratio < 80%: Green.

In case of breach, depending on materiality, different escalation procedures are in place :

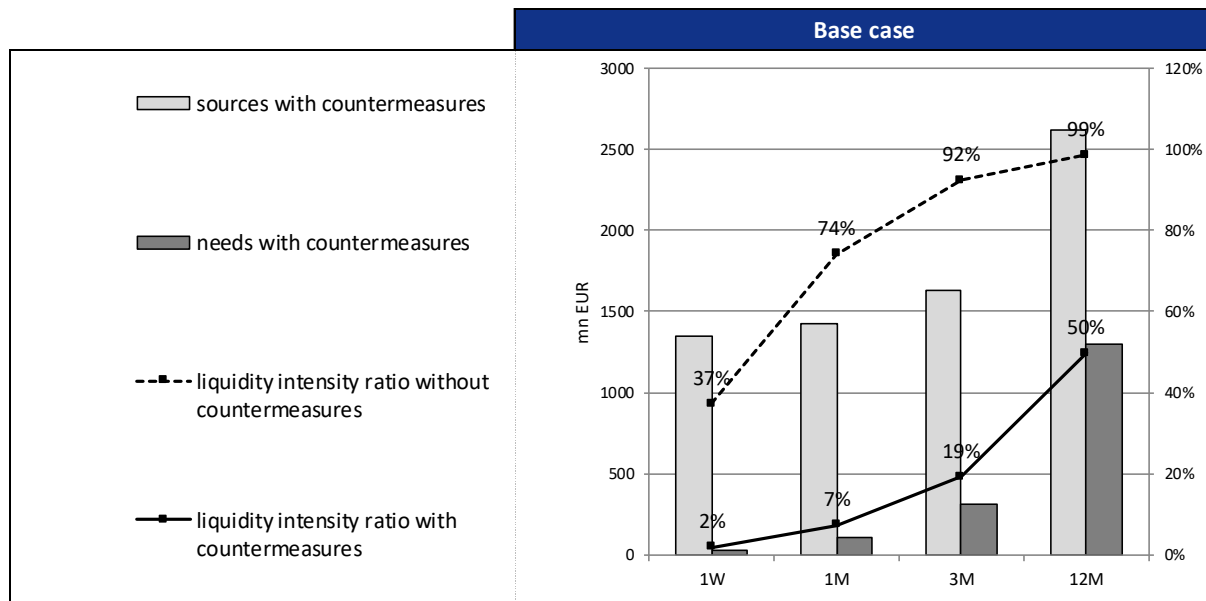
Condition	Consequence
No warning level (<80%)	No further actions required by the Risk function.
Warning level (80%-100%)	Explanation of status in liquidity risk report by the Risk function.
Limit breach (>100%)	EH Re AG prepares a remediation plan to bring back the liquidity ratio in the green zone. The remediation plan is proposed to the RiCo for approval and further notified to the BoD.

D.2.4.2. Base case scenario analysis

The base case scenario analysis corresponds to the projection of the liquidity resources and needs under current market conditions.

The following graph shows the base case scenario liquidity analysis performed in 4Q 2020, over different time horizons (1 week, 1 month, 3 months, 12 months):

Figure 15: Base case scenario liquidity analysis



NB: For EH Group reporting matters, the calculation is performed in Euros.

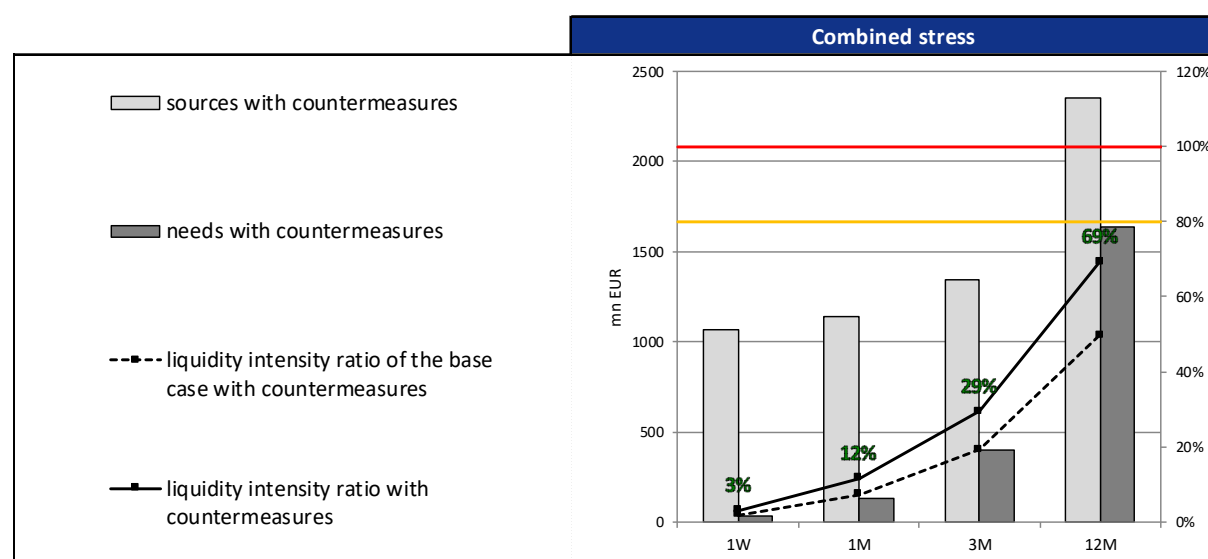
EH Re AG’s liquidity ratio would be higher than the action level in the 3 months horizon and higher than the alert level in the 12 months horizon without considering countermeasures. However, considering countermeasures (such as the sale of invested assets), the ratio would remain in the green zone over the 4 considered time horizons.

D.2.4.3. Stress scenario analysis

EH Re AG identified several liquidity stress scenarios and chose to perform the one which appeared to be the most relevant in 2020: a deterioration of the market conditions leading to an economic crisis, a recession event which implies an increase of the claim frequency for credit insurers.

Thus, a combination of a market stress scenario and a recession scenario (reserve risk and credit risk) was simulated.

The following graph shows the combined stress scenario liquidity analysis:

Figure 16: Stress scenario liquidity analysis

NB: For EH Group reporting matters, the calculation is made in Euros.

In this combined stress scenario, the liquidity ratio calculated at 4Q 2020 remains below the 80% alert level for the different time horizons, both excluding and including countermeasures.

EH Re AG is able to maintain its liquidity within its Risk Appetite in a base case situation as well as in an extreme stress situation thanks to the adequate liquidity of its assets.

D.2.5. Quantitative limits

D.2.5.1. Financial Risk and Sensitivity Limits

The following tables summarize the level of the sensitivity limits in place.

All the sensitivities are within the limits defined.

Figure 17: Financial limits applied at EH Re AG level in CHF mn

Financial limits applied at EH Re AG level (in CHF mn)	2020		2019	
	Actual value	Limit	Actual value	Limit
Credit VaR (CVaR)	383	551	441	607
Financial VaR	70	88	93	132
IR +100bps sensitivity	-39	-44	-39	-52
EQ -30% sensitivity	-11	-12	-31	-45

Note that a scope change occurred for the Financial VaR of which TCI&S risk capital is now excluded. It, therefore, focuses on the investment risks only.

Those limits have been updated as a result of the 2020 Planning Dialogue. These are in force from 4Q 2020 to 3Q 2021.

D.2.5.2. Asset allocation limits

The table below shows the target asset allocation compared to the actual asset allocation at EH Re level (the monitoring is made for EH Ré SA and EH Re AG):

Figure 18: Comparison of the target and actual asset allocation at EH Re level

Assets	SAA 2020 limit %	Leeway %		4Q 2020 Actual AA%	Conclusion
		Min	Max		
Fixed income	90.9%	84.9%	100%	90.7%	No Breach
Public equity	1.3%	0%	3.3%	1.5%	No Breach
Other /Alternative	1.2%	0%	3.2%	1.9%	No Breach
Real estate	6.6%	0%	8.6%	5.9%	No Breach

No breach is observed in 4Q 2020 for the different categories of assets.

D.2.5.3. Credit exposure limits (CRisP)

The Allianz Credit Risk Platform (CRisP) used for limit management is applied at EH Group for identification, assessment, and management of exposure concentration risk arising from the Investment, Reinsurance receivables and Credit insurance exposures.

EH Group Risk function monitors on a quarterly basis the limit consumption situation and reports any breach and proposed action to the EH Re AG RiCo.

There is no recorded breach of Credit exposure limits as of 31.12.2020.

D.2.6. Risk Policy Framework

As indicated in section C.3.2.2, EH Re AG has put in place a Risk Policy Framework (RPF). This framework is a set of policies, standards, and guidelines overarching the Risk Management System of EH Re AG. It describes the core risk management principles, processes, and key definitions to ensure all material risks are managed within the Risk Appetite and it is monitored by the Risk function.

Following REACH, EH Re AG continues to fully implement the EH Group Risk Policy Framework and remains under the responsibility of EH Group with respect to implementation and oversight of requirements under Solvency II.

Based on EH Group RPF, EH Re AG reviews and updates its RPF on a yearly basis, adapting the Group requirements to its reinsurance company specificities.

The Risk Policy Framework is composed of several documents in which the Risk Policy (incl. EH Risk Strategy & Risk Appetite Policy) represents the core document. The Risk Policy is reviewed on an annual basis and is approved by the BoD.

The following table lists all the documentation included in the RPF RPF of EH Re AG with a short description of each document.

Figure 19: Policies, Standards & Guidelines within the Risk Policy Framework of EH Re AG

EH RE AG Policies and Standards	
EH Risk Policy	Establishes a set of guiding principles and a common framework for risk management throughout EH RE AG.
EH Risk Strategy (Appendix to the Risk Policy) EH Risk Appetite (Appendix to the Risk Strategy)	Define the overall risk appetite of the EH RE AG with respect to all material quantified and non-quantified risks
EH Guidelines for Obligor Management Framework	Defines the framework for setting, limiting, monitoring and managing exposures to obligors and obligor groups. It defines also how to structure obligors and group of obligors to support the concentration risk assessment.
Allianz Standard for P&C Underwriting	Provides minimum requirements with respect to all P&C underwriting activities and management of the corresponding risks
EH Standard for Operational Risk Management	Provides minimum requirements with respect to the management of operational risks.
EH Standard for Own Risk and Solvency Assessment	Provides minimum requirements with respect to the implementation, conduct and documentation of a solvency assessment for EH RE AG.
EH Standard for Top Risk Assessment	Provides minimum requirements with respect to the performance of an overarching qualitative risk management assessment, covering all risk categories.
EH Reinsurance Treaty Rules	Provide minimum requirements with respect to all transfers of insurance risks by an LE either within the EH Group or to non-EH Group companies
EH Standard for Liquidity Risk Management	Provides minimum requirements with respect to the management of liquidity and corresponding liquidity risks.
EH Standard for Reputational Risk Management	Provides minimum requirements with respect to the protection of the EH Group and LEs, reputation and the management of reputational issues that arise in the course of business
EH Investment for Management Framework	Define the requirements for managing and steering the investment and ALM risks of EH as well as the minimum requirements for the implementation of new financial instruments, the management of derivatives, foreign exchange risk and reverse repurchase agreements.
EH Standard for Model Governance	Provides minimum requirements with respect to the development, validation, approval, implementation, and documentation of the Internal Model.

EH RE AG Policies and Standards	
EH Standard for Credit Risk Management	Provides minimum requirements with respect to the management of credit risks.
EH Standards for Risk Capital Measurement and Aggregation	Provides minimum requirements with respect to the internal Risk capital calculation and aggregation, including business representation for assets and liabilities and the correlation setting processes that are the basis for Internal Model diversification.
EH Standard for Market Risk Management	Provides minimum requirements with respect to the management of market risks
Allianz Guidelines for P&C Product Control Process	Provides a framework for the approval of new and changed P&C products.
EH Guidelines for Country Risk Management	Define the framework for the assessment and the monitoring of country risk at Euler Hermes.
EH Guidelines for Data Quality Insurance	Provides guidance with regard to the minimum requirements for credit risk data, the data quality monitoring process.

D.3. Other risk management processes

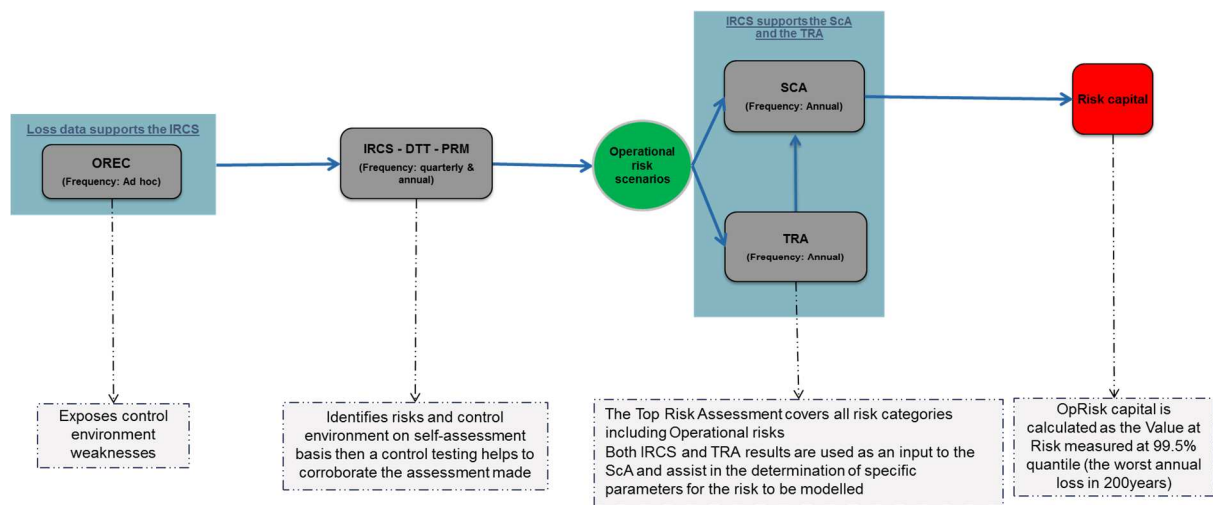
D.3.1. Operational Risk Management

For Operational Risk and Solvency II, an IM is in place to estimate the potential losses at the 99.5% quantile of the operational loss distribution.

Legal and compliance risk are included, while strategic and reputational risk events are excluded

The operational risk management framework establishes the core approach by which operational risks are managed. Specifically, the management framework aims to:

- Generate awareness of the operational risks;
- Learn from past operational failures and events that either did or could have resulted in operational losses;
- Reduce operational losses and other subsequent consequences, including reputational damage and missed opportunities, resulting from the occurrence of operational risk events; and
- Enable management to conclude on the effectiveness of the internal control system (i.e. the portion related to operational risk management).

Figure 20: Operational Risk management overview

In accordance with EH Risk Policy Framework, EH Re AG has implemented comprehensive ORM processes, aiming at keeping the Operational Risks under control.

- **The Operational Risk Event Capture (OREC):** Information regarding actual operational risk-related losses, gains, and near-misses that have occurred is recorded via the OREC process. This information is used to support and corroborate the identification and assessment of risks during the IRCS process, as well as the assessment of control effectiveness;
- **The Integrated Risk and Control System (IRCS):** The IRCS is a risk management process by which EH Re AG ensures, through the performance of a qualitative based analysis, that significant operational risk is identified, assessed, and prioritized for improved management and ensured that the controls underlying their management are effective. This “in-depth” assessment is performed on a yearly basis and reviewed on a quarterly basis;
- **Project Risk Management (PRM):** The objective of the PRM is to ensure that projects, including the transition to BAU, are delivered on time, on budget, and of adequate quality and to make sure that future BAU risks are recognized during project initiation and prior to project approval so that sufficient budget is provided for implementing adequate mitigation measures as well as automated controls for the future BAU;
- **Deficiency Tracking Tool (DTT):** DTT is a process linked to IRCS-Financial Reporting which aims to reference all controls which have been identified as deficient outside the regular IRCS control testing phase;
- **Top Risk Assessment Process (TRA):** The TRA process is defined in section C.2.1.5; and
- **Scenario Analysis (ScA):** Each year, “Scenario Analysis” workshops are organized with EH Re AG experts in order to set the IM parameters to be used to calculate the Operational RC.

IRCS, OREC, and TRA results are used as an input of the Risk Heat maps and assist in the determination of specific parameters for the level 2 Risk Categories to be modelled.

D.3.2. Reputational Risk Management

EH Re AG has established a core set of principles and processes for the management of Reputational risk.

D.3.2.1. Reputational risk definition

Reputational risk is defined as an unexpected drop in the value of in-force business or value of future business caused by a decline in the reputation of EH Re AG from the perspective of its stakeholders. Reputational risk can also bear either a direct or an indirect negative impact on the Allianz share price and the brand reputation metrics.

The potential for direct reputational risk is always considered throughout the course of all business activities. Indirect reputational risks are considered through the Top Risk Assessment (TRA) and IRCS processes.

D.3.2.2. Direct reputational risk

Direct reputational risks are measured through a risk assessment methodology, which depends on the nature of the risk:

- If the identified risk does not relate to one of the pre-defined sensitive business areas then the general reputational risk assessment methodology (the reputational risk matrix) must be applied; and
- If the identified risk relates to one of the sensitive business areas or sensitive countries established as part of the reputational risk strategy then the corresponding guideline must be applied.

D.3.2.3. Indirect reputational risk

Indirect reputational risk is inherent in the operations of EH Re AG and is not related to specific business transactions. This risk normally results from the occurrence of non-reputational risk events (e.g. operational risk), whereby the non-reputational risk event triggers incidental reputational damage. Indirect reputational risk is managed through the Top Risk Assessment TRA and IRCS processes.

Indirect reputational risks apply the same reputational risk assessment methodology used for direct reputational risks.

The TRA has identified the following scenarios as potential sources of reputational risks:

- Incorrect data input within FSRI;
- Transfer pricing risk;
- Uncertainty regarding Surety underwriting;
- Risk management on new lines of business/new products;

- Commercial Underwriting on non-traditional & non-standard activities; and
- State Support Schemes.

D.3.2.4. Risk mitigation

With regards to the monitoring, EH Group has implemented several methods to oversee that allow EH Re AG to benefit from:

- Media coverage regarding EH at different level (Monthly Media Monitoring);
- Summary of current EH media issues that might be raised by media; and
- Reporting to the Group RiCo on a quarterly basis of all direct reputational risks identified and assessed as exceeding EH Group's Risk Appetite (Scale of moderate or severe).

In case of breaches, a referral process has been defined and implies the involvement of the ESG Office, Compliance, Risk, and all Head of Commercial underwriters.

D.3.3. Concentration

D.3.3.1. Concentration Risk Exposure

As mentioned in section D.2.5.3, at EH Group level, the CRisP tool is used to identify, assess and manage exposure Concentration Risk its three different portfolios: Investment, Reinsurance, and Credit insurance.

D.3.3.2. Assets

The assets are well-diversified and mainly invested in bonds with a high rating.

EH Re AG's largest investments are either safe bond investments or investments in other EH Group entities (loans and participations) as well as Real Estate funds. The accumulation risk is therefore small, given that the largest investments have high-quality rating. Apart from the capital investments, the other assets like receivables and reinsurance recoverable are also distributed to a large number of counterparties and therefore well diversified.

D.3.3.3. Liabilities

EH Re AG is only exposed to 3 lines of business, of which Trade Credit is clearly the dominant line, making 78% of the total. Therefore, diversification possibilities within the insurance portfolio are limited. Considering that the business is credit insurance there is a clear link to the economic environment.

D.4. Future risk profile

D.4.1. General description

The strategy of EH Re AG is to further grow the book directly in relation to the targeted growth of the EH Group book of business. Based on the Planning Dialogue (Budget) from 2020 the year-on-year average premium growth for EH Group (all Lobs) for the next 3 years is 4.3%.

Through the cession in reinsurance from the EH entities, EH Re AG will directly benefit from this dynamic group development.

Accordingly, this might impact the future TC of EH Re AG. However, according to the actual profitability of the inward business, the expected annual results achieved by the company should enable the financing of additional risks capital requirements over the next few years.

In addition, it is important to consider the future retrocession reinsurance schemes might be fine-tuned according to needs and this will directly impact TC requirements.

D.5. Off-balance sheet items

The following table discloses off-balance sheet items within EH Re AG. They are mainly made of:

- Letters of Credit provided by EH Re AG, e.g. in context of reinsurance agreements;
- Investment Commitment provided by EH Re AG that will result in investments in different class of assets at a future date; and
- Bank guarantee or cash positions pledged.

The most material off-balance sheet items are the commitments made through letters of credit and investment commitments.

Figure 21: Off-Balance sheet items

Item	Amount for current closing in transaction currency	Transaction currency disclosed at current closing	Reporting currency disclosed at current closing	Beneficiary rating	Issue date	Expected maturity
Letter of Credit provided	45,000,000	USD	EUR	AA	30/06/2018	31/12/2020
Letter of Credit provided	40,000,000	USD	EUR	AA	30/06/2018	31/12/2020
Letter of Credit provided	35,000,000	CAD	EUR	AA	31/03/2017	31/03/2021
Investment Commitment provided	1,370,343.6	EUR	EUR	N/A	28/06/2016	04/01/2021
Investment Commitment provided	4,427,200.5	USD	EUR	N/A	25/10/2019	31/12/2024
Investment Commitment provided	9,691,574.6	USD	EUR	N/A	22/12/2014	31/12/2020
Investment Commitment provided	3,775,000	EUR	EUR	N/A	12/12/2019	12/12/2029
Investment Commitment provided	5,240,000	EUR	EUR	N/A	12/08/2016	31/12/2021
Bank Guarantee/Cash Position pledged	75,000	USD	EUR	N/A	15/12/2011	31/12/2020
Letter of Credit provided	2,500,000	CAD	EUR	A+	01/01/2018	31/12/2020

Item	Amount for current closing in transaction currency	Transaction currency disclosed at current closing	Reporting currency disclosed at current closing	Beneficiary rating	Issue date	Expected maturity
Letter of Credit provided	7,000,000	USD	EUR	A+	01/01/2018	31/12/2020

E.Valuation

E.1. Assets

The following table shows the valuation of the different classes of assets in the SST report and in the Annual Report (Swiss GAAP) and their evolution between 2019 and 2020:

Figure 22: Asset (SST vs Swiss GAAP)

In CHF mn	SST	Statutory	Diff	2019/2020	2019/2020
	EoY 2020	EoY 2020		Δ SST	Δ Statutory
Real estate	21	-	21	-2	-
Participations	160	151	9	7	-57
Fixed-income securities	32	29	2	-1,379	-1,346
Loans	153	144	9	117	108
Mortgages	-	-	-	-	-
Equities	38	0.5	38	-38	0
Other investments	1,414	1,388	26	1,127	1,196
Collective investment schemes	1,402	1,381	21	1,127	1,196
Alternative investments	12	6	5	-0	0
Structured products	-	-	-	-	-
Other investments	-	-	-	-	-
Total investments	1,818	1,713	105	-168	-98
Financial investments from unit-linked life insurance	-	-	-	-	-
Receivables from derivative financial instruments	-	-	-	-	-
Deposits made under assumed reinsurance	18	18	0	-5	-5
Cash and cash equivalents	113	94	19	92	75
Ceding of BE provisions for insurance liabilities	635	641	-5	10	0
Reinsurance: non-life insurance business	635	641	-5	10	0
Fixed assets	-	-	-	-	-
Deferred acquisition costs	-	-	-	-	-
Intangible assets	0.1	0.1	0	-0	-0
Receivables from insurance business	230	167	63	-81	-68
Other receivables	30	4	26	20	3
Other assets	0	-	-	0	-
Unpaid share capital	-	-	-	-	-
Accrued assets	0	0	0	-12	-12

In CHF mn	SST	Statutory	Diff	2019/2020 Δ SST	2019/2020 Δ Statutory
	EoY 2020	EoY 2020			
Total other assets	1,027	925	102	24	-6
Total Assets	2,845	2,638	207.56	-143	-104

The main evolutions and differences of valuation are explained in the following paragraphs.

E.1.1. Real estate

The real estate is valued at CHF 21mn in the SST balance sheet whereas no real estate is presented in the Annual Report. This is due to the “look-through” approach on EH South Express SA where the real estate is valued with a market-based approach.

E.1.2. Participations

The following table shows the detail of the valuation in the SST report and the Annual Report:

Figure 23: Valuation of the investment in affiliated enterprises (SST vs Swiss GAAP)

in CHF mn	SST EoY 2020	Statutory EoY 2020	Diff.
EH Ré SA	160	75	86
EH Patrimonia SA	-	59	-59
EH South Express SA	-	17	-17
Shareholdings	160	151	-66

The SST value of the participation in EH Ré SA is based on its SII MVBS equity minus the RM, adjusted by the change in risk profile through the year.

The SST value of the participation in EH Patrimonia SA and EH South Express SA is established through a “look-through” approach, mainly for Real Estate and Shares.

E.1.3. Fixed-income securities

The SST balance sheet value of the fixed-income securities is evaluated at the market value. The decrease in fixed-income securities is explained by the new Sántis Umbrella Fund. EH Re AG holds

most of the fixed-income securities through the Sántis Umbrella Fund, which is shown under Collective investment schemes.

E.1.4. Loans

The SST balance sheet value of the intercompany loans is evaluated at the market value. The increase in this position is due to a new intercompany loan agreed during 2020.

E.1.5. Equities

The equities are valued at CHF 38mn in the SST balance sheet whereas only CHF 0.5mn of equities are presented in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA where the equities are valued with a market-based approach.

E.1.6. Collective investment schemes

The collective investment schemes consist of property funds, equity funds, and bonds funds. The increase compared to last year is due to the new Sántis Umbrella Fund, which holds most of the fixed-income securities of EH Re AG. The difference compared to the Annual report is mostly due to the “look-through” approach on EH Patrimonia SA and on Sántis Umbrella Fund where the investment are valued with a market-based approach.

E.1.7. Alternative Investments

The alternative investment schemes consist exclusively of private equity. The private equity is valued at CHF 6mn in the Annual Report. In the SST balance sheet, the market value of the private equity is shown and amounts to CHF 12mn.

E.1.8. Deposits made under assumed reinsurance

There is no difference in valuation between the SST balance sheet and the Annual report.

E.1.9. Cash and cash equivalents

Cash and cash equivalents amount to CHF 113mn in the SST balance sheet, CHF 19mn higher than in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA, EH South Express SA and Sántis Umbrella Fund.

E.1.10. Ceding of Best Estimate provisions for insurance liabilities

The reserves were discounted for the time value of money using the risk-free rates provided in the SST standard template and the expected run-off of the claims. The increasing effect of discounting is relatively small due to the short-tailed nature of the business and the low short-term interest rates. The difference in valuation between the SST report and the Annual report is not significant.

E.1.11. Intangible Assets

There is no difference in valuation between the SST balance sheet and the Annual report. Intangible assets are deducted in order to derive the risk-bearing capital.

E.1.12. Receivables from insurance business

In the SST balance sheet, the receivables from insurance and reinsurance business include the deposits retained on assumed business and exclude the accrued commission on EBNR for assumed business. The latter, considered on the Liabilities side, amounts to CHF 63mn, resulting in a valuation of CHF 63mn compared to the Annual report.

E.1.13. Other Receivables

Other receivables are valued at CHF 30mn in the SST balance sheet vs CHF 4mn in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA and EH South Express.

E.1.14. Accrued Assets

There is no material difference in valuation between the SST balance sheet and the Annual report.

E.2. Liabilities

The following table shows the valuation of the different classes of liabilities in the SST report and the Annual Report (Swiss GAAP) and their evolution between 2019 and 2020:

Figure 24: Liabilities (SST vs Swiss GAAP)

In CHF mn	SST EoY 2020	Statutory EoY 2020	Diff	2019/2010 Δ SST	2019/2020 Δ Statutory
Best Estimate of provisions for insurance liabilities	1,480	1,480	-0	-27	-50
Reinsurance: non-life insurance business	1,480	1,480	-0	-27	-50
BE of provisions for unit-linked life insurance	-	-	-	-	-
Non-technical provisions	0.3	15	-15	0	3
Interest-bearing liabilities	-	-	-	-	-
Liabilities from derivative financial instruments	-	-	-	-	-
Deposits retained on ceded reinsurance	-	-	-	-	-
Liabilities from insurance business	146	83	63	-27	-13
Other liabilities	1	50	-48	-1	-1
Accrued liabilities	2	3	-2	-29	-27
Subordinated debts	-	-	-	-	-
Total BEL plus other liabilities	1,628	1,631	-2.7	-83	-88

The main evolutions and differences of valuation are explained in the following paragraphs.

E.2.1. Best Estimate of provisions for insurance liabilities

The reserves were discounted for the time value of money using the risk-free rates provided in the SST standard template and the expected run-off of the claims. The increasing effect of discounting is relatively small due to the short-tailed nature of the business and the low short-term interest rates. The difference in valuation between the SST report and the Annual report is not significant.

E.2.2. Non-technical provisions

In local GAAP, the provision for unrealized currency gains accounts for CHF 15mn. As the SST currency is EUR and most investments are held in EUR, this position amounts only to CHF 0.3mn in the SST balance sheet.

E.2.3. Liabilities from insurance business

As mentioned in Section **Fehler! Verweisquelle konnte nicht gefunden werden.**, in the SST balance sheet, the liabilities from insurance business include the accrued commission on EBNR for assumed business, resulting in a difference of CHF 63mn compared to the Annual report.

E.2.4. Other liabilities

The difference between the statutory and the SST valuations mainly comes from the difference in the treatment of unpaid capital. In the Annual Report, the unpaid capital for the subsidiary accounts for

CHF 48mn. This is not recognized in the SST balance sheet as it is considered in the valuation of the EH Ré SA participation.

E.2.5. Accrued liabilities

There are no material differences between the Annual report and the SST report.

E.3. Description of the risk-bearing capital

Overall, the risk-bearing capital increased by CHF 95mn between 2019 and 2020.

Figure 25: Breakdown of the risk-bearing capital

In CHF mn	EoY 2020	EoY 2019	Δ
Total assets	2,845	2,989	-143
Total liabilities	1,628	1,711	-83
Assets minus liabilities	1,217	1,277	-61
Deductions (Dividends)	-54	-210	156
Core Capital	1,163	1,067	95

The assets have decreased by CHF 143mn which is mainly due to decrease in fixed-income securities (CHF -252mn) and in equity (CHF -38mn) partially offset by an increase in cash and cash equivalents (CHF +92mn) and the new intercompany loan (CHF +108mn).

The liabilities decreased by CHF 83mn which is explained by a decrease in the gross Best Estimate of provisions for insurance liabilities (CHF -27mn), a decrease in liabilities from insurance business (CHF -27mn) and lower accrued liabilities (CHF -29mn).

The planned dividends and intangible assets are deducted from the assets over liabilities to calculate the risk-bearing capital. The planned dividend is CHF 156mn lower compared to last year.

There is no supplementary capital.

No particular restrictions exist on EH Re AG's available capital.

E.4. Capital reconciliation

The following table shows the reconciliation between the Annual Report equity and the SST Available Capital

Figure 26: Reconciliation between the Annual Report equity and the SST bearing capital

In CHF mn	Reconciliation	Section
Annual report Equity	1,007	
Assets - Real estate	21	E.1.1
Assets - Participations	9	E.1.2
Assets - Fixed-income securities	2	E.1.3
Assets - Loans	9	E.1.4
Assets - Equities	38	E.1.5
Assets – Collective investments schemes	21	E.1.6
Assets – Alternative investments	5	E.1.7
Assets - Deposits made under assumed reinsurance contracts	0	E.1.8
Assets - Cash and cash equivalents	19	E.1.9
Assets – Ceding of BE provisions for insurance liabilities	-5	E.1.10
Assets - Intangible assets	0	E.1.11
Assets - Receivables from insurance business	63	E.1.12
Assets - Other receivables	26	E.1.13
Assets - Accrued assets	0	E.1.14
Liabilities – BE of provisions for insurance liabilities	0	E.2.1
Liabilities - Non-technical provisions	15	E.2.2
Liabilities - Liabilities from insurance business	-63	E.2.3
Liabilities - Other liabilities	48	E.2.4
Liabilities - Accrued liabilities	2	E.2.5
Assets minus liabilities	210	
Deductions (Dividends)	-54	
Risk - bearing capital	1,163	

Further details and explanations on the reconciliation are provided in sections **Fehler! Verweisquelle konnte nicht gefunden werden.** and **Fehler! Verweisquelle konnte nicht gefunden werden..**

The statutory equity of EH Re AG decreased from CHF 1,021.8mn by CHF 15.3mn to CHF 1,006.5mn in the financial year 2020. As of 31st December 2020 it is composed of share capital amounting to CHF 400.8mn, statutory capital reserves amounting to CHF 188.8mn, statutory retained earnings amounting to CHF 200.5mn, voluntary retained earnings (balance brought forward) amounting to CHF 125.9mn, and the annual profit for the financial year 2019 of CHF 90.7mn.

In 2020, the company did a single dividend payment to its shareholder in May 2020 following the annual general meeting. This amounted to EUR 100mn (CHF 106mn) compared to two dividend payments in 2019 amounting to EUR 150mn (CHF 169mn) and EUR 130mn (CHF 143mn).

The equity is fully paid in. The 100% direct shareholder is Allianz Re Dublin DAC, and the ultimate shareholder is Allianz SE, Munich.

The equity does not include any guarantees towards any other external company, Group company, or the 100% subsidiary EH Ré SA, Luxembourg. The statutory equity as reported in the annual report is fully available and bears no restriction of any kind. There is no hybrid capital.

The difference of CHF 213mn between the statutory equity and the difference between market consistent assets and liabilities mainly results from different valuation approaches. The valuation rules according to Swiss Code of Obligations and regulatory rules for the preparation of the annual financial statements of a reinsurance company can differ substantially from the regulations according to the SST.

F.Capital management

F.1. Capital management strategy – SST Standard

Capital management strategy

EH Re AG steers primarily its solvency through the SST standard. In that respect, EH Re AG has set a target management ratio of 154% and an action barrier ratio of 127%. Deviations against these thresholds are regularly monitored by the ARC.

If EH Re AG falls below the action barrier ratio, the BoD takes the necessary measures to re-establish its SST ratio above.

Figure 27: Equity overview

In CHF mn	EoY 2020	EoY 2019	Δ	%
Total assets	2,846	2,989	-143	-5%
Total liabilities	1,629	1,711	-82	-5%
Dividend and intangibles	-54	-210	156	-74%
Risk Bearing Capital	1,163	1,067	96	9%

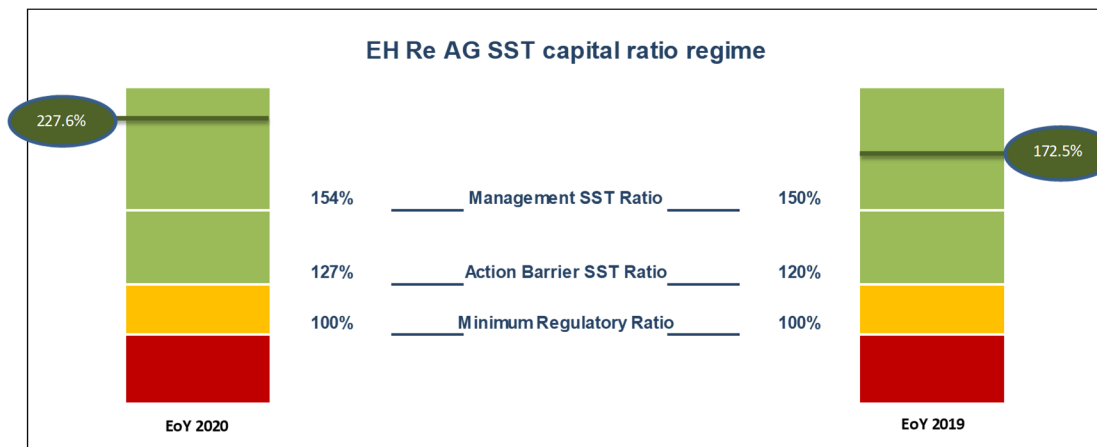
The increase in Risk Bearing Capital is explained by lower dividends distributed to shareholders partly offset by profits.

The following graph and table show the SST ratio as of 31.12.2020 compared to 31.12.2019:

Figure 28: SST Ratio overview

In CHF mn	EoY 2020	EoY 2019	Δ	%	Section
Target Capital (TC)	519	629	-110	-17%	D.2.2
Available Capital (AC)	1,163	1,067	96	9%	Fehler! Verweisquelle konnte nicht gefunden werden.
Market Value Margin (MVM)	14	25	-11	-43%	D.2.2.9
SST Ratio (AC-MVM)/(TC-MVM)	227.6%	172.50%	55%	32%	

The current information about solvency (risk-bearing capital and TC) is identical to the information which EH Re AG has submitted to FINMA in the SST Report.

Figure 29: EH Re AG SST capital ratio regime

The SST ratio increased from 172.5% to 227.6%, well above the target management ratio of 154%. The impact of future significant events on the risk profile and solvency is presented in section D.4.

The current solvency information regarding the SST 2020 including risk bearing capital and target capital is still subject to the regulatory audit by FINMA.

G.Solvency

G.1. Solvency Overview

The following table shows the Solvency II ratio as of 31.12.2020 compared to 31.12.2019:

Figure 30: Solvency II ratio overview

In CHF mn	EoY 2020	EoY 2019	Δ	%
Required capital	657	789	-132	-17%
Own Funds	1,305	1,202	103	9%
Solvency ratio	199%	152%	+47%	+31%

The Solvency II ratio stands at 199%, and above the 154% target management ratio. The solvency ratio disclosed above is not subject to regulatory audit.

G.2. Capital planning

EH Re AG capital planning is defined as part of EH Group capital planning process.

In the yearly planning process, EH Group, together with its Legal Entities, reviews its risk strategy and capital requirements over a three-year planning horizon. Based on this projection, the BoM of EH Group approves the capital plan and the capital ratio regime of all its Legal Entities before this can be used for capital management purposes, including dividend policy. The resulting capital plan is also presented to the Supervisory Board of EH Group.

EH Re AG dividend level is defined as the excess capital over its target management ratio.

G.3. Capital management governance

EH Re AG BoM is responsible for sound organizational and operational structures and procedures to ensure compliance with the Capital Management strategy. More specifically, the responsibilities are:

- Ensuring an adequate capitalization of EH Re AG operations, under its regulatory requirements;
- Optimizing the return on the shareholder's invested capital through EH Re AG processes and procedures; and
- Ensuring that the necessary information of EH Re AG's risk profile is provided to EH Group, at least on a quarterly basis.

EH Re AG Finance function has the following responsibilities with regards to capital management:

- Management and controlling of the capital target levels;
- Implementing capital measures such as capital increases, dividends;
- Regular reporting of capital levels and stress tests; and

- Providing the capital and dividend plan figures in the planning process.

EH Re AG Risk function has the following responsibilities with regards to capital management:

- Preparation of the planning documents for EH Re AG capital plan in the PD process;
- Management of EH Re AG's capitalization limits as approved by the BoM; and
- Monitoring of EH Re AG's capitalization and following up on any limit breaches with regards to the Minimum Capital Ratio and the Management Capital Ratio.

Appendix

Appendix 1 : External auditor's report on the Financial Statements as of 31.12.2020

Euler Hermes Reinsurance AG

Wallisellen

Report of the statutory auditor
to the General Meeting

on the financial statements 2020



Report of the statutory auditor

to the General Meeting of Euler Hermes Reinsurance AG

Wallisellen

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Euler Hermes Reinsurance AG, which comprise the balance sheet, income statement, cash flow statement and notes, for the year ended 31 December 2020.

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 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 2020 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Enrico Strozzi
Audit expert
Auditor in charge

Nicolas Stadler
Audit expert

Zürich, 28 April 2021

Enclosures:

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



Balance sheet as at 31 December	Notes	2020	2019
		CHF	CHF
ASSETS			
Investments			
Investments in affiliated enterprises	3.1	151'036'616	207'884'610
Bonds		29'436'244	1'374'974'696
Intercompany loans	3.2	143'954'142	35'979'825
Shares		539'839	498'777
Säntis Umbrella fund	3.3	1'221'250'695	0
Bond funds		94'675'047	121'094'494
Private equity fund of funds		6'428'018	6'329'434
Property funds		65'409'919	35'366'236
Other securities		0	28'801'254
		<u>1'712'730'520</u>	<u>1'810'929'326</u>
Deposits retained on assumed business		18'453'419	23'112'782
Cash and cash equivalents		94'046'598	18'668'253
Unearned premium reserve ceded	3.6	59'681'076	83'623'265
Rebates reserve ceded	3.6	30'046'186	40'290'116
Outstanding claims reserve ceded	3.6	551'072'550	516'858'515
Reinsurer's share of technical reserves		<u>640'799'812</u>	<u>640'771'896</u>
Intangible Assets		85'505	103'773
Reinsurance receivables	3.4 & 3.5	106'693'343	83'245'458
Assumed accruals	3.4 & 3.5	60'364'628	151'738'069
Receivables from insurance and reinsurance		<u>167'057'971</u>	<u>234'983'527</u>
Other receivables		4'124'090	856'455
Accrued interest	3.4 & 3.5	373'570	12'002'201
TOTAL ASSETS		<u>2'637'671'485</u>	<u>2'741'428'213</u>

Balance sheet as at 31 December	Notes	2020	2019
		CHF	CHF
LIABILITIES AND SHAREHOLDERS' EQUITY			
Unearned premium reserve assumed	3.6	93'819'400	156'144'707
Rebates reserve assumed	3.6	89'985'406	121'008'393
Outstanding claims reserve assumed	3.6	1'296'231'134	1'252'746'301
Technical reserves		<u>1'480'035'940</u>	<u>1'529'899'401</u>
Provision for unrealized currency gains		14'814'533	12'310'874
Provisions for stock based compensation		346'673	321'442
Non-technical provisions		<u>15'161'206</u>	<u>12'632'316</u>
Reinsurance payables	3.4 & 3.5	59'653'880	45'569'286
Ceded accruals	3.4 & 3.5	23'285'729	50'523'726
Liabilities from insurance and reinsurance		<u>82'939'609</u>	<u>96'093'012</u>
Other short-term liabilities		1'054'645	1'557'351
Unpaid capital to subsidiary		48'488'744	48'733'306
Other liabilities		<u>49'543'389</u>	<u>50'290'657</u>
Accrued payables	3.4 & 3.5	755'743	1'164'423
Tax payables		2'724'693	29'507'340
TOTAL LIABILITIES		<u>1'631'133'818</u>	<u>1'719'587'149</u>
Share capital		400'750'000	400'750'000
Statutory capital reserves			
General capital reserves		17'000'000	17'000'000
Capital contribution reserves		171'750'000	171'750'000
Statutory retained earnings		200'477'606	200'477'606
Voluntary retained earnings			
Balance brought forward		125'878'457	19'510'205
Annual profit		90'681'604	212'353'252
TOTAL SHAREHOLDERS' EQUITY	3.7	<u>1'006'537'667</u>	<u>1'021'841'063</u>
TOTAL		<u>2'637'671'485</u>	<u>2'741'428'213</u>

Income statement for the year	Notes	2020	2019
		CHF	CHF
Written premium assumed		1'128'031'770	1'772'891'356
Written premium ceded		-488'178'509	-712'259'527
Written premium for own account		639'853'261	1'060'631'829
Change in unearned premium reserve assumed	4.1	54'148'841	-12'974'037
Change in unearned premium reserve ceded	4.1	-19'965'541	6'622'732
Earned premiums for own account		674'036'561	1'054'280'524
Other income from the insurance business		792'512	973'517
Total income from the insurance business		674'829'073	1'055'254'041
Claims paid assumed		-550'476'418	-836'901'523
Claims paid ceded		189'812'087	326'917'567
Change in claims reserve assumed	4.1	-82'651'248	-37'298'169
Change in claims reserve ceded	4.1	49'769'018	52'490'152
Claims expenses for own account		-393'546'561	-494'791'973
Commissions paid		-409'791'280	-613'880'560
Administration expenses	4.2 & 4.3	-7'096'062	-7'319'255
Acquisition and administration costs		-416'887'342	-621'199'815
Reinsurers' share of the acquisition and administration costs		197'098'626	266'187'543
Acquisition and administration costs for own account		-219'788'716	-355'012'272
Total expenses from the insurance business		-613'335'277	-849'804'245
Underwriting result		61'493'796	205'449'796
Interest and dividends	4.4	35'110'367	26'296'689
Realized gains on investments	4.4	39'582'434	6'134'922
Write ups of investments		865'311	9'567'860
Investment income		75'558'112	41'999'471
Investment management expenses		-2'362'194	-2'233'642
Realized losses on investments	4.5	-1'520'421	-1'047'759
Unrealized losses on investments		-34'261'404	-3'194'354
Investment expenses		-38'144'019	-6'475'755
Investment result		37'414'093	35'523'716
Realised & unreal. currency gains		22'826'401	12'876'220
Other financial income		22'826'401	12'876'220
Realised & unreal. currency losses		-31'548'350	-12'117'198
Other financial expenses		-31'548'350	-12'117'198
Operating result		90'185'940	241'732'534
Interests expenses		-795'846	-603'203
Profit before taxes		89'390'094	241'129'331
Direct taxes		1'291'510	-28'776'079
Annual profit		90'681'604	212'353'252

Statement of cash flows	2020	2019
	CHF	CHF
Annual profit	90'681'604	212'353'252
Provisions for stock based compensation	25'231	87'912
Net realized investment gains/Losses	-4'665'920	-11'460'669
Change in:		
Technical reserves	-49'863'461	14'783'667
Reinsurance receivables	67'925'556	-7'082'511
Reinsurance payables	14'084'594	-22'293'310
Ceded business, net	-27'292'676	-34'622'481
Deposits retained assumed	4'659'363	-3'703'392
Taxes payable	-26'782'647	11'336'112
Other assets and liabilities, net	7'449'610	3'667'850
Cash flow from operating activities	76'221'255	163'066'430
Disposals of investments (without affiliated enterprises)	386'240'692	454'315'124
Acquisitions of investments (without affiliated enterprises)	-191'860'541	-325'689'008
Investment in affiliated enterprises	56'847'994	0
Loans to consolidated affiliated enterprises	-107'974'317	1'320'573
Cashflow for unpaid capital to subsidiary	-244'562	-1'788'666
Cash flow from investing activities	143'009'265	128'158'023
Dividend paid to shareholders	-105'985'000	-311'918'501
Cash flow from financing activities	-105'985'000	-311'918'501
Effect of foreign currency translation	-37'867'174	34'425'889
CHANGE IN CASH AND CASH EQUIVALENTS	75'378'346	13'731'840
Cash and cash equivalents as of 1st January	18'668'251	4'936'410
CASH AND CASH EQUIV. AS OF 31st DECEMBER	94'046'596	18'668'251

Notes to the financial statements

1. Information on the company and basis of presentation

Euler Hermes Reinsurance AG (EH Reinsurance AG) is headquartered in Wallisellen, Switzerland. The accompanying financial statements have been prepared in accordance with accounting principles defined in the Swiss Code of Obligations (CO), in the Insurance Supervision Act (ISA) and its related ordinances and the ISO-FINMA ordinance.

EH Reinsurance AG employs like in the prior year more than 10 but less than 50 employees (fulltime equivalent).

2. Accounting principles

2.1 Investments

Loans and investments in affiliates are initially recognized at their acquisition costs. Loans are subsequently valued at nominal value less necessary bad debt provisions. Investments in affiliates are subsequently valued at lower of acquisition costs or closing net asset value.

Bonds are valued at lower of amortized cost or market value.

Shares are valued at fair value.

The other investments are valued at the lower of cost or market.

Säntis Umbrella Fund is valued at Net Asset Value. EHRE AG recognizes the SIF shares at their NAV which is defined by the application of the amortized-cost valuation and lower-cost-or-market principles with respect to the bonds in the SIF.

2.2 Reinsurer's share of technical reserves

Reinsurers' share of technical reserve is in accordance to the signed agreements.

2.3 Receivables

Receivables are valued at nominal value less necessary bad debt provisions.

2.4 Claims reserves

Claims reserves assumed including IBNR are recorded with the respective values when reported by the ceding group insurance companies.

2.5 Translation of foreign currencies

The functional currency of the company is EUR. For statutory reporting purposes, a translation into CHF is done. All Assets and Liabilities were revalued at Year End FX rates except investments in affiliated companies and the equity is revalued at historical FX rates. Income statement line items were revalued with the average FX rate.

Rates used:	2020	2019
Year end rates	1.08154878	1.08700378
Average rates	1.07028566	1.11245842

Existing provision for unrealized FX in amount of 12'310'873 CHF was released of the total net unrealized loss of 4'766'951 CHF, additional provision for unrealized gain in functional currency has been built, resulting in total remaining provision of 14'814'533 CHF.

3. Balance sheet positions

3.1 Investment in affiliated enterprises

	2020	2019
<i>Equity investments</i>		Share capital (EUR)
100% shares (2019: 100%) of Euler Hermes Ré SA, Luxembourg.	61'055'000	61'055'000
35% shares (2019: 35%) of Euler Hermes Patrimonia SA, Bruxelles	128'851'014	280'000'000
49% shares (2019: 49%) of Euler Hermes South Express SA, Bruxelles	28'986'452	28'986'452

3.2 Intercompany loans

	2020	2019
Loan to Euler Hermes Ré SA (EUR 33'100'000) in CHF	35'799'265	35'979'825
Loan to Allianz Europe BV (EUR 100'000'000) in CHF	108'154'878	0

Total intercompany loans

143'954'142 **35'979'825**

3.3 Säntis Umbrella fund

	2020	2019
Single Investor Fund, NAV in CHF	1'221'250'695	0

3.4 Receivables and liabilities from the insurance business

All receivables and liabilities from the insurance business come from insurance companies.

3.5 Receivables due from and liabilities due to group companies

	2020	2019
Reinsurance receivables due from group companies	91'461'756	70'523'817
Other receivables due from group companies	374'991	496'850
Assumed accruals due from group companies	50'268'293	131'033'025
Accrued interests due from group companies	181'482	272'847
Reinsurance payables due to group companies	-45'061'057	-32'765'802
Ceded accruals due to group companies	-15'144'818	-34'517'221
Accrued payables due to group companies	-523'464	-811'839

3.6 Technical provision

2020	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	Total
Assumed	93'819'400	89'985'406	1'296'231'134	1'480'035'940
Ceded	-59'681'076	-30'046'186	-551'072'550	-640'799'812
Technical provision net 2020	34'138'324	59'939'220	745'158'584	839'236'128
2019	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	Total
Assumed	156'144'707	121'008'393	1'252'746'301	1'529'899'401
Ceded	-83'623'265	-40'290'116	-516'858'515	-640'771'896
Technical provision net 2019	72'521'442	80'718'277	735'887'786	889'127'505

3.7 Equity roll forward

	Share capital	Statutory capital reserves	retained earnings	Voluntary retained earnings	Total equity
as per 01.01.2019	572'500'000	17'000'000	220'477'606	311'428'705	1'121'406'312
Reduction of share capital	-171'750'000	171'750'000			0
Release of statutory retained earnings			-20'000'000	20'000'000	0
Dividend				-311'918'500	-311'918'500
Annual profit				212'353'252	212'353'252
as per 31.12.2019	400'750'000	188'750'000	200'477'606	231'863'457	1'021'841'064
Dividend				-105'985'000	-105'985'000
Annual profit				90'681'604	90'681'604
as per 31.12.2020	400'750'000	188'750'000	200'477'606	216'560'061	1'006'537'668

4. Income statement positions

4.1 Changes in technical provision

2020	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	Total
Assumed	54'148'841	31'022'987	-82'651'248	2'520'580
Ceded	-19'965'541	-10'243'930	49'769'018	19'559'547
Changes in technical provision net 2020	34'183'300	20'779'057	-32'882'230	22'080'127

2019	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	Total
Assumed	-12'974'037	-2'928'703	-37'298'169	-53'200'909
Ceded	6'622'732	822'443	52'490'152	59'935'327
Changes in technical provision net 2019	-6'351'305	-2'106'260	15'191'983	6'734'418

4.2 Positions to be disclosed from the administration expenses

	2020	2019
Personal expenses	3'883'419	4'108'888
Amortization and depreciation on non-current assets	-	-

4.3 Auditor fees

	2020	2019
Audit fees	104'255	87'353
Other fees	34'702	55'153
Total auditor fees	138'957	142'506

4.4 Investment income

2020	Curr. income	Write-ups	realized gains	Total income
Investments in affiliated enterprises	15'479'136	-	-	15'479'136
Bonds	10'142'137	-	37'895'722	48'037'859
Intercompany loans	187'121	-	-	187'121
Shares	-	-	-	0
Säntis Umbrella fund	3'080'762	517'040	178'938	3'776'740
Bond funds	3'856'672	348'271	1'036'126	5'241'069
Equity funds	-	-	-	0
Private equity fund of funds	-	-	471'648	471'648
Property funds	1'776'119	-	-	1'776'119
Other securities	-	-	-	0
Deposits retained on assumed business	241'066	-	-	241'066
Cash and cash equivalents	347'354	-	-	347'354
Investment income 2020	35'110'367	865'311	39'582'434	75'558'112
2019	Curr. income	Write-ups	realized gains	Total income
Bonds	22'034'142	6'701'097	5'710'797	34'446'036
Intercompany loans	279'236	-	-	279'236
Shares	26'905	-	-	26'905
Bond funds	3'829'715	2'866'763	-	6'696'478
Equity funds	-	-	424'125	424'125
Other securities	- 368'387	-	-	-368'387
Deposits retained on assumed business	347'791	-	-	347'791
Cash and cash equivalents	147'287	-	-	147'287
Investment income 2019	26'296'689	9'567'860	6'134'922	41'999'471

4.5 Investment expenses

2020	Investment expenses	Write downs	realized losses	Total expense
Bonds	248'617	-	1'089'363	1'337'980
Shares	-	-	17'529	17'529
Säntis Umbrella fund	707'218	33'792'217	1'316	34'500'751
Bond funds	799'620	371'700	412'213	1'583'533
Equity funds	-	97'487	-	97'487
Private equity fund of funds	54'291	-	-	54'291
Property funds	552'449	-	-	552'449
Other securities	-	-	-	0
Investment expenses 2020	2'362'194	34'261'404	1'520'421	38'144'020

2019	Investment expenses	Write downs	realized losses	Total expense
Bonds	1'960'467	544'787	650'276	3'155'530
Bond funds	172'659	-	397'483	570'142
Private equity fund of funds	9'025	-	-	9'025
Property funds	50'426	-	-	50'426
Other securities	41'065	2'649'567	-	2'690'632
Investment expenses 2019	2'233'642	3'194'354	1'047'759	6'475'755

5. Additional information

5.1 Guarantees and commitments given

EH Reinsurance AG purchased a bank guarantee in the amount of USD 75'000 (2019: USD 75'000).

EH Reinsurance AG has pledged cash position of USD 75'000 (2019: USD 75'000).

EH Reinsurance AG has lease commitments amounting to CHF 57'000 (2019: CHF 46'000).

EH Reinsurance AG has entered a commitment with CORDIANT regarding future drawdowns limited by the unfunded amount as per December 31 2020 of USD 14'118'775 (2019: USD 4'625'691).

EH Reinsurance AG has entered a commitment with FASO regarding future drawdowns limited by the unfunded amount as per December 31 2020 of EUR 9'015'000 (2019: EUR 4'650'000).

EH Reinsurance AG has entered into commitments with a bank to provide letter of credits to Group companies in amount of USD 85'000'000 and CAD 35'000'000 to meet any valid claims, in case of EH Reinsurance AG would face bankruptcy (2019: USD 195'000'000 and CAD 35'000'000).

EH Reinsurance AG has entered into commitments with a bank to provide letter of credits to external partners in amount of USD 7'000'000 and CAD 2'500'000 to meet any valid claims, in case of EH Reinsurance AG would face bankruptcy (2019: USD 1'100'000 and CAD 550'000).

5.2 Guarantee received

EH Reinsurance AG has an unlimited financial guarantee from Euler Hermes Group SAS.

As at 31 December	2020	2019
	CHF	CHF
Balance brought forward	125'878'457	19'510'205
Annual profit	90'681'604	212'353'252
Voluntary retained earnings available	216'560'061	231'863'457
Proposed Dividend *)	-60'000'000	-105'985'000
Vountary Retained earnings to be carried forward *)	156'560'061	125'878'457

*) The dividend payment shall be EUR 50'000'000 and the difference between EUR 50'000'000 paid and translated with the exchange rate at the time of the dividend payment and CHF 60'000'000 shall be allocated to the retained earnings to be carried forward.

Appendix 2: Operational Risk – scenarios analysis

Given its specific activity and organization, EH Re AG does not bear many material operational risk categories. The following table shows the significant risk scenarios defined in the course of the scenarios analysis process (ScA), in order to calibrate the Operational Risk in the Solvency II Internal Model.

L2 Category	Evaluation - Scenario			Plausibility check		
	Storyline	1 in 20 years loss in EUR	Frequency in years	Assessment plausibility - frequency	Assessment plausibility - 1-in-20 year	Backtesting of the parameters
Improper Business Market Practices or	Legal risks due to inadequate legal terms that does not fulfil the external (legal) requirements due to changes in laws and regulations. (e.g. The company treated claims in bias, charged unapproved rates to policyholders, and failed to maintain accurate claims files, unlicensed activity). NB: The Swiss regulator is currently reviewing the data protection law	500,000	0.3	The estimator empirical tale shape is 0.7, based on 2 internal losses, from 2013 to 2019. However, the experts deemed that the frequency should remain at 0,3 event / year, which is consistent with the observed internal losses of EH (2 losses over 7 years = 0.3 events per year)	The amount was assessed considering AZ group loss LE_3355 (500 K€) which is related to the failure of a company to demonstrate compliance with its obligations of audits (social security contributions, mandatory insurance-enrolment, tax returns and social ...). Not having experience in this kind of loss in the past, and as a conservative approach the experts decided to align the impact of the storyline with the loss event LE_3355 from AZ data losses. Indeed the experts considered that this kind of loss could apply to EH Reinsurance AG. Then, the experts decided to keep the impact of the storyline at 500 KEUR and align with highest applicable loss coming from AZ (LE_3355).	To ensure plausibility and to challenge the expert's assessment, the single loss distribution properties were discussed. According to the experts, the resulting average loss (595 K€) is sound. We have run the backtesting of the parameters including EH loss data to check the parameterization. Backtesting plausibility passed as it is greater than 22%.
Suitability, Information Disclosure and Fiduciary Duty	The 1-in-20 year storyline would be a breach of confidentiality related to buyer confidential information disclosed in reinsurance treaties. The ceding company's shareholders could sue EH, resulting in a settlement or in contractual penalties.	100,000	0.2	The estimator empirical tale shape, based on EH losses, is 0.1, which is overall consistent with the frequency assessed by the experts (0.2). Experts consider events resulting in a 50 K€ financial impact for this L2 category happening once every 5 years (0.2 per year). Indeed, the experts considered that based on the limited number of reinsurance partners and on the guidelines applied by Re AG, it is unlikely that such events happen.	The amount was assessed based on the most important internal loss for this L2 category. The experts decided to take into account the most important internal loss amount: LE_49339 (100 K€) to assess the financial impact of the scenario. The loss is indeed related to a buyer issuing a claim for defamation, based on information given by Euler Hermes to its policyholder. The experts considered that this loss is relevant for EH Reinsurance AG, as a breach of confidentiality related to the reinsurance treaties could be reproached to EH Reinsurance AG. Then, the experts deemed the	To ensure plausibility and to challenge the expert's assessment, the single loss distribution properties were discussed. According to the experts, the resulting average loss (112 K€) is sound. There is no sufficient relevant internal data to perform the backtesting as AZ data (loss amounts) are not relevant considering the size and business of EH Reinsurance AG.

L2 Category	Evaluation - Scenario			Plausibility check		
	Storyline	1 in 20 years loss in EUR	Frequency in years	Assessment plausibility - frequency	Assessment plausibility - 1-in-20 year	Backtesting of the parameters
					amount of 100,000 EUR for the storyline as consistent.	
Monitoring and Reporting	The 1-in-20 storyline would be an inaccurate (or out of due time) SST report or internal reporting related to large claims leading to a failure to comply with a mandatory reporting obligation. In such a case, the Regulator might require to have it done by an external consulting firm which would not have been budgeted.	500,000	0.5	The estimator empirical tale shape is 1.4, based on 6 internal losses, from 2009 to 2019. However, in the opinion of the experts, this frequency is too high. Indeed, the experts consider that most of the monitoring and reporting work in the entity is not subject to a loss beyond 50 k€ if an error or a delay would occur. Then, the frequency was defined based on the observed internal losses of EH (6 losses over the last 11 years). The experts deemed that a frequency of 0,5 event / year is consistent. In addition, the expert underlined that the control environment, which includes external audit, cross-checking and 4 eyes principles, is deemed good.	The amount was assessed based on the highest RSCA associated to this Risk Category and related to the unawareness of filling deadlines or requirements. Given the increase of reporting obligations required by FINMA to EH Reinsurance AG, the experts considered this 1-in-20Y amount as consistent with the cost of an external consulting firm in case of a failure to comply with an unexpected mandatory report to FINMA.	To ensure plausibility and to challenge the expert's assessment, the single loss distribution properties were discussed. According to the experts, the resulting average loss (225 K€) is sound. We have run the backtesting of the parameters including EH loss data to check the parameterization. Backtesting plausibility passed as it is greater than 17
Trade Counterparties	The 1-in-20 storyline would be a rejection of claim done by EH Reinsurance AG to external reinsurer due to incomplete or inaccurate reinsurance contract. Failure of reinsurance coverage could be because of errors,	225,000	0.2	The frequency was defined based on the judgment of the experts involved and on internal loss data from EH. Indeed, given the lack of internal losses, the experts considered any material event belonging to this L2 Category to be very rare. The frequency is assessed at 0.2 (once every 5 years).	The amount was assessed considering the average indemnification of "large claims" (claims above 1 M€) in all LoBs recorded in 2019 (3.6 M€) and the exposure of EH Reinsurance AG to external reinsurer (6.24%). Percentage of business ceded to external reinsurers was confirmed: (EH BU QS cession	To ensure plausibility and to challenge the expert's assessment, the single loss distribution properties were discussed. According to the experts, the resulting average loss (380 K€) is sound. There is not enough loss data (EH + AZ

L2 Category	Evaluation - Scenario			Plausibility check		
	Storyline	1 in 20 years loss in EUR	Frequency in years	Assessment plausibility - frequency	Assessment plausibility - 1-in-20 year	Backtesting of the parameters
	omissions or other inadequacies in relation to the company's documentation and contracts, resulting in reinsurance related losses or legal costs. This risk includes changes in the interpretation of reinsurance contracts that impact the collectability of existing reinsurance contracts, disputes with reinsurance brokers and/or reinsurers regarding terms of specific reinsurance contracts, or general errors, omissions, or unenforceable or misleading terms in reinsurance policies that generally result in reinsurance coverage not aligned with business needs.				(65%) * EH RE QS cession (32%) *Cession to external reinsurer (30%) = 6.24%. 3.6 M€ * 6.24% = 225 K€. The 1-in-20Y amount is assessed at 225,000 €	segment specific losses >= 50 KEUR) to backtest the assessment for this L2 category.
Human Resources Management	EH Reinsurance AG becoming unable to maintain operating capacity or service quality due to departure of key people at a key position (Solvency II key function or a Top management) or a significant portion of key teams. Staff may not be replaced within a reasonable timeframe; remaining staff unable or not qualified to ensure all tasks leading to a loss.	210,000	0.2	The estimator empirical tale shape, based on EH losses, is 0.1, which is overall consistent with the frequency assessed by the experts (0.2) and the observed internal losses of EH (2 losses over the last 7 years). The experts deemed that a frequency of 0,2 event / year is consistent. Indeed, according to them and based on HR group department inputs, the risk belonging to this category such as inappropriate recruitment, insufficient vetting of staff before recruitment, inappropriate training, incompetent management, inappropriate remuneration policy, inappropriate variable pay and inadequate annual assessment of staff, etc. are very difficult to assess the financial impact. The departure of a key people seems to be the only scenario where the cost of replacement is tangible for the experts to base their frequency assessment	The amount was assessed based on expert judgement. According to the experts, the replacement of the employee that has definitively left the company is estimated at around 210 KEUR. This includes the amount for double salary, an external consultant and severance pay at an average salary rate.	There is not enough loss data (EH + AZ segment specific losses >= 50 KEUR) to backtest the assessment for this L2 category. To ensure plausibility and to challenge the expert's assessment, the single loss distribution properties were discussed. According to the experts, the resulting average loss (203 K€) is sound.

L2 Category	Evaluation - Scenario			Plausibility check		
	Storyline	1 in 20 years loss in EUR	Frequency in years	Assessment plausibility - frequency	Assessment plausibility - 1-in-20 year	Backtesting of the parameters
				on. Therefore, in the opinion of the experts this scenario would happen once every 5 years (0,2/yr) as the staff turnover is very low. Indeed, regarding the storyline, every key people around the group have been identified and for each of them a succession plan is available thus reducing replacement costs under the 50 KEUR threshold.		
Transportation Disruption and Other Disruptions	Business disruption and therefore delay or non-provision of services due to unavailability of personnel because of a pandemic event, resulting in incremental operational costs or financial losses.	150,000	0.2	The frequency is assessed as rare considering the absence of historical data for this risk category and the scarcity of a sanitary crisis such as Covid-19. The experts deemed that a frequency of 0,2 event / year is consistent.	The amount was assessed based on the additional costs brought by the Covid-19 crisis management. It includes the purchases of masks, alcoholic gel, Plexiglas, extra mobile phones; the cancellation of flights tickets; the increase of the monthly phone cost; the fees paid to EY for the SST report issuance which have increased following Covid-19 crisis. Then, the experts deemed the amount of 150,000 EUR for the storyline as consistent.	To ensure plausibility and to challenge the expert's assessment, the single loss distribution properties were discussed. According to the experts, the resulting average loss (202 K€) is sound. There is not enough loss data (EH + AZ segment specific losses >= 50 KEUR) to backtest the assessment for this L2 category.

Appendix 3 : Quantitative templates

Financial situation report: quantitative template

		Currency: CHF Amounts stated in millions		
		in CHF millions Ref. date previous period	in CHF millions Adjustments previous period	in CHF millions Ref. date reporting year
EHRe FX rate per 31.12.2020 EUR - CHF: 1.081548778				
Market-consistent value of investments	Real estate	23	-	21
	Participations	154	-	160
	Fixed-income securities	1,410	-	32
	Loans	36	-	153
	Mortgages	-	-	-
	Equities	76	-	38
	Other investments	287	-	1,414
	Collective investment schemes	276	-	1,402
	Alternative investments	12	-	12
	Structured products	-	-	-
	Other investments	-	-	-
	Total investments	1,985	-	1,818
Market-consistent value of other assets	Financial investments from unit-linked	-	-	-
	Receivables from derivative financial	-	-	-
	Deposits made under assumed	23	-	18
	Cash and cash equivalents	21	-	113
	Reinsurers' share of best estimate of	625	-	635
	Direct insurance: life insurance business (excluding unit linked life insurance)	-	-	-
	Reinsurance: life insurance business (excluding unit linked life insurance)	-	-	-
	Direct insurance: non-life insurance	-	-	-
	Direct insurance: health insurance	-	-	-
	Reinsurance: non-life insurance	625	-	635
	Reinsurance: health insurance	-	-	-
	Direct insurance: other business	-	-	-
	Reinsurance: other business	-	-	-
	Direct insurance: unit-linked life	-	-	-
	Reinsurance: unit-linked life	-	-	-
	Fixed assets	-	-	-
	Deferred acquisition costs	-	-	-
	Intangible assets	0	-	0
Receivables from insurance business	311	-	230	
Other receivables	10	-	30	
Other assets	-	-	0	
Unpaid share capital	-	-	-	
Accrued assets	12	-	0	
Total other assets	1,003	-	1,027	
Total market-consistent value of assets	Total market-consistent value of assets	2,989	-	2,845
BEL: Best estimate of liabilities (including unit linked life insurance)	Best estimate of provisions for insurance	1,506	-	1,480
	Direct insurance: life insurance business	-	-	-
	Reinsurance: life insurance business	-	-	-
	Direct insurance: non-life insurance	-	-	-
	Direct insurance: health insurance	-	-	-
	Reinsurance: non-life insurance	1,506	-	1,480
	Reinsurance: health insurance	-	-	-
	Direct insurance: other business	-	-	-
	Reinsurance: other business	-	-	-
	Best estimate of provisions for unit-linked life	-	-	-
Direct insurance: unit-linked life	-	-	-	
Reinsurance: unit-linked life	-	-	-	
Market-consistent value of other liabilities	Non-technical provisions	0	-	0
	Interest-bearing liabilities	-	-	-
	Liabilities from derivative financial	-	-	-
	Deposits retained on ceded reinsurance	-	-	-
	Liabilities from insurance business	173	-	146
	Other liabilities	2	-	1
	Accrued liabilities	30	-	2
Subordinated debts	-	-	-	
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	1,711	-	1,628
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	1,277	-	1,217

Financial situation report: quantitative template
"Solvency Solo"

Currency: CHF
 Amounts stated in
 millions

EHRe FX rate per 31.12.2020 EUR - CHF: 1.081548778

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in CHF millions	in CHF millions	in CHF millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market- consistent value of other liabilities	1,277		1,217
	Deductions	-210		-54
	Core capital	1,067		1,163
	Supplementary capital	-		-
	RBC	1,067	-	1,163

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in CHF millions	in CHF millions	in CHF millions
Derivation of target capital	Underwriting risk	577		406
	Market risk	189		180
	Diversification effects	-25		-24
	Credit risk	74		69
	Risk margin and other effects on target	-186		-112
	Target capital	629	-	519

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in %	in %	in %
SST ratio		173%	-	228%

Financial situation report: quantitative template "Performance Solo"

Currency: CHF or annual report currency
Amounts stated in millions

	Total		Direct non-Swiss business	
	Previous year	Reporting year	Total	
			Previous year	Reporting year
1 Gross premiums	1,773	1,128	1773	1128
2 Reinsurers' share of gross premiums	-712	-488	-712	-488
3 Premiums for own account (1 + 2)	1,061	640	1061	640
4 Change in unearned premium reserves	-13	54	-13	54
5 Reinsurers' share of change in unearned premium reserves	7	-20	7	-20
6 Premiums earned for own account (3 + 4 + 5)	1,054	674	1054	674
7 Other income from insurance business	1	1	1	1
8 Total income from underwriting business (6 + 7)	1,055	675	1055	675
9 Payments for insurance claims (gross)	-837	-550	-837	-550
10 Reinsurers' share of payments for insurance claims	327	190	327	190
11 Change in technical provisions	-37	-83	-37	-83
12 Reinsurers' share of change in technical provisions	52	50	52	50
13 Change in technical provisions for unit-linked life insurance			0	0
14 Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	-495	-394	-495	-394
15 Acquisition and administration expenses	-621	-417	-621	-417
16 Reinsurers' share of acquisition and administration expenses	266	197	266	197
17 Acquisition and administration expenses for own account (15 + 16)	-355	-220	-355	-220
18 Other underwriting expenses for own account	-	-	0	0
19 Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	-850	-613	-850	-613
20 Investment income	42	76		
21 Investment expenses	-6	-38		
22 Net investment income (20 + 21)	36	37		
23 Capital and interest income from unit-linked life insurance	-	-		
24 Other financial income	13	23		
25 Other financial expenses	-12	-32		
26 Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	242	90		
27 Interest expenses for interest-bearing liabilities	-1	-1		
28 Other income	-	-		
29 Other expenses	-	-		
30 Extraordinary income/expenses	-	-		
31 Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	241	89		
32 Direct taxes	-29	1		
33 Profit / loss (31 + 32)	212	91		

Appendix 4 : Glossary

Terms / Abbreviations	Description
AC	Available Capital
AEP/AER	Attritional Events Premium/Reserve Risk
ARC	Audit, Risk & Compliance Committee
BE	Best Estimate
BoD	Board of Directors
BoM	Board of Management
BREXIT	Withdrawal of the United Kingdom from the European Union
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFAO	Chief Financial and Administrative Officer
CHF	Swiss franc
CoViD-19	Corona Virus Disease 2019
CRisP	Credit Risk Platform
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
CUW	Commercial Underwriting
CY	Current Year
DTT	Deficiency tracking Tool
EBNR	Earned But Not Reported
EH	Euler Hermes
EH Group	Euler Hermes Group
EH NAM	Euler Hermes North America
EH Re AG	Euler Hermes Reinsurance AG
EH Ré SA	Euler Hermes Reinsurance SA
EH SA	Euler Hermes SA
EoY	End of Year
ESG	Environmental, Social and Governance
EUR	Euro
FCR	Financial Condition Report
FiCo	Financial Committee
FINMA	Swiss Financial Market Supervisory Authority
FRSI	Reinsurance Tool
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Principles
GBP	British Pound sterling
GovCC	Governance and Control Committee
ICOFR	Internal Control over Financial Reporting
IE1/IE2	Individual Events 1/2

Terms / Abbreviations	Description
IRCS	Integrated Risk and Control System
IT	Information Technology
LE	Legal Entity
LoB	Line of Business
MCBS	Market Consistent Balance Sheet
MVM	Market Value Margin
OREC	Operational Risk Event Capture
ORM	Operational Risk Management
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty
PRM	Project Risk Management
PY	Prior Year
QS	Quota Share
RBC	Risk Bearing Capital
RCSA	Risk & Control Self-Assessment
RiCo	Risk Committee
RM	Risk Margin
RoRC	Return on Risk Capital
RPF	Risk Policy Framework
S2	Solvency 2
S&P	Standard & Poor's
SCR	Solvency Capital Requirement
SAA	Strategic Asset Allocation
ScA	Scenario Analysis
SLA	Service Level Agreement
SST	Swiss Solvency Test
Stand Re	Standard formula to calculate insurance risk for reinsurance companies
TC	Target Capital
TCI	Trade Credit Insurance
TCU	Transactional Cover Unit
ToM	Target Operating Model
TRA	Top Risk Assessment
USD	United States Dollar
UW	Underwriting
VaR	Value at Risk
WA	World Agency
XoL	Excess of Loss