



EULER HERMES

**Euler Hermes Reinsurance AG**

**Financial Condition Report**

*Based on 31/12/2021 figures*

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## Executive Summary

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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 31.12.2021.

The EUR/CHF rates used in this report are the year-end rates applied by Euler Hermes Reinsurance AG (EH Re AG) in its financial statements 2021 for the balance sheet positions: 1 EUR = 1.0362 CHF (1.0815 in 2020).

In order to fulfil the reporting and disclosure obligations according to FINMA Circular 2016/2 Public Disclosure, the report describes the following areas:

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

### Business activities (A)

Incorporated in 2005, Euler Hermes Reinsurance AG (EH Re) is the internal reinsurer of the Euler Hermes Group (EH Group), the world's leading provider of trade-related credit insurance solutions with more than 100 years of client support and responsiveness to changing business environments. Euler Hermes (EH) is backed by Allianz, one of the leading financial services providers worldwide.

Since a capital restructuring in 2020 in the context of the project REACH, EH Re is fully owned by Allianz Re Dublin dac which is held by Euler Hermes Group SAS (45%) and Allianz Europe BV (55%).

The shareholder structure is presented in chapter A.2.1.

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. Moreover, EH Re AG and Euler Hermes Ré 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 since 2014.

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

The only change in reinsurance 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.

Finally, Euler Hermes Group has changed its brand name to Allianz Trade effective 28.03.2022. However, this has no impact on the legal entity name of Euler Hermes Reinsurance AG which remains unchanged.

## Company success (B)

In 2021 EH Re's overall profitability increased significantly compared to 2020. Earned premiums have increased by CHF 149.5 million (22%) from CHF 674.0 million to CHF 823.5 million mainly impacted by the exit of the State Support Schemes by the end of June 2021 in all countries where those had been implemented in 2020.

The net financial result has decreased from a profit of CHF 28.7 million to a loss of CHF 29.9 million in 2021. This development on the one hand comes from significantly lower investment income from interest and dividends (-47%) due to the market environment and less realized gains on investments (-91%). On the other hand, foreign exchange losses have increased by 63% compared to 2020 due to currency losses.

## 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.

EH Re AG has also implemented four independent key functions (Risk Management which is partly outsourced to EH SA, Compliance, Actuarial which is outsourced to EH SA, and Internal Audit which is outsourced to EH Services SAS), constituting the 2<sup>nd</sup> and 3<sup>rd</sup> level of its "three lines of defense" organization.

To ensure the effectiveness of these functions, EH Re AG has set up a Policy Framework which is a set of Corporate Rules aiming to establish binding regulations or guidelines of relevant topics. It includes but is not limited to high Fit & 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 BoM 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 668mn at the end of December 2021, up by CHF 150mn compared to 2020. The strong increase is mainly explained by the end of the state schemes as well as the post pandemic recovery 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 1,206mn up by 4% compared to 2020, after deduction of a planned dividend of CHF 130mn. 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 2022 Ratio is at 183% and down compared to the 228% ratio of 2021 reflecting a back to normal situation compared to a low claim environment during the pandemic. The SST 2022 ratio stays well above the target management ratio of 165% defined in EH Re AG Risk Appetite.

## A. Business activities

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### 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 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 2021 is CHF 154.2 million, CHF 63.5 million (70%) up compared to 2020.

#### A.1.2. Business outlook

EH Re was expecting for 2022 a solid increase in turnover, fueled by the macroeconomic recovery and the strong strategic fundamentals of the company. It was also expected, that, with the ending of the State Support Schemes, claims would gradually increase and come back at a more usual level. The uncertainties entailed by the Ukrainian crisis and the sanction taken on Russia by the Western countries are changing the situation. The macroeconomic environment is likely to be far more uncertain, and, at the end, less favorable. In response to this new environment, the ceding Euler Hermes entities will need to adjust their commercial and risk stance and be more restrictive. At the time of writing the current document, uncertainty prevails, but the management remains confident that EH Re will be able to navigate through this crisis and deliver strong results.

Return to normal, with a stronger turnover growth and a stronger profitability, is in this context difficult to predict.

Compared to 2021, the panel of external reinsurers has been extended. Apart from smaller changes, the overall reinsurance structures of EH Re will mostly remain unchanged in 2022 with no further local State Support Schemes in place except for Run-Off. The Group Stop Loss treaty implemented since the underwriting year 2019 has been renewed successfully and will continue to cover the net retention of EH Re and the ceding entities.

The financial markets are expected to remain volatile, fueled by rising inflation concerns. 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<sup>1</sup>. A buyer has not been found, but the initiative will be continued in 2022 despite the difficult economic environment.

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

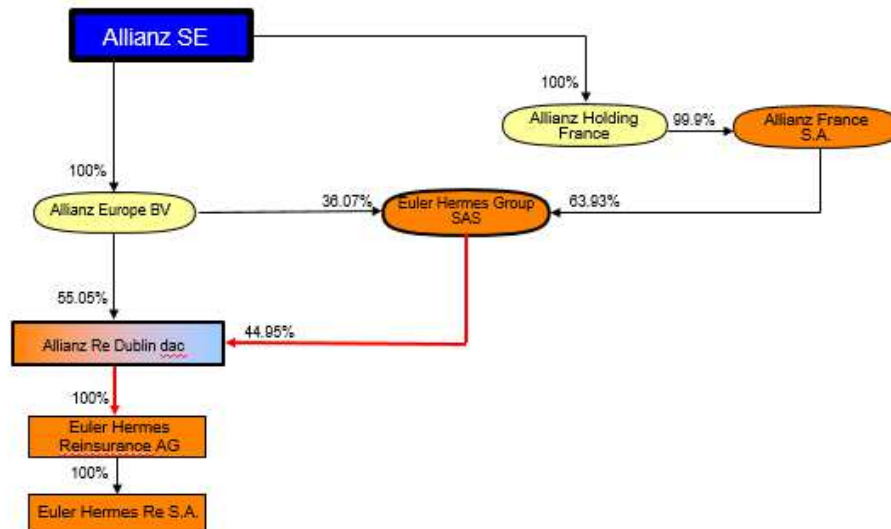
### A.2.1. Legal Entity & Group structure

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

Euler Hermes Reinsurance AG  
 Richtplatz 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



<sup>1</sup> See Appendix 4 for detailed impact assessment on SST ratio

## 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 34mn; and
- with Allianz Europe BV, amounting to CHF 104mn.

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

### A.2.2.4. Participations

EH Re AG has investments in affiliated enterprises for a total of CHF 149mn, as follows:

- EH Ré SA: CHF 75mn, corresponding to 100% share in the capital;
- EH Patrimonia SA: CHF 57mn, 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 2021 Financial Statements were audited by:

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

PwC's opinion on the 2021 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 31.05.2021 for the financial year 2021.

#### 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 2021 and subsequent events

- Covid-19

As a result of the various government stimulus, be it economical or fiscal, as well as the State Scheme Supports in place until June 2021, the year 2021 has shown an artificially lower claim frequency compared to prior/pre-pandemic years. This is expected to go back to a normal trend in the course of 2022, subject to further impact from the Russia-Ukrainian war.

- Russia - Ukraine war

In February 2022, the conflict between Russia and Ukraine sharply escalated; on 24 February 2022, Russia decided to invade Ukraine. The military actions in Ukraine and their wider geo-political consequences are creating economic shockwaves that will cause several chain reactions across many sectors.

As the attack on Ukraine continued to escalate, further targeted economic actions and sanctions have been imposed on the Russian economy and individuals by governments around the world. Further escalation cannot be excluded with even harsher sanctions and counter-sanctions (including on energy supply), which would mean a freeze on all economic & financial relations between Russia & the West. If sanctions go as far as cutting oil & gas supply, taking into account usable FX reserves

(excluding frozen reserves), it would take around 2 months before Russia defaults fully (including covering imports and short-term debt repayments, of which foreign suppliers).

A self-induced Russian sovereign technical default is therefore underway and in the short term, capital controls are sharply increasing the risk to financing flows in the context of trade between Russian buyers and foreign companies. From a trade perspective, direct exposure is concentrated and limited. Eastern European countries are most at risk from either or both import/export dependencies. Beyond the well-known large exports of oil & gas, Russia also exports large volumes of fertilizers, metals (iron, steel, aluminum, copper, nickel, tin etc.) and food commodities, especially wheat. On the services side, travel and transport sectors are most exposed. The world exposure to Russia through goods and services trade flows is about USD 820bn a year. Depending on the evolution of sanctions the total value at risk could reach a maximum of 50% of the total flows.

Euler Hermes expects non-payment risk to increase along with the two years of expected recession in Russia. Euler Hermes is monitoring all developments of this conflict, remaining fully committed to protect its clients against all events that could affect their business and cash flow. In this context, there has been a drastic drop in export volumes to Russian buyers from our policyholders, as they exercise the due care and prudence expected in such situations. Consequently, Euler Hermes will keep adapting its exposure accordingly.

Euler Hermes will strive to support customers that may still need to trade by exception, as long as this is permissible from a sanctions' perspective and customers can confirm they are able to receive payments for goods or services provided. Therefore, Euler Hermes has requested its customers expecting to make any new deliveries to contact Euler Hermes to obtain a prior agreement in writing.

With regard to the domestic requirements of Euler Hermes customers in Russia, the Group will continue to work with them, to manage exposure and to adapt portfolio.

EH Re will continue to assess the situation carefully in cooperation with the ceding companies of the Euler Hermes Group and all other related parties.

## B. Company success

### B.1. Underwriting performance

The following table summarizes EH Re AG's underwriting performance:

**Figure 2:** EH Re AG underwriting performance

In CHF mn	EoY 2021	EoY 2020	Δ	%
Earned premiums for own account	823	674	149	22%
Other income from insurance business	1	1	0	0%
Total income from the insurance business	824	675	149	22%
Claims expenses for own account	-330	-393	63	-16%
Acquisition and administration costs for own account	-287	-220	-67	30%
Total expenses from the insurance business	-617	-613	-4	1%

In CHF mn	EoY 2021	EoY 2020	Δ	%
<b>Underwriting result</b>	207	62	145	234%

Earned premiums have increased by CHF 149mn (22%), from CHF 674mn to CHF 823mn since the State support schemes stopped end of June 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.

From underwriting year 2021 onwards, Poland is ceding directly to EH Re AG.

The cost of claims has decreased by CHF 63mn (-16%), from CHF 393mn to CHF 330mn, the loss ratio significantly decreases from 58% to 40% due to a historically low level of bankruptcies in the markets. This development is mainly driven by the increase in premiums and the favorable claims situation due to the State Support Schemes in Trade Credit while claim costs increased for Surety and Fidelity. The Loss ratio in Trade Credit has decreased (34% in 2021 vs 53% in 2020) where Surety and Fidelity increasing (Surety 65% in 2021 vs 62% in 2020, Fidelity 66% in 2021 vs 57% in 2020).

Acquisition and administration cost increased in 2021 by CHF 67mn (30%), from CHF 220mn to CHF 287mn driven by the increase of premiums earned. Overall the net cost ratio increased by 2.7%pt (35.4% in 2021 compared to 32.6% in 2020). The net cost ratio is at 35.3% for Trade Credit, at 35.1% for Surety & Guarantee, and at 35.9% for Fidelity.

The underwriting result shows a profit of CHF 207mn, higher than 2020 (234%) with a decrease in the net combined ratio (75.6% in 2021 compared to 90.9% in 2020) mainly due to a lower claims ratio partially compensated by a higher cost ratio. The underwriting result in Surety & Guarantee and Fidelity have decreased but were overcompensated by the results in Trade Credit.

## B.2. Financial performance

The following table summarizes EH Re AG's financial performance:

**Figure 3: EH Re AG financial performance**

In CHF mn	EoY 2021	EoY 2020	Δ	%
Interests and dividends	18.6	35.1	-17	-47%
Realized gains on investments	3.7	39.6	-36	-91%
Write ups of investments	0.1	0.9	-1	-89%
Investment income	22.4	75.6	-53	-70%
Investment management expenses	-2.2	-2.4	0	-8%
Realized losses on investments	-0.5	-1.5	1	-67%
Unrealized losses on investments	-14.0	-34.2	20	-59%

In CHF mn	EoY 2021	EoY 2020	Δ	%
Investment expenses	-16.7	-38.1	21	-56%
Investment result	5.7	37.5	-32	-85%
Realized & unreal. currency gains	15.9	22.8	-7	-30%
Other financial income	15.9	22.8	-7	-30%
Realized & unreal. currency losses	-18.5	-31.5	-13	-41%
Inc. & exp. From currency translation	-33.0	0	-33	100%
Other financial expenses	-51.5	-31.5	-20	63%
<b>Financial result</b>	<b>-29.9</b>	<b>28.8</b>	<b>-59</b>	<b>-203%</b>

### B.2.1. Analysis per nature of income and expenses

The net financial result has decreased from a profit of CHF 28.7 million to a loss of CHF 29.9 million in 2021. This development on the one hand comes from significantly lower investment income from interest and dividends (-47%) due to the current market environment and less realized gains on investments (-91%). The significant decrease of the realized gains on investments from CHF 39.6 million to CHF 3.7 million (-91%) as well as the significant decrease of the unrealized losses on investments from CHF 34.3 million to CHF 14.0 million (-59%) is due to prior year impacts from the bond portfolio transfer from directly held investments into the Sántis Umbrella Fund. On the other hand foreign exchange losses have increased by 63% compared to 2020 due to currency losses.

### B.2.2. Analysis per class of assets

#### B.2.2.1. Investment income

In CHF mn	EoY 2021	EoY 2020	Δ	%
Investments in affiliated enterprises	0.3	15.5	-15.2	-98%
Bonds	2.1	48.0	-45.9	-96%
Intercompany loans	0.1	0.2	-0.1	-50%
Sántis Umbrella fund	13.2	3.8	9.4	247%
Bond funds	4.2	5.2	-1.0	-19%
Private equity fund of funds	0.9	0.5	0.4	80%
Property funds	1.4	1.8	-0.4	-22%
Deposits retained on assumed business	0.2	0.2	0.0	0%
Cash	0.0	0.4	-0.4	-100%
<b>Investment income</b>	<b>22.4</b>	<b>75.6</b>	<b>53.2</b>	<b>70%</b>

Despite the increase in the total value of the investments by CHF 271 Million, the investment income decreased significantly (decrease by CHF 53.2 Million in 2021, down to CHF 22.4 Million). This is mainly caused by realized gains on bonds in 2020 due to the transfer to Sántis Umbrella Fund and lower dividend received from investment in affiliated enterprises.

In 2021, EH Re AG shows the following investment income per asset classes:

- Investments in affiliated enterprises: income of CHF 0.3 Million, CHF 15.2 Million decrease due to lower received dividends,

- Bonds: income of CHF 2.1 Million, CHF 45.9 Million decrease. The lower income on bonds is caused by no realized gains in 2021 (in 2020 high amount was due to bonds transfer from the directly held portfolio to Sántis Umbrella Fund);
- Intercompany loans: income of CHF 0.1 Million, slight decrease of CHF 0.05 Million,
- Sántis Umbrella Fund: income of CHF 13.2 Million, increase of CHF 9.4 Million due to better market conditions and higher volume of investments;
- Bond Funds: income of CHF 4.2 Million, CHF 1 Million decrease;
- Private equity funds of funds: income of CHF 0.9 Million, CHF 0.4 Million increase;
- Property funds: income of CHF 1.4 Million, CHF 0.4 Million decrease;
- Deposits retained on assumed business: income of CHF 0.2 Million, stable;
- Cash: no income in 2021, decrease of CHF 0.3 Million.

In 2020 and 2021 there was no income from shares

### B.2.2.2. Investment expenses

In CHF mn	EoY 2021	EoY 2020	Δ	%
Investments in affiliated enterprises	2.3	0.0	2.3	100%
Bonds	0.1	1.3	-1.2	-92%
Sántis Umbrella fund	12.2	34.5	-22.3	-65%
Bond funds	1.9	1.6	0.3	19%
Equity funds	0.0	0.1	-0.1	-100%
Property funds	0.2	0.6	-0.4	-67%
Investment income	16.7	38.1	-21.4	-56%

Total investment expenses decreased by CHF 21.4 Million, down to CHF 16.7 Million, mainly caused by lower amount of write-downs in 2021. The high amount of write-downs in prior year was caused by transfer of the investments to Sántis Umbrella Fund.

In 2021, investment expenses according to asset classes were as follows:

- Investments in affiliated enterprises: expenses of CHF 2.3 Million, increase due the write-down on Patrimonia,
- Bonds: expense of CHF 0.1 Million, CHF 1.2 Million decrease. The lower expenses on bonds are mainly due to no realized losses on bonds in 2021,
- Sántis Umbrella fund: expenses of CHF 12.2 Million, decrease of CHF 22.3 Million, mainly due to lower write downs on the side of Sántis Umbrella fund,

- Bond Funds: expense of CHF 1.9 Million, CHF 0.3 Million increase. The higher expenses on bonds funds are mainly due to higher write downs in 2021,
- Equity funds: no expense in 2021, slight decrease of CHF 0.1 Million,
- Property funds: expense of CHF 0.2 Million, decrease of CHF 0.4 Million,

### 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 (partly outsourced to EH SA);
- Compliance function;
- Actuarial function (outsourced to EH SA); and
- Internal Audit function (outsourced to EH 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 June 2021, the BoD is composed of the following members:

- Jan Störmann, Chairman of the Board;
- Clarisse Kopff, Board member;
- Wilfried Verstraete, Board member;
- Colm Costello, Board member;
- Dr. Marita Kraemer external Board member; 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 supervising finance and compliance;
- The Risk Committee supervising the risk management of EH Re;
- The Financial Committee (FiCo) supervising the investment strategy and asset management; and
- The Nomination & Remuneration Committee supervising the appointment and remuneration of BoD and BoM members.

The Audit & Compliance Committee and the Risk Committee are composed of the following members:

- Roland van Malderghem (Chairperson);
- Jan Störmann<sup>2</sup>;
- Clarisse Kopff;
- Wilfried Verstraete;
- Colm Costello and
- Dr. Marita Kraemer.

The FiCo is composed of the following members:

- Clarisse Kopff (Chairperson);
- Wilfried Verstraete;
- Jan Störmann;
- Colm Costello;
- Dr. Marita Kraemer and
- Roland Van Malderghem.

The Nomination & Remuneration Committee is composed of the following members:

- Dr. Marita Kraemer (Chairperson)
- Clarisse Kopff
- Jan Störmann;

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.

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<sup>2</sup> until 23.03.2022

### 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 2021 the composition of the BoM of EH Re AG remains the same as in 2020:

- Benoît des Cressonnières, CEO;
- Birte Inninger, CFAO; and
- Nigel Pryor, 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 31.12.2021, the key function holders remain the same as in 2020:

- 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 function is managed by the Chief Audit Executive (CAE). The CAE reports to the EH Group CEO, to the EH Audit, Risk and Compliance Committee and to the 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.

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. Compliance with the above principles is ensured through adequate reporting lines and information rights. In addition, to ensure independent judgement, any bonus received by Internal Audit function representatives is based exclusively on achieving qualitative individual targets rather than on the financial and business results.

#### 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 including Internal Audit 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:

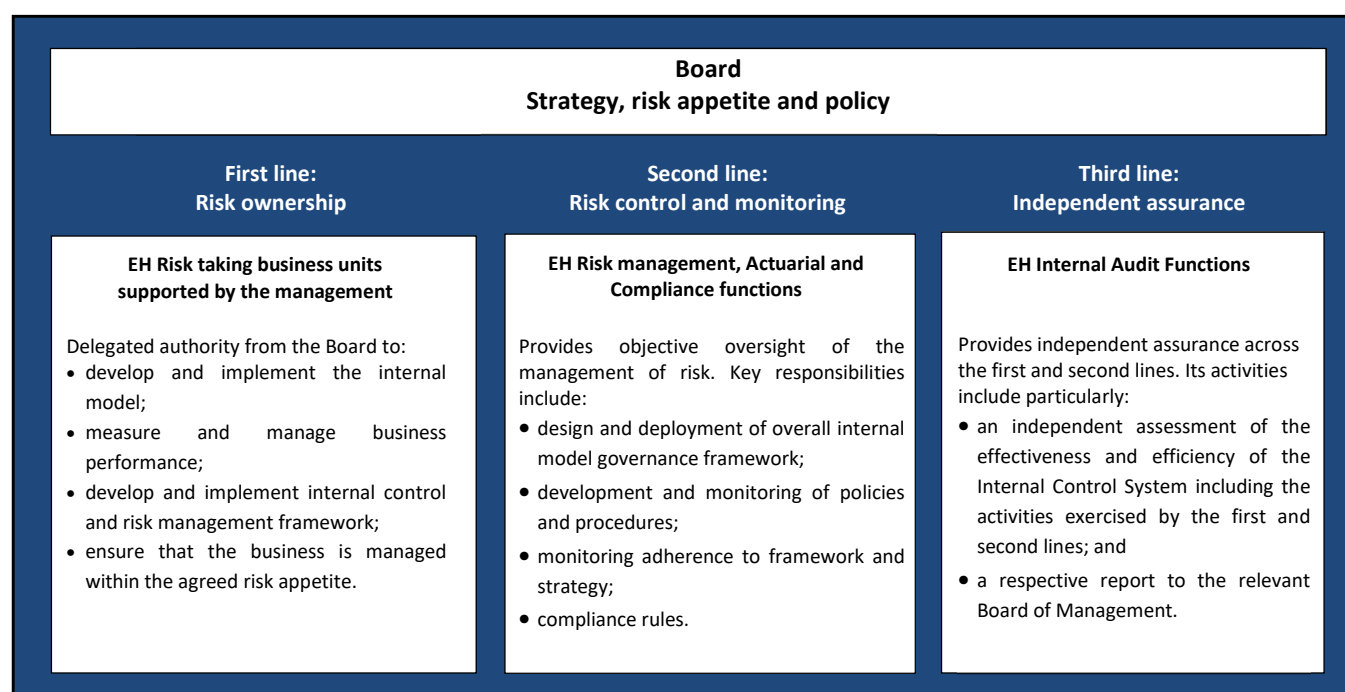
- Providing recommendations to the Board of Directors on the appointment of members of the Board of Directors, the Board Committees, and the Management. The Committee will thereby take into account and its provisions on the composition of the Board of Directors. It will also verify the integrity, competence, 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

EH has adopted the “Three lines of defense” model for risk governance, with clear responsibilities between the different organizational functions. It defines as the first line of defense the Operating Business, as second-line control functions the Actuarial, Compliance, Legal<sup>3</sup>, Accounting & Reporting, and Risk functions, and as third-line the Internal audit. This model is described hereafter:

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<sup>3</sup> In addition to the Independent Control Functions determined by the Solvency II Law (Actuarial, Internal Audit, Compliance and Risk), Legal and Accounting & Reporting have been designated as key functions.

**Figure 4:** “Three lines of defence” model

### 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.

### 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
<b>Entity level controls (ELC)</b>	Standard set of entity level controls including testing intervals and allocation of control responsibilities.	Risk Function Control Owners Group Internal Audit (for effectiveness testing)	Governance and Control Policy
<b>Controls around IT &amp; Information Security (IS)</b>	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)
<b>Controls around risk capital calculation</b>	Validation of models and assumptions.	Group Risk	Standards for Model Governance and Model Change
<b>Controls around P&amp;C (Property &amp; Casualty) underwriting</b>	Control framework: principles, limits, control samples...	Group MMCD & GCI	Standards for P&C underwriting

Control area	Perimeter	Responsibility	Main documentation
<b>Controls around investments</b>	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 2021.

The following table shows the evolution of the Top Risks identified and their assessment between 2020 and 2021. 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**

#	Risk	TRA Q4.2021 Final					TRA Q4.2020 FINAL					Evolution
		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 Surety 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 new lines of business/new products						2	3	3	3	2	removed
R15	Product risk	3	2	3	2	2	3	2	3	2	2	no change
R17	CUW on non-traditional & non standard activities						2	3	3	3	2	removed
R18	State Support Schemes						3	3	5	4	3	removed

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 2021.

The defined action plans regarding the assessment of the implementation quality of the Allianz Compliance Oversight tool and the integration of the CARE program into the already existing control environment are completed. Following the FINMA onsite review in 2021, there are action plans on 2 Compliance topics and the deadline to comply with Swiss requirements is 30.06.2022.

## 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 (corresponds to Risk Bearing Capital) 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 2021	EOY 2020	Var
Underwriting Risk (Current Year)	216	170	46
Reserving Risk (Prior Year)	446	318	128
Diversification	-73	-82	9
<b>Expected Shortfall Insurance</b>	<b>589</b>	<b>406</b>	<b>183</b>
Market Risk	219	180	39
Credit Risk	136	69	68

in CHF mn	EOY 2021	EOY 2020	Var
Diversification	-46	-24	-23
<b>Expected Shortfall Insurance Market and Credit Risk</b>	<b>898</b>	<b>631</b>	<b>267</b>
Expected Shortfall Insurance Market and Credit Risk incl. Scenarios	898	631	267
Expected Insurance Result	-236	-114	-122
Expected Financial performance over 1 year risk free	-15	-13	-2
<b>Insurance &amp; Market &amp; Credit Risks = Target Capital</b>	<b>647</b>	<b>504</b>	<b>143</b>
Risk Margin (Market Value Margin)	21	14	7
<b>Target Capital</b>	<b>668</b>	<b>519</b>	<b>150</b>
<b>Risk Bearing Capital</b>	<b>1206</b>	<b>1162</b>	<b>44</b>

NB: Totals and/or variations might appear different from "2021 minus 2020" 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 2021	EOY 2020	Var
Attritional Events Premium Risk (AEP)	388	279	110
Individual Events 1 (IE1)	219	185	34
Diversification (Premium Risk)	-179	-149	-30
Underwriting Risk (CY Risk) (netgross)	428	315	113
Stop Loss Effect	-212	-145	-67
Underwriting Risk (CY Risk) (Net of Stop Loss)	216	170	46

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

The CY Attritional Events Premium Risk (AEP) increased by CHF 110mn (39%) to CHF 388mn. The increase is explained by the portfolio growth driven by the global post pandemic economic recovery. This was translated by an increase in volumes. It is to be mentioned that the state support schemes stopped in June 2021, which also contributes to the increase. As a reminder, during the course of 2020 agreements with multiple European governments were sealed to provide businesses with a protective

shield, enabling them to continue trading safely. These schemes translates into a reduction of the premium and claims volumes.

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 increased by 34mn, this is mainly driven by the re-parametrization of the scenarios.

The net CY Risk decreased by CHF 46mn 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 2021	EOY 2020	Var
Attritional Events Reserve Risk (AER)	324	256	68
Individual Events 2 (IE2)	268	233	35
Diversification (Reserving Risk)	-146	-172	25
<i>Reserving Risk</i>	446	318	128

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 268mn, which represents an increase compared to CHF 233mn calculated on year 2020.

The increase in AER is a direct consequence of the increase in reserves resulting from the portfolio growth driven by the global post pandemic economic recovery and the cessation of the state support schemes.

The decrease 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 increased by CHF 183mn or 45% compared to EoY 2020. The increase 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 fixed income investment cash flows.

The table below shows the details of the Market Risk evolution between 2020 and 2021:

**Figure 10: Market Risk evolution**

Risk factors	EOY 2021	EOY 2020	Var
Standalone interest rate risk	88	72	15
<i>Standalone CHF rate risk</i>	1	1	1
<i>Standalone EUR rate risk</i>	81	70	11
<i>Standalone USD rate risk</i>	5	2	4
<i>Standalone GBP rate risk</i>	3	0	2
Standalone spread risk	101	76	25
Standalone currency risk	40	10	30
Equity risk	26	15	11
Real estate risk	18	17	2
Private Equity risk	6	6	0



Participation risk	84	80	4
<b>Total market risk before diversification</b>	<b>363</b>	<b>276</b>	<b>87</b>
Diversification effects risk	-144	-96	-48
<b>Total market risk</b>	<b>219</b>	<b>180</b>	<b>39</b>

NB: Totals and/or variations might appear different from "2021 minus 2020" due to rounding

The increase in market risk is globally driven by the increased market value of the investment portfolio.

The main movements are:

- An increase of 83% (EUR 11 Million) in equity driven by the economic recovery that allowed for the interruption of the de-risking of the investment portfolio introduced following the market crash in March 2020 during which EH Re reduced the exposure to riskier assets (equities and fixed income);
- An increase of 26% (EUR 18 Million) (dominated by EUR) in interest rate, following the increase in fixed income investments especially via the collective investment funds. Similar to the equity evolution, this a consequence of the economic recovery and interruption of de-risking strategy;
- Higher diversification benefits between investment classes due to the increase in equity securities;
- An increase in spread and currency risks, driven by the increase in the market value of fixed-income investments and insurance liabilities which is explained by the economic conditions' improvement.

The investments are still dominated by EUR similar to last year.

#### D.2.2.5. Credit Risk

The Credit Risk is computed using the standard approach, that is now based on the Merton model, following the new credit technical documentation. The Basel III approach is therefore only applicable in case of assets where the Merton model cannot be applied.

The rating sources for reinsurance (i.e. retrocession exposures) and investments exposures are defined by Allianz risk rating waterfall approach, based on ratings provided by rating agencies (S&P, Moody's and Fitch).

The exposure split per counterparty class is shown below, the Credit Risk on EH Re AG's portfolio increased by CHF 67mn or 97% compared to EoY 2020.

**Figure 11:** Credit Risk split per class

Exposure without credit risk mitigation (CRM) in CHF mn	EOY 2021	EOY 2020	Var	Relative Var
Central governments and central banks	433	400	33	8%
Public-sector entities	51	39	13	33%

Exposure without credit risk mitigation (CRM) in CHF mn	EOY 2021	EOY 2020	Var	Relative Var
Bank and security dealers	282	187	95	51%
Corporate positions	2'435	1'948	487	25%
BIS, IMF and multilateral development banks	21	18	3	19%
Stock exchanges, clearing houses and central counterparties	2	2	-	-3%
<b>Total</b>	<b>3'225</b>	<b>2'594</b>	<b>631</b>	<b>24%</b>
<b>Credit Risk</b>	<b>136</b>	<b>69</b>	<b>67</b>	<b>97%</b>

The increase in the credit risk is driven by the increase in the amount of exposed assets to credit risk as well as the change in the credit risk model.

#### D.2.2.6. Insurance, Market & Credit Risks

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

With the new credit risk model, the diversification is now taken directly into account. Therefore it is not exactly comparable to the previous model. The diversification between market credit and insurance risks amounts to CHF 46mn compared to CHF 24mn in 2020.

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

#### D.2.2.7. Expected Underwriting Performance

For the financial year 2022, 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 236mn after discounting and net of retrocession. This amount is made up of the following components:

**Figure 12:** EH Re AG expected underwriting performance

Net & Discounted in CHF mn	SST 2022	SST 2021
Net expected written Premium	1'049	588
Net expected losses	-453	-235
Net expected costs	-361	-239
<b>Expected Insurance Result</b>	<b>236</b>	<b>114</b>

### D.2.2.8. Expected Financial Performance

An expected investment return of CHF 15mn is estimated based on the SST Standard Model. The table below shows investment returns per asset type as per FINMA's Standard Model.

**Figure 13: Investment returns per asset type**

in CHF mn	Expected return 2021	Exposure 2021
Mortgages	1.5%	0
Corporates	0.7%	1610
Equity	4.0%	70
Hedge funds	2.0%	0
Private equity	5.0%	12
Real estate	3.0%	97
Delta Remainder	0.0%	0
<b>Expected financial performance</b>		<b>15</b>

### 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 21mn, which represents an increase of CHF 7mn 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 increases in line with the increase in PY and CY Risk. This is the main driver for the increase 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 2021 are linked to Market Risk. These tests are consistent with the tests performed for EoY 2020. The results of these stress tests are not included in the target capital calculation; they show the potential impact of these situations on the available capital.

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**

in CHF mn	EOY 2021	EoY 2020	Var	%
Global recession	-124	-106	-18	17%
Global depression	-298	-263	-35	13%
Real estate crisis in Switzerland	-351	-265	-87	33%

The overall impact on risk-bearing capital of those scenarios increased compared to the previous year. The main reasons for this increase are the changes in the scenario parametrization and the change on the investment portfolio that is coming back to normal with the economic recovery and increased appetite in 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 :

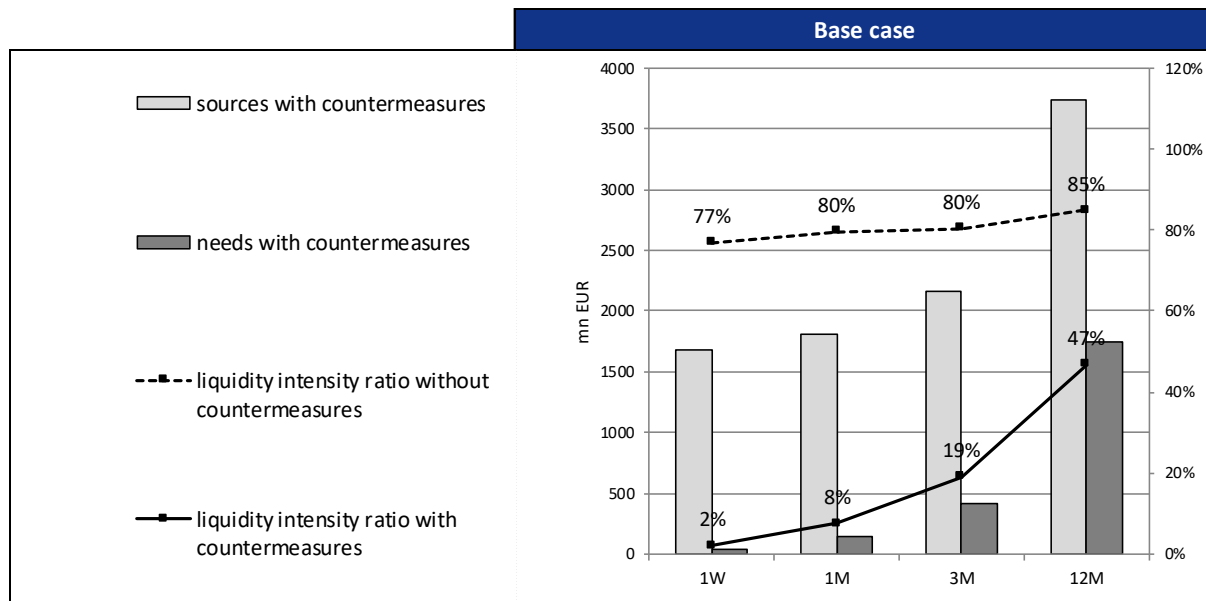
Condition	Consequence
No warning level (<80%)	No further actions required by the Risk function.
Warning level (80%-100%)	Explanation of status in liquidity risk report by the Risk function.
Limit breach (>100%)	EH Re AG prepares a remediation plan to bring back the liquidity ratio in the green zone. 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 2021, 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.

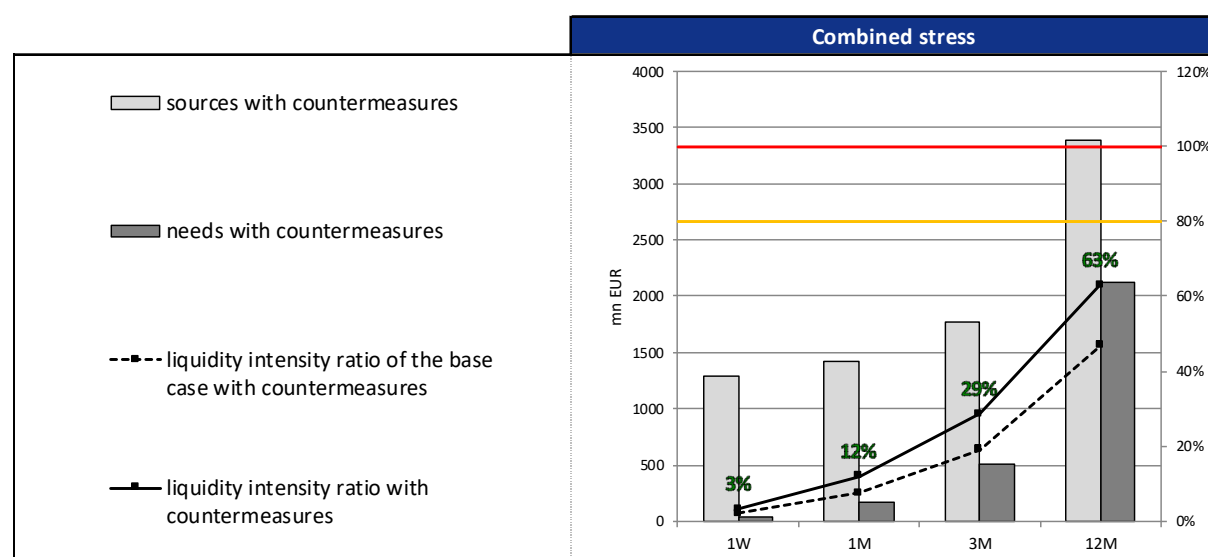
EH Re AG’s liquidity ratio would be higher than the action level in the 3 months horizon and higher than the alert level in the 12 months horizon without considering countermeasures. However, considering countermeasures (such as the sale of invested assets), the ratio would remain in the green zone over 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 2021: 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 2021 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		2021	
	Actual value	Limit	Actual value	Limit
Credit VaR (CVaR)	383	551	408	580
Financial VaR	70	88	109	131
Duration gap	N.A	N.A		4.4
IR +100bps sensitivity	-39	-44	-	-
EQ -30% sensitivity	-11	-12	-20	-34

It must be noted that the Financial VaR now excludes the insurance risk and only covers investment risks.

Those limits have been updated as a result of the 2021 Planning Dialogue. These are in force from 4Q 2021 to 3Q 2022.

### 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 2021 limit %	Leeway %		4Q 2021 Actual AA%	Conclusion
		Min	Max		
Fixed income	89.3%	83.3%	100%	90.2%	No Breach
Public equity	4.2%	0%	6.2%	2.9%	No Breach
Other /Alternative	1%	0%	3%	1.6%	No Breach
Real estate	5.4%	0%	7.4%	5.3%	No Breach

No breach is observed at 4Q 2021 for the different asset categories.

### 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 31.12.2021.

## 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.

EH Re AG continues to fully implement the EH Group Risk Policy Framework which remains under the responsibility of EH Group with respect to implementation and oversight.

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 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**

<b>EH RE AG Policies and Standards</b>	
<b>EH Risk Policy</b>	Establishes a set of guiding principles and a common framework for risk management throughout EH RE AG.
<b>EH Risk Strategy (Appendix to the Risk Policy)</b> <b>EH Risk Appetite (Appendix to the Risk Strategy)</b>	Define the overall risk appetite of the EH RE AG with respect to all material quantified and non-quantified risks
<b>Allianz Standard for P&amp;C Underwriting</b>	Provides minimum requirements with respect to all P&C underwriting activities and management of the corresponding risks
<b>EH Standard for Operational Risk Management</b>	Provides minimum requirements with respect to the management of operational risks.
<b>EH Standard for Own Risk and Solvency Assessment</b>	Provides minimum requirements with respect to the implementation, conduct and documentation of a solvency assessment for EH RE AG.
<b>EH Standard for Top Risk Assessment</b>	Provides minimum requirements with respect to the performance of an overarching qualitative risk management assessment, covering all risk categories.
<b>EH Reinsurance Treaty Rules</b>	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
<b>EH Standard for Liquidity Risk Management</b>	Provides minimum requirements with respect to the management of liquidity and corresponding liquidity risks.
<b>EH Standard for Reputational Risk Management</b>	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
<b>EH Investment for Management Framework</b>	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.
<b>EH Standard for Model Governance</b>	Provides minimum requirements with respect to the development, validation, approval, implementation, and documentation of the Internal Model.
<b>EH Standard for Credit Risk Management</b>	Provides minimum requirements with respect to the management of credit risks.
<b>EH Standards for Risk Capital Measurement and Aggregation</b>	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.



<b>EH RE AG Policies and Standards</b>	
<b>EH Standard for Market Risk Management and Measurement Framework</b>	Provides minimum requirements with respect to the management of market risks
<b>Allianz Fuctional Rule for P&amp;C Product Control Process</b>	Provides a framework for the approval of new and changed P&C products.
<b>EH Guidelines for Country Risk Management</b>	Define the framework for the assessment and the monitoring of country risk at Euler Hermes.
<b>EH Guidelines for Data Quality Insurance</b>	Provides guidance with regard to the minimum requirements for credit risk data, the data quality monitoring process.
<b>EH Group Privacy Standard</b>	Provides minimum requirements with respect to the processing and transfer of personal data within EH Group.
<b>EH Group Standard for information and Document Management</b>	Provides minimum requirements, including rules and principles, for managing the Documents of EH Group., the implementation is ongoing.

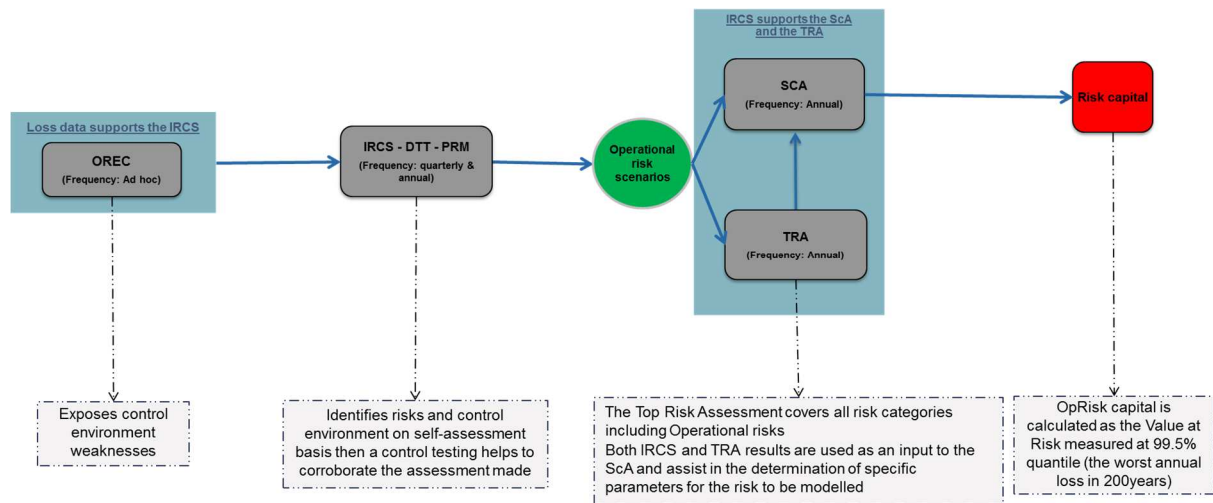
### D.3. Other risk management processes

#### D.3.1.Operational Risk Management

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).

In the Solvency II context, an internal model component is used to estimate the potential loss at the 99.5% quantile of the operational loss distribution. Legal and compliance risk are included, while strategic and reputational risk events are excluded

**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

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.

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

EH Re AG has set up a management process depending on whether the root cause of the reputational risk is considered direct or indirect in nature.

### D.3.2.1. Direct reputational risk

Direct reputational risks are consciously and actively taken on during the course of specific business transactions.

- Assessment of direct reputational risk

If a reputational risk is recognized for a proposed or ongoing business transaction, it is required to perform a reputational risk assessment. The reputational risk assessment is performed through the reputational risk matrix that provides a reputational risk score on a scale of 1-5 based on an assessment of (potential) stakeholder perception:

- If a risk is assessed as having a reputational risk score of 3 or higher the escalation process defined must be applied;
- If a risk is assessed as having a reputational risk score of 2 or lower, no escalation process is required. Hence, it is at the discretion of the first line of defense to decide whether the risk shall be accepted or only accepted under conditions.

Note that the Commercial underwriters with the support of the EH Group communication function are responsible for the reputational risk assessment.

### D.3.2.2. 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 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; and

- Uncertainty regarding Surety underwriting.

### D.3.2.3. Reputational Risk monitoring

To monitor the direct reputational risk management activities, EH Group has implemented several methods to oversee that allow EH Re AG to benefit from:

- Media coverage analysis regarding EH; and
- Reporting to the EH Group RiCo on a quarterly basis of all direct reputational risks identified and assessed as exceeding EH Group's Risk Appetite.

In case of breaches, a referral process has been defined and implies the involvement of the following stakeholders: EH Group Communication department, EH Group Risk function, Commercial underwriter's function, EH Group BoM and Allianz Group Finance Risk Committee (GFRC).

### D.3.2.4. ESG Risk

At EH level, a strong Environmental, Social and Governance (ESG) due diligence is applied to both key counterparts: the insured client and their clients (the buyers). The ESG assessment of the insured clients is managed by the commercial underwriting team, whereas the buyers' ESG assessment process is managed by the credit underwriting team. The ESG Office supports the ESG integration for both parties.

## 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 across 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 81% 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

At the moment of writing of this report, the economic recovery is taking place. Therefore, it is expected that, as the immunization campaigns will continue progressing around the world, the situation will continue normalizing for both operations of EH Re and its clients as well as the financial markets. With that in mind, the business is now even exceeding pre-pandemic levels as the exposure management measures are eased and the state support schemes are no longer in place since end of June 2021, we expect this growth trend to continue. This may continue increasing the insurance but also the expected technical profits.

As the de-risking of the investment portfolio measure observed during 2020 is stopped, it is expected that the investments in fixed income instruments will keep increasing as previously highlighted. It already increased the market risk as well as the expected financial performance; this trend is expected to continue in the near future.

It is important to consider the scenarios for IE2 will be fine-tuned especially the future retrocession reinsurance schemes and this will directly affect target capital requirements.

The strategy of EH Re AG is to further grow the book directly in relation with the targeted growth of the EH Group book of business. EH Group expects premium growth of 7% for 2022 and 5% on an annual basis for 2023 and 2024. 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 target capital 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	Issue date (signature date)	Expected maturity
Finance Guarantee received	9'300'000	EUR	EUR	01/06/2015	Open
Letter of Credit provided	80'000'000	USD	EUR	30/06/2018	31/12/2021
Letter of Credit provided	15'000'000	USD	EUR	30/06/2018	31/12/2021
Letter of Credit provided	30'000'000	CAD	EUR	31/03/2017	31/03/2022
Letter of Credit provided	75'000	USD	EUR	15/12/2011	31/12/2021
Letter of Credit provided	4'700'000	CAD	EUR	01/01/2018	31/12/2021
Letter of Credit provided	46'000'000	USD	EUR	01/01/2018	31/12/2021
Investment Commitment provided	1'370'344	EUR	EUR	28/06/2016	04/01/2022
Investment Commitment provided	11'356'128	USD	EUR	22/12/2014	31/12/2021
Investment Commitment provided	3'372'726	USD	EUR	25/10/2019	31/12/2024
Investment Commitment provided	6'880'000	EUR	EUR	12/08/2016	31/12/2021
Investment Commitment provided	2'850'000	EUR	EUR	12/12/2019	12/12/2029
Investment Commitment provided	737'500	EUR	EUR	23/12/2009	Unlimited
Investment Commitment provided	252'624	EUR	EUR	05/09/2012	Unlimited
Investment Commitment provided	7'253'232	EUR	EUR	23/11/2021	23/11/2035
Investment Commitment provided	4'430'000	EUR	EUR	03/12/2021	03/12/2031
Investment Commitment provided	10'368'310	EUR	EUR	14/12/2014	27/03/2023

## 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 2020 and 2021:

**Figure 22: Asset (SST vs Swiss GAAP)**

in CHF mn	SST	Statutory	Diff	2020/2021 Var SST	2020/2021 Var Statutory
	EoY 2021	EoY 2021			
Real estate	19	-	19	2	-
Participations	169	149	20	9	-2
Fixed-income securities	8	8	-	24	-21
Loans	141	138	3	12	-6
Mortgages	-	-	-	-	-
Equities	67	0.5	67	29	-
Other investments	1'733	1'688	45	319	301
Collective investment schemes	1'722	1'683	39	320	302
Alternative investments	11	5	6	1	-1
Structured products	-	-	-	-	-
Other investments	-	-	-	-	-
<b>Total investments</b>	<b>2'137</b>	<b>1'984</b>	<b>154</b>	<b>319</b>	<b>272</b>
Financial investments from unit-linked life insurance	-	-	-	-	-
Receivables from derivative financial instruments	-	-	-	-	-
Deposits made under assumed reinsurance contracts	15	15	-	3	-3
Cash and cash equivalents	15	13	2	98	-81
Reinsurers' share of best estimate of provisions for insurance liabilities	776	785	9	141	144
Reinsurance: non-life insurance business	776	785	9	141	144
Fixed assets	-	-	-	-	-

in CHF mn	SST	Statutory	Diff	2020/2021 Var SST	2020/2021 Var Statutory
	EoY 2021	EoY 2021			
Deferred acquisition costs	-	-	-	-	-
Intangible assets	0.1	0.1	-	0.0	0.0
Receivables from insurance business	393	292	101	163	125
Other receivables	10	11	1	20	7
Other assets	0.2	-	0.2	0	-
Unpaid share capital	-	-	-	-	-
Accrued assets	-	0.1	0.1	0	-0
<b>Total other assets</b>	<b>1'209</b>	<b>1'116</b>	<b>93</b>	<b>182</b>	<b>191</b>
<b>Total Assets</b>	<b>3'346</b>	<b>3'100</b>	<b>247</b>	<b>501</b>	<b>463</b>

The main evolutions and differences of valuation are explained in the following paragraphs. Minor differences in figures may exist compared to previous sections due to rounding on more granular level;

### E.1.1. Real estate

The real estate is valued at CHF 19mn 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 2021	Statutory EoY 2021	Diff
EH Ré SA	169	75	94
EH Patrimonia SA	-	57	-57
EH South Express SA	-	17	-17
<b>Participations</b>	<b>169</b>	<b>149</b>	<b>20</b>

The SST value of the participation in EH Ré SA is based on its SII MVBS equity.

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 a reduction of single bond holdings and a new investment into a Pimco climate bond fund, which is shown under Collective investment schemes. Similar to the previous year, 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 change in this position is due to a change of the FX rate.

### E.1.5. Equities

The equities are valued at CHF 67mn in the SST balance sheet whereas only CHF 0.5mn of equities are presented in the Annual Report. This is mainly 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 bond funds. The increase compared to last year is mainly due to an increase in the market value of the investment into the Sántis Umbrella Fund, which holds most of the fixed-income securities of EH Re AG. The difference compared to the Annual report is due to the “look-through” approach on EH Patrimonia SA and on Sántis Umbrella Fund where the equity and bond funds are valued with a market-based approach, and the valuation at market price in the SST BS for the property funds and bond funds that EH Re AG holds directly..

### E.1.7. Alternative Investments

The alternative investment schemes consist of private equity and an investment in a private equity fund. The private equity is valued at CHF 5mn in the Annual Report. In the SST balance sheet, the market value of the private equity is shown and amounts to CHF 11mn Deposits made under assumed reinsurance.

### E.1.8. Cash and cash equivalents

Cash and cash equivalents amount to CHF 15mn in the SST balance sheet, CHF 2mn 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.1.9. 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. Additionally, the unearned premium

reserves are adjusted with the expected combined ratio to attain a market consistent value. The increasing effect of discounting is relatively small due to the short-tailed nature of the business and the low short-term interest rates, and is more than offset by the decrease in UPR due to the application of the expected combined ratio below 100%.

### E.1.10. 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.1.11. Receivables from insurance business

In the SST balance sheet, the receivables from insurance and reinsurance business include the accrued RI commission on EBNR for ceded business (analogously to the IFRS BS, whereas in the Annual report this is considered on the liability side) and exclude the accrued commission on EBNR for assumed business (analogously to the IFRS BS, whereas in the Annual report this is considered on the asset side). These two different allocations result in a valuation difference of CHF 101mn compared to the Annual report.

### E.1.12. Other Receivables

Other receivables are valued at CHF 10mn in the SST balance sheet vs CHF 11mn in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA and EH South Express, offset by corporate tax items which are valued at 0 in the SST balance sheet.

### E.1.13. 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 2020 and 2021:

**Figure 24: Liabilities (SST vs Swiss GAAP)**

in CHF mn	SST EoY 2021	Statutory EoY 2021	Diff	2020/2021 Var SST	2020/2021 Var Statutory
Best estimate of provisions for insurance liabilities	1'804	1'816	-12	324	336
Reinsurance: non-life insurance business	1'804	1'816	-12	324	336
BE of provisions for unit-linked life insurance liabilities	-	-	-	-	-
Non-technical provisions	-	11	-11	-0	4
Interest-bearing liabilities	-	-	-	-	-

Liabilities from derivative financial instruments	-	-	-	-	-
Deposits retained on ceded reinsurance	0.5	0.5	-	0.5	0.5
Liabilities from insurance business	201	100	101	55	17
Other liabilities	5	48	-43	4	2
Accrued liabilities	1	20	-19	-1	16
Subordinated debts	-	-	-	-	-
<b>Total BEL plus other liabilities</b>	<b>2'012</b>	<b>1'994</b>	<b>16</b>	<b>383</b>	<b>363</b>

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. Additionally, the unearned premium reserves are adjusted with the expected combined ratio to attain a market consistent value. The increasing effect of discounting is relatively small due to the short-tailed nature of the business and the low short-term interest rates, and is more than offset by the decrease in UPR due to the application of the expected combined ratio below 100%.

### E.2.2. Non-technical provisions

In local GAAP, the provision for unrealized currency gains accounts for CHF 11mn. As the SST currency is EUR and most investments are held in EUR, this position amounts only to CHF 0.4mn in the SST balance sheet and is not shown.

### E.2.3. Liabilities from insurance business

As mentioned in Section E.1.12, in the SST balance sheet, the accrued RI commission on EBNR for ceded business is considered on the asset side, the accrued commission on EBNR for assumed business on the liability side, resulting in a difference of CHF 101mn 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 46mn. 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

The accrued liabilities are CHF 19mn higher in the local GAAP compared to the SST report. This is driven by corporate tax items which are valued at 0 in the SST balance sheet.

## E.3. Description of the risk-bearing capital

Overall, the risk-bearing capital increased by CHF 43mn between 2020 and 2021.

**Figure 25: Breakdown of the risk-bearing capital**

in CHF mn	EoY 2021	EoY 2020	Var
Total assets	3'348	2'845	503
Total liabilities	2'012	1'628	384
Assets minus liabilities	1'336	1'217	119
Deductions (Dividends)	-130	-54	-76
<b>Core Capital</b>	<b>1'206</b>	<b>1'163</b>	<b>43</b>

The assets have increased by CHF 503mn which is mainly due to the increase in the collective investment schemes (Investment funds: fixed income securities) by CHF 320mn, in equity by CHF 29mn, in ceded technical provisions by CHF 141mn and in receivables from insurance activities by CHF 163mn. This is partially offset by a decrease in fixed income by CHF 24mn, in cash and cash equivalents by CHF 97mn and in other receivables by CHF 20mn.

The liabilities increased by CHF 384mn which is explained by an increase in the gross Best Estimate of provisions for insurance liabilities by CHF 324mn, an increase in liabilities from insurance business by CHF 55mn and an increase in other liabilities by CHF 4mn.

The planned dividends and intangible assets are deducted from the assets over liabilities to calculate the risk-bearing capital. The planned dividend is CHF 75mn higher 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
<b>Annual report Equity</b>	<b>1'105</b>	
Assets - Real estate	19	E.1.1
Assets - Participations	20	E.1.2
Assets - Fixed-income securities	-	E.1.3
Assets - Equities	67	E.1.4
Assets - Loans	3	E.1.5
Assets - Collective investments schemes	39	E.1.6
Assets - Alternative investments	6	E.1.7
Assets - Deposits made under assumed reinsurance contracts	-	E.1.8
Assets - Cash and cash equivalents	2	E.1.9
Assets - Ceding of BE provisions for insurance liabilities	-9	E.1.10
Assets - Intangible assets	-	E.1.11
Assets - Receivables from insurance business	101	E.1.12
Assets - Other receivables	-1	E.1.13
Assets - Accrued assets	-0	E.1.14
Liabilities - BE of provisions for insurance liabilities	12	E.2.1
Liabilities - Non-technical provisions	11	E.2.2
Liabilities - Liabilities from insurance business	-101	E.2.3
Liabilities - Other liabilities	43	E.2.4
Liabilities - Accrued liabilities	19	E.2.5
Assets minus liabilities	229	
Deductions (Dividends)	-130	
<b>Risk - bearing capital</b>	<b>1'205</b>	

Further details and explanations on the reconciliation are provided in sections E.1 and E.2.

The statutory equity of EH Re AG increased from CHF 1'006mn by CHF 99mn to CHF 1'106mn in the financial year 2021. As of 31<sup>st</sup> December 2021, it is composed of share capital amounting to CHF 401mn, statutory capital reserves amounting to CHF 189mn, statutory retained earnings amounting to CHF 201mn, voluntary retained earnings (balance brought forward) amounting to CHF 162mn, and the annual profit for the financial year 2021 of CHF 154mn.

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 230mn 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 model. In that respect, EH Re AG has set a target management ratio of 165% and an action barrier ratio of 132%. Deviations against these thresholds are regularly monitored by the Risk Committee and the BoD. 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 2021	EoY 2020	Var	Relative Var
Total assets	3'348	2'845	503	18%
Total liabilities	2'012	1'628	384	24%
Assets minus liabilities	1'336	1'217	119	10%
Deductions (Dividends and intangibles)	-130	-54	-75	139%
<b>Core Capital</b>	<b>1'206</b>	<b>1'163</b>	<b>43</b>	<b>4%</b>

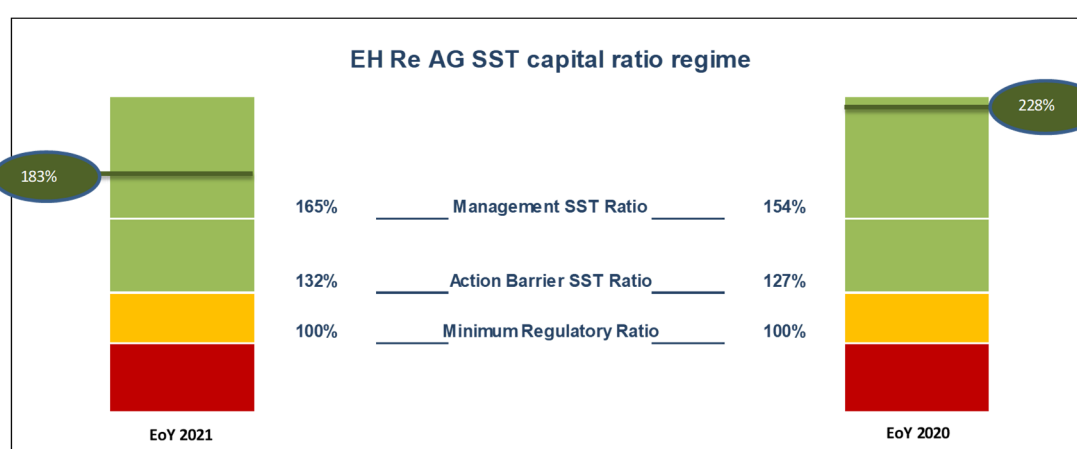
The increase in Risk Bearing Capital is explained by higher profits partially offset by higher dividends distributed to shareholders.

The following graph and table show the SST ratio as of 31.12.2021 compared to 31.12.2020:

**Figure 28: SST Ratio overview**

In CHF mn	EoY 2021	EoY 2020	Var	Relative Var	Section
Target Capital (TC)	668	519	149	29%	D.2.2
Available Capital (AC)	1'206	1'163	43	4%	E.3
Market Value Margin (MVM)	21	14	7	52%	D.2.2.9
<b>SST Ratio (AC-MVM)/(TC-MVM)</b>	<b>183%</b>	<b>228%</b>	<b>-45%</b>	<b>-20%</b>	

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:** Re AG SST capital ratio regime

The SST 2022 ratio decreased from 228% to 183%, well above the target management ratio of 165%. The impact of future significant events on the risk profile and solvency is presented in section D.4.

## G. Solvency

### G.1. Solvency Overview

The following table shows the Solvency II ratio as of 31.12.2021 compared to 31.12.2020:

**Figure 30:** Solvency II ratio overview

In CHF mn	EoY 2021	EoY 2020	Δ	%
Required capital	631	656	-26	-4%
Own Funds	1,1101	1,305	-205	-16%
<b>Solvency ratio</b>	<b>193%</b>	<b>199%</b>	<b>-6%</b>	<b>-3%</b>

The Solvency II ratio stands at 193%, and above the 150% 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

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### Appendix 1 : Audited Financial Statements as of 31.12.2021

# Euler Hermes Reinsurance AG

## Wallisellen

Report of the statutory auditor  
to the General Meeting

on the financial statements 2021



# 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, statement of cash flows and notes, for the year ended 31 December 2021.

##### 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 2021 comply with Swiss law and the company's articles of incorporation.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland  
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, [www.pwc.ch](http://www.pwc.ch)

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

### 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



Enrico Grazzi

Zürich, 28 April 2022

Enclosures:

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



Balance sheet as at 31 December	Notes	2021	2020
		CHF	CHF
<b>ASSETS</b>			
Investments			
Investments in affiliated enterprises	3.1	148'732'924	151'036'616
Bonds		7'927'566	29'436'244
Intercompany loans	3.2	137'911'741	143'954'142
Shares		569'975	539'839
Santis Umbrella fund	3.3	1'488'054'641	1'221'250'695
Bond funds		130'694'575	94'675'047
Private equity fund of funds		5'196'064	6'428'018
Property funds		64'750'888	65'409'919
		<u>1'983'838'374</u>	<u>1'712'730'520</u>
Deposits retained on assumed business		14'911'640	18'453'419
Cash and cash equivalents		13'407'952	94'046'598
Unearned premium reserve ceded	3.6	77'469'373	59'681'076
Rebates reserve ceded	3.6	36'807'377	30'046'186
Outstanding claims reserve ceded	3.6	670'576'951	551'072'550
Reinsurer's share of technical reserves		<u>784'853'701</u>	<u>640'799'812</u>
Intangible Assets		61'368	85'505
Reinsurance receivables	3.4 & 3.5	188'585'010	106'693'343
Assumed accruals	3.4 & 3.5	103'732'811	60'364'628
Receivables from insurance and reinsurance		<u>292'317'821</u>	<u>167'057'971</u>
Other receivables		11'136'771	4'124'090
Accrued interest	3.4 & 3.5	100'562	373'570
<b>TOTAL ASSETS</b>		<u><b>3'100'628'189</b></u>	<u><b>2'637'671'485</b></u>



Balance sheet as at 31 December	Notes	2021	2020
		CHF	CHF
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Unearned premium reserve assumed	3.6	148'992'948	93'819'400
Rebates reserve assumed	3.6	111'527'505	89'985'406
Outstanding claims reserve assumed	3.6	1'555'022'901	1'296'231'134
Technical reserves		1'815'543'354	1'480'035'940
Provision for unrealized currency gains		11'023'855	14'814'533
Provisions for stock based compensation		410'128	346'673
Non-technical provisions		11'433'983	15'161'206
Deposits retained ceded		565'655	-26'762
Reinsurance payables	3.4 & 3.5	63'682'180	59'653'880
Ceded accruals	3.4 & 3.5	36'229'872	23'285'729
Liabilities from insurance and reinsurance		99'912'052	82'939'609
Other short-term liabilities		1'198'199	1'054'645
Unpaid capital to subsidiary		46'453'453	48'488'744
Other liabilities		47'651'652	49'543'389
Accrued payables	3.4 & 3.5	715'844	755'743
Tax payables		18'895'829	2'724'693
<b>TOTAL LIABILITIES</b>		<b>1'994'718'369</b>	<b>1'631'133'818</b>
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		161'742'561	125'878'457
Annual profit		154'189'653	90'681'604
<b>TOTAL SHAREHOLDERS' EQUITY</b>	3.7	<b>1'105'909'820</b>	<b>1'006'537'667</b>
<b>TOTAL</b>		<b>3'100'628'189</b>	<b>2'637'671'485</b>





Income statement for the year	Notes	2021	2020
		CHF	CHF
Written premium assumed		1'458'702'049	1'128'031'770
Written premium ceded		-396'473'769	-488'178'309
<b>Written premium for own account</b>		<b>862'228'280</b>	<b>639'853'261</b>
Change in unearned premium reserve assumed	4.1	-57'924'349	34'148'841
Change in unearned premium reserve ceded	4.1	19'173'075	-19'963'341
<b>Earned premium: for own account</b>		<b>823'476'806</b>	<b>674'036'561</b>
Other income from the insurance business		833'700	792'512
<b>Total income from the insurance business</b>		<b>824'310'506</b>	<b>674'829'073</b>
Claims paid assumed		-255'333'372	-550'476'418
Claims paid ceded		93'430'512	189'812'087
Change in claims reserve assumed	4.1	-303'801'279	-82'651'248
Change in claims reserve ceded	4.1	136'203'072	49'769'018
<b>Claims expenses: for own account</b>		<b>-329'501'267</b>	<b>-393'546'561</b>
Commissions paid		-501'923'257	-409'791'280
Administration expenses	4.2 & 4.3	-9'873'139	-7'096'062
Acquisition and administration costs		-511'798'396	-416'887'342
Reinsurers' share of the acquisition and administration costs		224'487'888	197'098'626
<b>Acquisition and administration costs: for own account</b>		<b>-287'310'508</b>	<b>-219'788'716</b>
<b>Total expenses from the insurance business</b>		<b>-616'811'775</b>	<b>-613'335'277</b>
<b>Underwriting result</b>		<b>207'498'731</b>	<b>61'493'796</b>
Interest and dividends	4.4	18'374'608	35'110'367
Realized gains on investments	4.4	3'742'360	39'382'434
Write ups of investments		101'241	865'311
<b>Investment income</b>		<b>22'418'209</b>	<b>75'558'112</b>
Investment management expenses		-2'237'511	-2'362'194
Realized losses on investments	4.5	-511'843	-1'520'421
Unrealized losses on investments		-14'020'675	-34'261'404
<b>Investment expenses</b>		<b>-16'770'029</b>	<b>-38'144'019</b>
<b>Investment result</b>		<b>5'648'180</b>	<b>37'414'093</b>
Realised & unreal. currency gains		15'909'100	22'826'401
<b>Other financial income</b>		<b>15'909'100</b>	<b>22'826'401</b>
Realised & unreal. currency losses Inc. & exp. from currency translation		-18'510'686 -32'987'839	-31'548'350 0
<b>Other financial expenses</b>		<b>-51'498'525</b>	<b>-31'548'350</b>
<b>Operating result</b>		<b>177'557'486</b>	<b>90'185'940</b>
Interest expenses		-783'365	-793'846
<b>Profit before taxes</b>		<b>176'772'121</b>	<b>89'390'094</b>
Direct taxes		-22'582'468	1'291'510
<b>Annual profit</b>		<b>154'189'653</b>	<b>90'681'604</b>



Statement of cash flows	2021	2020
	CHF	CHF
<b>Annual profit</b>	154'189'653	90'681'604
Depreciation and amortization	25'500	0
Inc. & exp. from currency translation	32'987'839	0
Provisions for stock based compensation	63'455	25'231
Net realized investment gains/Losses	10'688'917	-4'665'920
Change in:		
Technical reserves	335'507'414	-49'863'461
Reinsurance receivables	-125'259'850	67'925'556
Reinsurance payables	4'028'300	14'084'594
Ceded business, net	-130'517'329	-27'292'676
Deposits retained assumed	3'541'779	4'659'363
Taxes payable	16'171'136	-26'782'647
Other assets and liabilities, net	-6'636'018	7'449'610
<b>Cash flow from operating activities</b>	<b>294'790'796</b>	<b>76'221'255</b>
Disposals of investments (without affiliated enterprises)	4'242'612	386'240'692
Acquisitions of investments (without affiliated enterprises)	-15'140'223	-191'860'541
Investment in affiliated enterprises	2'303'692	56'847'994
Santis Umbrella fund	-318'650'764	0
Loans to consolidated affiliated enterprises	6'042'401	-107'974'317
Cashflow for unpaid capital to subsidiary	-2'035'291	-244'562
<b>Cash flow from investing activities</b>	<b>-323'237'573</b>	<b>143'009'265</b>
Dividend paid to shareholders	-54'817'500	-105'985'000
<b>Cash flow from financing activities</b>	<b>-54'817'500</b>	<b>-105'985'000</b>
Effect of foreign currency translation	2'625'631	-37'867'174
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-80'638'646</b>	<b>75'378'346</b>
Cash and cash equivalents as of 1st January	94'046'596	18'668'251
<b>CASH AND CASH EQUIV. AS OF 31st DECEMBER</b>	<b>13'407'950</b>	<b>94'046'596</b>



## 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.

Santis 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:	2021	2020
Year end rates	1.03615132	1.08154878
Average rates	1.08102265	1.07028566

Existing provision for unrealized FX in amount of 14'814'533 CHF was decreased due to FX loss from translation, resulting in total remaining provision of 11'023'855 CHF.



**3. Balance sheet positions****3.1 Investment in affiliated enterprises**

	2021	2020
<i>Equity investments</i>		Share capital (EUR)
100% shares (2020: 100%) of Euler Hermes Ré SA, Luxembourg	61'055'000	61'055'000
35% shares (2020: 35%) of Euler Hermes Patrimonia SA, Bruxelles	90'000'000	90'000'000
49% shares (2020: 49%) of Euler Hermes South Express SA, Bruxelles	28'986'452	28'986'452

**3.2 Intercompany loans**

	2021	2020
Loan to Euler Hermes Ré SA (EUR 33'100'000) in CHF	34'296'609	35'799'265
Loan to Allianz Europe BV (EUR 100'000'000) in CHF	103'615'132	108'154'878
<b>Total intercompany loans</b>	<b>137'911'741</b>	<b>143'954'142</b>

**3.3 Säntis Umbrella fund**

	2021	2020
Single Investor Fund, NAV in CHF	1'488'054'641	1'221'250'695

**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**

	2021	2020
Reinsurance receivables due from group companies	184'353'760	91'461'756
Other receivables due from group companies	531'723	374'991
Assumed accruals due from group companies	93'177'337	50'268'293
Accrued interests due from group companies	86'694	181'482
Reinsurance payables due to group companies	-39'181'280	-45'061'057
Ceded accruals due to group companies	-23'213'821	-15'144'818
Accrued payables due to group companies	-414'157	-523'464

**3.6 Technical provision**

2021	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	Total
Assumed	148'992'948	111'527'505	1'555'022'901	1'815'543'354
Ceded	-77'469'373	-36'807'377	-670'576'951	-784'853'701
<b>Technical provision net 2021</b>	<b>71'523'575</b>	<b>74'720'128</b>	<b>884'445'950</b>	<b>1'030'689'653</b>
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
<b>Technical provision net 2020</b>	<b>34'138'324</b>	<b>59'939'220</b>	<b>745'158'584</b>	<b>839'236'128</b>

**3.7 Equity roll forward**

	Share capital	Statutory capital reserves	retained earnings	Voluntary retained earnings	Total equity
as per 01.01.2020	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
Dividend				-54'817'500	-54'817'500
Annual profit				154'189'653	154'189'653
as per 31.12.2021	400'750'000	188'750'000	200'477'606	315'932'214	1'105'909'821

**4. Income statement positions****4.1 Changes in technical provision**

2021	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	Total
Assumed	-57'924'549	-21'542'099	-303'801'279	-383'267'927
Ceded	19'173'075	6'761'191	136'203'072	162'137'338
Changes in technical provision net 2021	-38'751'474	-14'780'908	-167'598'207	-221'130'589

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	19'569'547
Changes in technical provision net 2020	34'183'300	20'779'057	-32'882'230	22'080'127

**4.2 Positions to be disclosed from the administration expenses**

	2021	2020
Personal expenses	4'423'107	3'883'419
Amortization and depreciation on non-current assets	25'500	-

**4.3 Auditor fees**

	2021	2020
Audit fees	87'044	104'255
Other fees	51'869	34'702
<b>Total auditor fees</b>	<b>138'912</b>	<b>138'957</b>

**4.4 Investment income**

2021	Curr. income	Write-ups	realized gains	Total income
Investments in affiliated enterprises	318'979	-	-	318'979
Bonds	26'642	-	2'069'933	2'096'575
Intercompany loans	133'149	-	-	133'149
Santis Umbrella fund	12'290'374	2'775	884'168	13'177'317
Bond funds	4'201'350	-	-	4'201'350
Private equity fund of funds	-	98'465	788'259	886'724
Property funds	1'395'900	-	-	1'395'900
Deposits retained on assumed business	208'213	-	-	208'213
<b>Investment income 2021</b>	<b>18'574'607</b>	<b>101'241</b>	<b>3'742'360</b>	<b>22'418'208</b>
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
Santis Umbrella fund	3'080'762	51'7040	178'938	3'776'740
Bond funds	3'856'672	348'271	1'036'126	5'241'069
Private equity fund of funds	-	-	471'648	471'648
Property funds	1'776'119	-	-	1'776'119
Deposits retained on assumed business	241'066	-	-	241'066
Cash and cash equivalents	347'354	-	-	347'354
<b>Investment income 2020</b>	<b>35'110'367</b>	<b>865'311</b>	<b>39'582'434</b>	<b>75'558'112</b>

**4.5 Investment expenses**

2021	Investment expenses	Write downs	realized losses	Total expense
Investments in affiliated enterprises	-	2'302'571	-	2'302'571
Bonds	28'978	66'665	-	95'643
Shares	-	-	8'442	8'442
Santis Umbrella fund	1'475'113	10'288'298	402'081	12'165'492
Bond funds	477'737	1'350'510	101'320	1'929'568
Equity funds	-	-	-	0
Private equity fund of funds	18'994	12'630	-	31'624
Property funds	236'689	-	-	236'689
<b>Investment expenses 2021</b>	<b>2'237'511</b>	<b>14'020'675</b>	<b>511'843</b>	<b>16'770'029</b>

2020	Investment expenses	Write downs	realized losses	Total expense
Bonds	248'617	-	1'089'363	1'337'980
Shares	-	-	17'529	17'529
Santis 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
<b>Investment expenses 2020</b>	<b>2'362'194</b>	<b>34'261'404</b>	<b>1'520'421</b>	<b>38'144'020</b>

## 5. Additional information

### 5.1 Guarantees and commitments given

EH Reinsurance AG purchased a bank guarantee in the amount of USD 75'000 (2020: USD 75'000).

EH Reinsurance AG has pledged cash position of USD 75'000 (2020: USD 75'000).

EH Reinsurance AG has lease commitments amounting to CHF 84'630 (2020: CHF 57'000).

EH Reinsurance AG has entered a commitment with CORDIANT regarding future drawdowns limited by the unfunded amount as per December 31 2021 of USD 14'728'854 (2020: USD 14'118'775).

EH Reinsurance AG has entered a commitment with FASO regarding future drawdowns limited by the unfunded amount as per December 31 2021 of EUR 9'730'000 (2020: EUR 9'015'000).

EH Reinsurance AG has entered a commitment with AEW Logistis regarding future drawdowns limited by the unfunded amount as per December 31 2021 of EUR 10'368'310 (2020: EUR 0).

EH Reinsurance AG has entered into commitments with a bank to provide letter of credits to Group companies in amount of USD 95'000'000 and CAD 30'000'000 to meet any valid claims, in case of EH Reinsurance AG would face bankruptcy (2020: USD 85'000'000 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 46'000'000 and CAD 4'700'000 to meet any valid claims, in case of EH Reinsurance AG would face bankruptcy (2020: USD 7000'000 and CAD 2'500'000).

### 5.2 Guarantee received

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



As at 31 December	2021	2020
	CHF	CHF
Balance brought forward	161'742'561	125'878'457
Annual profit	154'189'653	90'681'604
<b>Voluntary retained earnings available</b>	<b>315'932'214</b>	<b>216'560'061</b>
Proposed Dividend *)	-137'500'000	-54'817'500
<b>Voluntary Retained earnings to be carried forward *)</b>	<b>178'432'214</b>	<b>161'742'561</b>

\*) The dividend payment shall be EUR 125'000'000 and the difference between EUR 125'000'000 paid and translated with the exchange rate at the time of the dividend payment and CHF 137'500'000 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 Risk Category	Evaluation - Scenario			Plausibility check		
	Storyline	1 in 20 years loss in EUR	Frequency in years	Storyline	1 in 20 years loss in EUR	Backtesting of the parameters
<b>Improper Business or Market Practices</b>	Legal risks due to inadequate legal terms that does not fulfill 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	<b>Improper Business or Market Practices</b>	Legal risks due to inadequate legal terms that does not fulfill 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	<b>Improper Business or Market Practices</b>
<b>Suitability, Information Disclosure and Fiduciary Duty</b>	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	<b>Suitability, Information Disclosure and Fiduciary Duty</b>	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	<b>Suitability, Information Disclosure and Fiduciary Duty</b>

L2 Risk  Category	Evaluation - Scenario			Plausibility check		
	Storyline	1 in 20 years loss in EUR	Frequency in years	Storyline	1 in 20 years loss in EUR	Backtesting of the parameters
<b>Monitoring and Reporting</b>	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	<b>Monitoring and Reporting</b>	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	<b>Monitoring and Reporting</b>
<b>Trade Counterparties</b>	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, 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	225,000	<b>Trade Counterparties</b>	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, 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.	225,000	<b>Trade Counterparties</b>

L2 Risk Category	Evaluation - Scenario			Plausibility check		
	Storyline	1 in 20 years loss in EUR	Frequency in years	Storyline	1 in 20 years loss in EUR	Backtesting of the parameters
	unenforceable or misleading terms in reinsurance policies that generally result in reinsurance coverage not aligned with business needs.					
<b>Human Resources Management</b>	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, or a weak succession plan. 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	<b>Human Resources Management</b>	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, or a weak succession plan. 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	<b>Human Resources Management</b>
<b>Transportation Disruption and Other Disruptions</b>	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	<b>Transportation Disruption and Other Disruptions</b>	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	<b>Transportation Disruption and Other Disruptions</b>



## Appendix 3 : Quantitative templates

Financial situation report: quantitative template		Currency: CHF Amounts stated in millions		
EHRe FX rate per 31.12.2021 EUR - CHF: 1.03615132		in CHF millions Ref. date previous period	in CHF millions Adjustments previous period	in CHF millions Ref. date reporting year
Market-consistent value of investments	Real estate	21	-	19
	Participations	160	-	169
	Fixed-income securities	32	-	8
	Loans	153	-	141
	Mortgages	-	-	-
	Equities	38	-	67
	Other investments	1'414	-	1'733
	Collective investment schemes	1'402	-	1'722
	Alternative investments	12	-	11
	Structured products	-	-	-
	Other investments	-	-	-
	Total investments	1'818	-	2'137
	Market-consistent value of other assets	Financial investments from unit-linked	-	-
Receivables from derivative financial		-	-	-
Deposits made under assumed		18	-	15
Cash and cash equivalents		113	-	15
Reinsurers' share of best estimate of		635	-	776
Direct insurance: life insurance business		-	-	-
Reinsurance: life insurance business		-	-	-
Direct insurance: non-life insurance		-	-	-
Direct insurance: health insurance		-	-	-
Reinsurance: non-life insurance		635	-	776
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		230	-	393
Other receivables	30	-	10	
Other assets	0	-	0	
Unpaid share capital	-	-	-	
Accrued assets	0	-	0	
Total other assets	1'027	-	1'210	
<b>Total market-consistent value of assets</b>	<b>Total market-consistent value of assets</b>	<b>2'845</b>	<b>-</b>	<b>3'348</b>
BEL: Best estimate of liabilities (including unit linked life insurance)	Best estimate of provisions for insurance	1'480	-	1'804
	Direct insurance: life insurance business	-	-	-
	Reinsurance: life insurance business	-	-	-
	Direct insurance: non-life insurance	-	-	-
	Direct insurance: health insurance	-	-	-
	Reinsurance: non-life insurance	1'480	-	1'804
	Reinsurance: health insurance	-	-	-
	Direct insurance: other business	-	-	-
	Reinsurance: other business	-	-	-
	Best estimate of provisions for unit-	-	-	-
	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	-	-	1
	Liabilities from insurance business	146	-	201
	Other liabilities	1	-	5
	Accrued liabilities	2	-	1
Subordinated debts	-	-	-	
<b>Total BEL plus market-consistent value of other liabilities</b>	<b>Total BEL plus market-consistent value of other liabilities</b>	<b>1'628</b>	<b>-</b>	<b>2'012</b>
	<b>Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities</b>	<b>1'217</b>	<b>-</b>	<b>1'336</b>

Financial situation report: quantitative template "Solvency Solo"				Currency: CHF Amounts stated in millions
EHRe FX rate per 31.12.2021 EUR - CHF:		1.03615132		
		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market- consistent value of other liabilities	1'217		1'336
	Deductions	-54		-130
	<b>Core capital</b>	1'163		1'206
	Supplementary capital	-		-
	<b>RBC</b>	1'163	-	1'206
		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of target capital	Underwriting risk	406		589
	Market risk	180		219
	Diversification effects	-24		-46
	Credit risk	69		136
	Risk margin and other effects on target	-112		-230
	<b>Target capital</b>	519	-	668
		Ref. date previous period in %	Adjustments previous period in %	Ref. date reporting year in %
	<b>SST ratio</b>	228%	-	183%

**Financial situation report: quantitative template "Performance Solo NL"**

 Currency: CHF or annual report currency  
 Amounts stated in millions

	Total		Direct non-Swiss business	
			Total	
	Previous year	Reporting year	Previous year	Reporting year
1 Gross premiums	1'128	1'459	1128	1459
2 Reinsurers' share of gross premiums	-488	-596	-488	-596
3 Premiums for own account (1 + 2)	640	862	640	862
4 Change in unearned premium reserves	54	-58	54	-58
5 Reinsurers' share of change in unearned premium reserves	-20	19	-20	19
6 Premiums earned for own account (3 + 4 + 5)	674	823	674	823
7 Other income from insurance business	1	1	1	1
8 <b>Total income from underwriting business (6 + 7)</b>	675	824	675	824
9 Payments for insurance claims (gross)	-550	-255	-550	-255
10 Reinsurers' share of payments for insurance claims	190	93	190	93
11 Change in technical provisions	-83	-304	-83	-304
12 Reinsurers' share of change in technical provisions	50	136	50	136
13 Change in technical provisions for unit-linked life insurance			0	0
14 <b>Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)</b>	-394	-330	-394	-330
15 Acquisition and administration expenses	-417	-512	-417	-512
16 Reinsurers' share of acquisition and administration expenses	197	224	197	224
17 Acquisition and administration expenses for own account (15 + 16)	-220	-287	-220	-287
18 Other underwriting expenses for own account	-	-	0	0
19 <b>Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)</b>	-613	-617	-613	-617
20 Investment income	76	22		
21 Investment expenses	-38	-17		
22 <b>Net investment income (20 + 21)</b>	37	6		
23 Capital and interest income from unit-linked life insurance	-	-		
24 Other financial income	23	16		
25 Other financial expenses	-32	-51		
26 <b>Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)</b>	90	178		
27 Interest expenses for interest-bearing liabilities	-1	-1		
28 Other income	-	-		
29 Other expenses	-	-		
30 Extraordinary income/expenses	-	-		
31 <b>Profit / loss before taxes (26 + 27 + 28 + 29 + 30)</b>	89	177		
32 Direct taxes	1	-23		
33 <b>Profit / loss (31 + 32)</b>	91	154		

## Appendix 4 : EH Ré SA sale impact analysis

In EUR Million	SST 2022	SST 2022 after Sale Ré SA	Impact of scenario
Market Value Margin	21	21	1
Target Capital	645	607	-38
Risk-Bearing Capital	1164	1132	-32
<b>SST Ratio</b>	<b>183%</b>	<b>190%</b>	<b>7%</b>

The sale of EH Ré SA would potentially have a +7%pt impact on the 2022 STT ratio of EH Re AG from 183% to 190%.

## Appendix 5 : 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
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

Terms / Abbreviations	Description
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
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&S	Trade Credit Insurance & Surety

<b>Terms / Abbreviations</b>	<b>Description</b>
<b>TCU</b>	Transactional Cover Unit
<b>ToM</b>	Target Operating Model
<b>TRA</b>	Top Risk Assessment
<b>USD</b>	United States Dollar
<b>UW</b>	Underwriting
<b>VaR</b>	Value at Risk
<b>WA</b>	World Agency
<b>XoL</b>	Excess of Loss