



EULER HERMES

Euler Hermes Reinsurance AG

Financial Condition Report

Based on 31/12/2018 figures

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Executive Summary

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

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

The qualitative and quantitative information disclosed in this report is based on the situation at the end of year (EoY) 2018.

The EUR/CHF rates used in this report are the year-end rates presented by Euler Hermes Reinsurance AG (EH Re AG) in its financial statements (for 2018 results: 1 EUR= 1.1269 CHF, for 2017 results: 1 EUR = 1.17015177 CHF).

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

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

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

Business activities (A)

EH Re AG is a fully owned subsidiary of Euler Hermes Group SA, the French holding company of Euler Hermes Group (EH Group). EH Group is a fully owned subsidiary of Allianz. EH Re AG is the EH Group reinsurance company providing reinsurance solutions and capacity for commercial Trade Credit, Surety & guarantee and Fidelity business to all EH Group companies.

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

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

There is a material change in respect of the EH North America (EH NAM) Trade Credit Insurance (TCI) cession to EH Re AG, due to the U.S. tax reform – specifically Base Erosion Avoidance Tax (BEAT) restrictions. With effect from treaty year 2019, EH NAM cedes the TCI Quota Share directly to the external reinsurers.

EH NAM retains what was previously retained by EH Re and Allianz Re. This means reduction in EH Re AG Gross Premium of 259M USD (176M USD Net) compared to the 2018 reinsurance structure.

In terms of RC, this new U.S. tax reform translates into USD 186 million RC increase for EH NA and a EUR 52 million RC decrease for EH Re AG. All other Reinsurance structure remain similar and have no impact on the risk capital.

Company success (B)

In 2018, EH Re AG's earned premiums increased by 14% compared to 2017. This increase is mainly due to the increasing volume of inwards premium from EH ceding companies in Trade Credit and Surety & guarantee as well as in Fidelity businesses.

The net financial income decreased from CHF 24 Million to CHF 7 Million in 2018. The decrease is mainly a result of impairments on investments according to local rules and higher realized losses in 2018 compared to 2017.

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.

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

To ensure the well-functioning of these functions, EH Re AG has set up the Risk Policy Framework (RPF) which is a set of policies, standards and guidelines overarching the risk management system of EH Re AG. It includes but is not limited to high Fit and Proper standard for its BoD, BoM and Key function holders, as well as a set other policies that oversee principles and governance of Key functions.

The Risk Management function measures and assesses EH Re AG's risks through processes among which the Swiss Solvency Test (SST), the Own Risk and Solvency Assessment (ORSA) and the Top Risk Assessment (TRA). The latter covers strategic risks which cannot be modelled and Board members are defined as owners, responsible for the assessment as well as the definition and set up of appropriate risk mitigation plans.

Risk profile (D)

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

The Insurance, Market and Credit Risk are considered and monitored through the Target Capital (TC) of the SST as well as other quantitative limits. EH Re AG's TC was at CHF 698 Million at the end of December 2018, down by CHF 112 Million compared to 2017. The decrease is explained by various assumptions changes with impact on insurance and market risk, a specific model change for market risks as well as a new aggregation model.

EH Re AG diversifies its risk by using different diversification approaches: a Strategic Asset Allocation (SAA) for Market Risk and across investment styles and asset managers and by 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 with 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 Available Capital (AC) amounts to CHF 1 182 Million, down by 0.8% compared to 2017, after deduction of a planned dividend of CHF 180 Million. 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 is in line with its Capital Management strategy in terms of solvency.

The SST Ratio is at 175.2%, up compared to the 149.5% ratio of 2017 and still well above the Minimum SST Ratio of 100% defined in EH Re AG Risk Appetite.

For steering reasons and alignment with Group processes, EH Re AG also monitors a Solvency II ratio. It slightly decreases, at a level of 166% compared to 169% in 2017.

A. Business activities

A.1. Business overview

A.1.1. Business overview

EH Re AG is a fully owned subsidiary of Euler Hermes Group SAS, the French holding company of the EH Group. EH Re AG is the EH 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 Venture 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 centre of excellence in terms of EH Group Reinsurance by centralizing the reinsurance needs of the EH companies and retroceding partially the risks to the worldwide reinsurance market.

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

The net result of EH Re AG in 2018 is CHF 216 Million, up by CHF 14 Million (7%) compared to 2017.

A.1.2. Business outlook

In 2019 premiums are expected to be below 2018 level due to EH NAM no longer ceding its trade credit business to EH Re. However, this impact will be partly compensated by an increase in Surety & Guarantee and Fidelity business as well as Trade Credit business from most ceding entities. The main focus will remain on the quality of the portfolio, the underwriting excellence and cost controlling to ensure a sustainable operating profit.

Our expectations for 2019 take into consideration the continuous uncertainty of the world economy. Growth in Europe is likely to remain above trend but will, nevertheless, moderate. For the other developed economies many factors likely mean reduced growth whereas emerging markets are expected to show resilience.

Compared to 2018, the reinsurance structures of EH Re will mostly remain unchanged in 2019 excluding for EH NAM. The Group Stop Loss treaty cover has been extended as from the underwriting year 2019 onwards to cover not only the net retention of EH Re but also of the ceding entities.

The financial markets are expected to remain volatile and interest rates low. Accordingly, EH Re will pursue its "safety-oriented" and diversified investment strategy in line with the EH and Allianz Group's Investments Rules.

EH Re has taken the decision to sell its 100% subsidiary EH Ré SA in Luxembourg in the near future. A buyer has not been found, but the initiative will be pursued in 2019.

Within the Allianz Group a project has been launched at the end of 2018 to explore future cooperation with Allianz Global Corporate & Specialty and Euler Hermes to realize synergies as both global players are leaders in closely related sectors. Possibilities will be elaborated in different work streams and the outcome will be presented to the respective management bodies by mid-2019. EH Re might also be impacted, but so far, no decision has been taken.

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

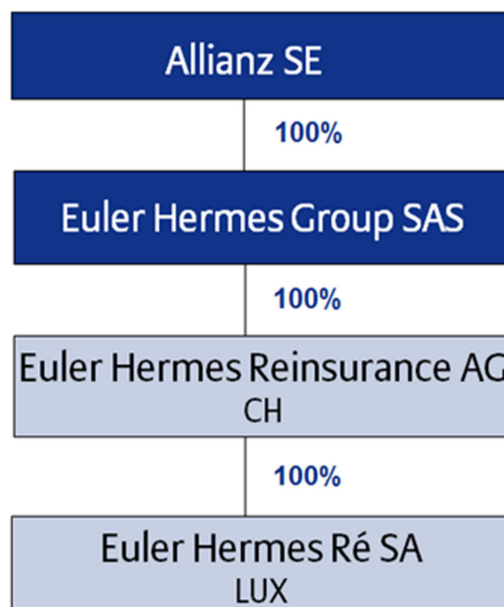
A.2.1. Legal Entity & Group structure

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

Euler Hermes Reinsurance AG
Richtiplatz 1
CH-8304 WALLISELLEN
SWITZERLAND

EH Re AG is part of the EH Group of which EH Group SA is the parent company. The chart below shows a simplified structure of the shareholders and subsidiaries of EH Re AG:

Figure 1: EH Re AG simplified group structure



A.2.2. Related Party Transactions

A.2.2.1. Insurance relationships

As the EH 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 one significant inter-company loan with EH Ré SA, amounting to CHF 37.3 Million. At constant FX rates, this amount remained stable compared to previous year.

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);
- EH Services Risk & Capital Management (R&CM) team provides support regarding the computation of the Capital Requirement, Risk Governance framework and Solvency related reporting activities;
- EH Services provides advices and services to support activities, notably in fields of risk underwriting, information and claims management, commercial and marketing, financial services and other support (except Information Technology (IT));
- EH Group provides assistance regarding the IT-related activity: applications development, maintenance and run;

A.2.2.4. Legal ownership

EH Re AG has investments in affiliated enterprises for a total of CHF 212 Million, as follows:

- EH Ré SA: CHF 75 Million, corresponding to 100% share in the capital;
- EH Patrimonia SA: CHF 116 Million, corresponding to 35% in the capital;
- EH South Express SA: CHF 21 Million, corresponding to 49% share in the capital.

A.3. External auditor

The 2018 Financial Statements were audited by:

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

PwC's opinion on the 2018 statutory accounts is that EH Re AG *"complies with Swiss law and the company's articles of incorporation"*.

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

PwC was approved as statutory auditors during the Annual General Meeting on May 28th, 2018 for the financial year 2019.

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 2018

EH Re AG did not manage to find a buyer for its 100% subsidiary EH Ré SA in 2018 but still plans to sell it in the near future.

In the end of 2017, Allianz SE filed with the Autorité des Marchés Financiers (AMF) a simplified cash tender offer for EH Group shares, and announced its intention to implement a squeeze-out procedure in the event minority shareholders hold less than 5% of the share capital and voting rights of EH Group upon completion of the offer.

In the beginning of 2018, the Supervisory Board of EH Group issued a favorable opinion regarding the offer.

Following the completion of the simplified offer opened from 9th April to 20th April 2018, Allianz reached 94.91% of the share capital and theoretical voting rights of Euler Hermes.

The legal conditions were met on 27th April and Allianz has implemented a squeeze-out on the remaining shares of Euler Hermes it did not hold yet, followed by the delisting from Euronext Paris on the very same day.

B. Company success

B.1. Underwriting performance

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

Figure 2: EH Re AG aggregated underwriting performance

in CHF million	EoY 2018	EoY 2017	Var	%
Earned premiums for own account	1,176	1,031	145	14%
Other income from insurance business	1	1	0	-4%
Total income from the insurance business	1,177	1,032	145	14%
Claims expenses for own account	-559	-497	-61	12%
Acquisition and administration costs for own account	-385	-335	-51	15%
Total expenses from the insurance business	-944	-832	-112	13%
Underwriting result	233	200	33	17%

Earned premiums have increased by CHF 145 Million (+14%), from CHF 1 031 Million to CHF 1 176 Million impacted on one hand by the prior year exchange rate effect, and on the other hand by the increased volume of inwards premium from EH ceding companies in Trade Credit, Surety & guarantee & Fidelity lines of business (LoBs).

Since the underwriting year 2018, the Joint-Ventures with Acredia (AT) and Cossec (PT) have started to cede its business directly to EH Re AG. The business of the prior years is still ceded to the subsidiary of EH Re AG in Luxembourg (EH Ré SA). The primary business ceded to EH Ré SA is almost fully retroceded to EH Re AG.

The cost of claims have increased by CHF 61 Million (+12%), from CHF 497 Million to CHF 559 Million, but the loss ratio has decreased from 48.2% to 47.5% due to the increase in premium. This development is mainly impacted by Trade Credit and surety & guarantee whereas claims costs in Fidelity remain stable. Loss ratios in Trade Credit (47% vs. 48%) and Fidelity (56% vs. 67%) could improve whereas the loss ratio in surety & guarantee has deteriorated (53% vs. 29%).

The expenses further increased in 2018 by CHF 51 Million (+15%), from CHF 335 Million to CHF 385 Million mainly impacted by an increase in commissions paid on the proportional treaties, but overall the cost ratio remains mostly stable (32.7% vs. 32.5%) due to the increase of inwards premiums. Net expenses have increased for all LoBs. Net cost ratio for Trade Credit is at 32%; Surety & guarantee is at 35.5% and Fidelity equal 34.5%.

The underwriting result shows a profit of CHF 233 Million, above 2017 (+17%) with a small decrease in the net combined ratio (80.3% vs. 80.7%) mainly due to a lower claims ratio with a stable cost ratio. The development of the Swiss Franc had a positive effect on the underwriting result. The underwriting result in Surety & guarantee has slightly decreased, but was overcompensated by the

results in Trade Credit and Fidelity. The net combined ratio shows the same trends as the underwriting results in the respective LoBs.

B.2. Financial performance

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

Figure 3: EH Re AG aggregated financial performance

in CHF million	EoY 2018	EoY 2017	Var	%
Interests and dividends	23	23	0	0%
Realized gains on investments	7	5	2	35%
Write ups of investments	0	2	-2	89%
Investment income	30	30	0	1%
Investment management expenses	-2	-2		
Realized losses on investments	-7	-1		
Unrealized losses on investments	-11	-2		
Investment expenses	-19	-5	-15	328%
Investment result	11	26	-15	-57%
Realized & unreal. currency gains	10	24		
Other financial income	10	24	-14	-58%
Realized & unreal. currency losses	-14	-25		
Other financial expenses	-14	-25	12	-46%
Interests expenses	-1	-1		
Financial result	7	23	-16	-71%

B.2.1. Analysis per nature of income and expenses

The financial result worsened from CHF 23 Million in 2017 to CHF 7 Million in 2018.

The decrease is mainly a result of impairments on investments according to local rules and higher realized losses in 2018 compared to 2017.

Within the volatile environment of the financial markets and the low interest rates, the focus was on securing the capital base and diversifying the investments.

B.2.2. Analysis per class of assets

B.2.2.1. Investment income

EH Re is mostly investing in bonds measured at the lower of amortized cost or market value. The investment activity increased in line with the growing business and further available cash. Compared to prior year the portion of Bonds in the total investment structure increased from 76% to 78% resulting in higher impairments. Investments in affiliated enterprises consist of the participations in the subsidiaries: EH Ré SA (100% of shares), Euler Hermes South Express (49% of shares) and EH

Patrimonia SA (35% of shares). The position increased by CHF 24 Million resulting from paid in capital.

EH Re AG has in its portfolio six Bond funds, three Property funds and four Private equity funds. EH Re AG has one intercompany loan with the subsidiary in EH Ré SA. The value of the intercompany loan remains unchanged (CHF 37.3 Million and the change versus 2017 is caused by the FX rate movement.

Despite the increase in the total value of the investments by CHF 205 Million (mainly on bonds by CHF 201.3 Million), the investment income stays stable (increase by CHF 0.3 Million in 2018, up to CHF 30.4 Million). This is caused by the lower yield from the positions newly invested in 2018. Yield on the total portfolio at the end of December 2018 was 1.26 comparing to 1.44 at the beginning of the year. In 2018 the modest income increase is noticed on the bonds: CHF 0.8 Million and Bond Funds: CHF 0.4 Million. Nevertheless, the significant decrease in the income on the investment in the affiliated enterprises (CHF -2.1 Million) keeps the total investment income on a level similar to 2017.

The income from the intercompany loan decreases slightly by CHF 0.05 Million. While current income from interests and dividends remains on the similar level, realized gains increase (CHF 1.9 Million) are compensated by the decrease in write-ups (CHF 1.8 Million). This leads to a comparable result of the investment income as in 2017.

Other financial income consists of the realized and unrealized currency gains which decreased in comparison to 2017 by CHF 13.8 Million.

B.2.2.2. Investment expenses

Total Investment Expenses increased by CHF 14.9 Million, up to CHF 19.4 Million, mainly caused by unrealized losses on investments. Unrealised losses increased by CHF 9.3 Million compared to 2017 and are mainly driven by unrealized losses on bonds. In 2018 there was also a material increase in the realized losses, mainly on bond funds.

Investment management expenses consists mainly of the Asset Management fees (CHF 1.6 Million) and the custody fees (CHF 0.2 Million) and are stable comparing to 2017.

Other financial income consists of the realized and unrealized currency losses which decreased in comparison to 2017 by CHF 11.8 Million.

B.3. Performance of other activities

EH Re AG does not have any other source of incomes 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 Management function;
- Compliance function;
- Actuarial function which is outsourced to EH SA;
- Internal Audit function which is performed at EH Group level.

To ensure the well-functioning 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 of 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;
- 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 impact for EH Re AG which are not subject of the competency of the General Assembly or another body of the company based on the law, the Articles of Association or the Governance structures of the BoD.

Unless the law, the Articles of Association or the Governance structures 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

During the year 2018, the BoD was composed of the following members:

- Frédéric Bizière, Chairman, member of the BoM of EH Group;
- Dr. Bernd Lehmann, CEO of EH Belgium;
- Roland van Malderghem, external BoD member.

C.1.2.3. BoD committees

The BoD establishes the following permanent committees:

- The Audit & Risk Committee (ARC) supported by the BoD within the scope of its supervision, finance and risk control as well as the preparation of the Financial Statements of EH Re;
- The Financial Committee (FiCo) supported by the BoD within the scope of its supervision of the investment strategy and assets management.

During the year 2018, the ARC was composed of the following members:

- Roland van Malderghem, Chairman;
- Frédéric Bizière;
- Dr. Bernd Lehmann.

During the year 2018, the FiCo was composed of the following members:

- Frédéric Bizière, Chairman
- Bernd Lehmann
- Roland van Malderghem

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

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

C.1.3. Board of Management (BoM)

C.1.3.1. Role and responsibilities of the BoM

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

The BoM meetings are called regularly by the CEO and have the purpose of information, consulting and decision-taking 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 2018, the composition of the BoM remains the same as in 2017:

- Benoît des Cressonnières, CEO of EH Re AG ;
- Birte Inninger, Chief Financial and Administrative Officer (CFAO) of EH Re AG;
- Nigel Pryor, Chief Underwriting Officer (CUO) of EH Re AG.

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 31.12.2018 the key function holders remain the same as in 2017:

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

C.1.4.2. Internal Audit function

The Internal Audit function is common to the Euler Hermes Group.

C.1.4.2.1. Roles and responsibilities

The quality of the internal control system is to be assessed by a function performed by Euler Hermes Group staff which is independent of the activities that are audited.

EH Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. It helps the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

Also, EH Internal Audit plays a "last-line of defence" role in a three-level Internal Control Framework. 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 to maintain the necessary independence. Necessary independence means that no undue influence is exercised over the Internal Audit function.

C.1.4.3. Compliance function

The principles, activities and processes of the Compliance function are described in the EH Re AG Compliance Policy.

C.1.4.3.1. Roles and responsibilities

The Compliance function's main objectives are:

- Support and monitor compliance with applicable laws, regulations and administrative provisions to protect EH Re AG against compliance risks. This includes the identification, assessment and mitigation of these risks;
- Advise senior management and supervisory bodies on Compliance Risk, including compliance with laws and regulations; assess the possible impact of any of these changes of the legal environment on EH Re AG's operations.

The Risk Areas assigned to the Compliance function (Compliance Risk Areas) include:

- Fraud and Corruption
- Money Laundering and Terrorism Financing
- Economic Sanctions
- Capital Markets Compliance
- Data Privacy
- Antitrust Compliance
- Sales Practices Compliance / Customer Protection regarding Reinsurance activity
- Regulatory Compliance
- Foreign Account Tax Compliance Act (FATCA)

C.1.4.3.2. Independence

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

C.1.4.4. Risk Management function

The principles, framework and processes of the Risk Management function are gathered in the EH Re AG Risk Management Policy.

C.1.4.4.1. Roles and responsibilities

The EH Re CFAO also has the function of the EH Re CRO. The operational tasks of the Risk Management are outsourced to EH Group R&CM.

The Risk Management function has the following duties:

- Providing a consistent framework for all EH Re AG's risk-related activities;
- Protecting EH Re AG's capital base;
- Supporting value creation in EH Re AG;
- External reporting on risk and capital issues;
- Monitoring of new regulatory requirements for risk capital and solvency.

C.1.4.4.2. Independence

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

C.1.4.5. Actuarial function

The principles, tasks and processes of the Actuarial function are gathered in the EH Re AG Actuarial Policy.

C.1.4.5.1. Roles and responsibilities

The Actuarial function has the following duties:

- Providing an Actuarial Function Report on an annual basis;
- Ensuring that the level of technical reserves is adequate by setting up an effective control framework;
- Reporting quarterly about technical provisions level to the Loss Reserve Committee, states on its appropriateness, and gets boards of director approval regarding the level of those technical provisions;
- Monitoring the setup, of the reserve risk model and validates the capital level related to EH Re AG technical provisions. It also contributes to the setup of an effective risk management system.

C.1.4.5.2. Independence

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

C.1.5. Fit & Proper policy

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

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

C.1.5.1. Definition of Fitness & Propriety

A person is considered Fit if his/her professional qualifications, knowledge and experience are sufficiently adequate to enable sound and prudent fulfilment of his/her role. Fitness includes leadership experience and management skills, the relevant qualifications, other technical skills, qualification, 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 of 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 Euler Hermes Outsourcing Policy, due diligence of the Provider by the Business Owner and 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 on-going 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 for 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 ARC is responsible for:

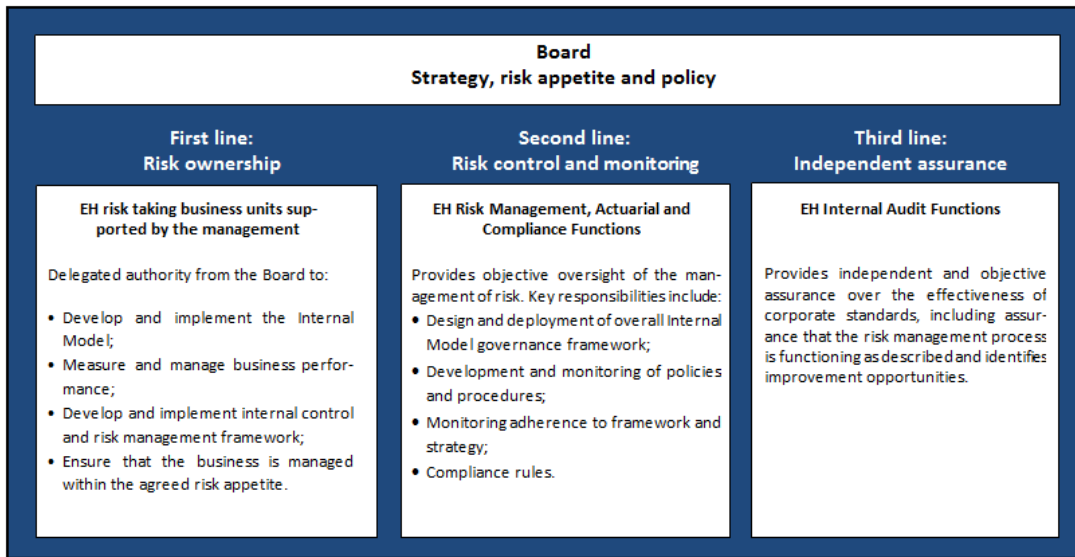
- Preparing and proposing the Risk Strategy, Risk Appetite and Limits to the BoM;
- Operational execution of the Limits framework and overseeing the Risk management system;
- Preparing and proposing the Solvency Assessment to the BoM;
- Defining and operationalizing group-wide Risk Standards (including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

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

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

As required by Solvency II, EH adopted a “three-lines-of-defence” organization, with clear responsibilities between the different organizational functions as described hereafter:

Figure 4: “Three lines of defence” model



C.2.1.3. Overview of the Own Risk and Solvency Assessment (ORSA) process

The ORSA is a comprehensive assessment of all risks inherent to the business in order to determine whether current and future capital will be sufficient to ensure ongoing solvency against these risks. It goes beyond the determination of capital needs provided solely through application of risk capital models by additionally considering stress scenarios, model limitations and other non-modelled risks and how these risks translate into capital needs or are otherwise mitigated.

The ORSA draws upon the whole risk management system in order to conclude on the risk profile adequacy and ensures consideration of risks and capital needs from an integral part of the business decision-making process of the company.

The BoM plays an active role in the ORSA. This participation entails not only understanding and approving the outcome of the ORSA, but also steering how the assessment is to be performed, challenged the results and reflecting the results in planned management actions.

Figure 5: ORSA macro process



The ORSA process is driven through five main steps:

- Update and alignment of the Risk Appetite and risk limits with the business strategy and check the alignment with EH Group requirements;
- Identification of all risks and controls to be considered, by performing several approaches;
- Assessment of all risks based on the Internal Model (IM) and additional risk assessment methods for risks not covered by the IM. Moreover, projections of own funds, risk capital and solvency ratio under base case and stress scenarios;
- Steering of the risks in quantitative terms with a qualitative description of all material risks. Then, demonstration of the compliance of future business with the Risk Strategy;
- Reporting of the performed results and analysis by filling the ORSA report and diffusing it to all relevant stakeholders. The report has then to be validated by EH Ré SA BoD before any official communication. Appropriate results are shared with relevant other reporting/analysis processes.

C.2.1.4. Overview of the Solvency Swiss Test (SST) process

The SST process aims at building the FINMA SST report and consists of the following main steps:

- Building of the MCBS, through interactions between EH Re AG, EH Group R&CM and EH Group Actuarial function;
- Reconciliation between the MCBS and the input Market for the Market Risk and Credit Risk calculation files for EH Re AG;
- Calculation of the Market risk capital, Credit risk capital and Scenarios risk capital;
- Aggregation of the results with actuarial data via the SAS tool;
- Feeding of the FINMA SST template and preparation of the SST report;
- Validation of the SST report by EH Re AG BoM.

C.2.1.5. Risk management processes

On top of the ORSA, SST and specific risk management processes, EH Re AG has implemented a structured and systematic process at EH Re AG level whose objective is to identify and remediate significant threats to financial results, reputation, operational viability and the delivery of key strategic objectives, regardless of whether they can be quantified or not.

The TRA process is based on a quarterly review and monitoring, with a full run exercise once per year and following EH Group top risks

Its scope covers all risk categories defined in the Group risk policy (i.e. Market, Credit, Underwriting, Business, Operational, Reputational, Liquidity and Strategic Risk) as well as concentration and emerging risks. For each of the top risks, respective EH Re AG's BoM members are defined as risk owners and define a target score.

For the top risks identified, the "probability" and "impact" are assessed and form an "actual score", compared to a "target score".

The "impact" is the highest score between the economic impact and the reputational impact, if any.

The “target scores” of all top risks are part of the overall Risk Appetite, which is formally approved by the BoD. If the actual risk score is higher than the target risk score, the risk owner is responsible for ensuring that a documented risk mitigation plan is in place.

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 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 details 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
- 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 Risk Management function at EH Group level, based on the "Governance and Control Policy".

The EH Re AG Risk Management 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-defence 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 frameworks

The EH Group Legal department is in charge of defining and updating the Committee while the EH Group Risk Management function is in charge of updating the Policy Framework at EH Group level.

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 RPF under the responsibility of the risk function within EH Re AG.

The Governance of EH Re AG, including the Governance structures for the BoD and the setup of the BoD committees, has been updated at the end of 2018 according to FINMA requirements.

C.3.3. Specific control areas

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

Figure 6: Control areas set by EH Re AG

Control area	Perimeter	Responsibility	Main documentation
Entity level controls assessment	Standard set of entity level controls including testing intervals and allocation of control responsibilities.	EH Group Internal Audit team	Governance and Control Policy
IT General controls	Establish and implement key controls around all IT operating systems	EH Group IT Internal Control	IRCS guidelines and procedures manual
Controls around risk capital calculation	Validation of models and assumptions.	R&CM	Standards for Model Governance and Model Change
Controls around P&C (Property & Casualty) underwriting	Control framework: principles, limits, control samples...	MMCD & RICC	Standards for P&C underwriting
Controls around investments	Control framework for the investment of own financial assets , based on the risk management framework	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 agrees 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 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;
- 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 Q3 2018.

The following table shows the evolution of the Top Risks identified and their assessment between 2017 and 2018. 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 7: Top Risk Assessment summary

#	Risk	TRA EoF 2018					TRA EoY 2017					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 FSRI	4	4	3	3	3	4	4	3	3	3	no change
R4	Key resources risk						5	1	2	1	1	removed
R6	Reputation risk						4	2	4	3	3	removed
R8	Political & regulatory risk	5	2	2	1	1	5	2	2	1	1	no change
R10	Transfer pricing risk	3	1	3	2	2	3	1	3	2	2	no change
R11	Uncertainty regarding Bonding underwriting	3	2	3	2	2	3	2	3	2	2	no change
R13	Non-compliance with international regulations	4	2	3	2	1	4	2	3	2	1	no change
R14	Risk Management on non-traditional activities	2	3	3	3	2	2	3	3	3	2	no change
R15	Product risk	3	2	3	2	2	3	2	3	2	2	no change
R16	BREXIT	4	3	3	3	3	4	3	3	3	3	no change

Since 2017, the following evolutions have been identified regarding the Top Risks:

- The action plan of “non-compliance with international regulations” was updated in Q4.2018. The updated action plan has been set up: Key screening tool User training held and Screening tool quality implementation review for IRP lines.
- The action plan of “Risk management on non-traditional activities” was updated in Q4 2018. The action plan has been set up:
 - RoRC project presented to the EH Group BoM;
 - For surety & guarantee, the underwriting rules have been brought up to date to align with the ASU (Allianz Standard Underwriting) more closely;
 - Surety & guarantee risk modelling project organization defined and secured;
 - CRO attendance and role in committees have been reviewed and validated by NBB;
 - A one year later follow up of all the products that went through the Product Committee is now well implemented;
 - A full new product framework for launch and management of products and control of new product development has been designed.

D.2.2.Target Capital

Regarding the FINMA SST model, it has to be noted that during the year 2018 the following changes occurred on FINMA Stand Re model:

- A new Market risk model was released by FINMA;
- A new aggregation model was released by FINMA with updated correlation between market and insurance risks;
- FINMA has now introduced a new standard approach to calculate the MVM (on an opt-in basis).

EH Re AG adapted its methodology to fully adapt and comply with model changes from FINMA.

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

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

Figure 8: Breakdown of the Target Capital

in CHF million	EoY 2018	EoY 2017	Var	Subsection (inside D.2.2)
Prior Year (PY)	410	450	-40	2
Current Year (CY)	296	391	-96	1
Diversification between PY and CY	-89	-103	14	
Total Insurance Risk	617	738	-122	3
Market Risk	192	232	-40	4
Diversification market and insurance risk	-26	0	-26	
Insurance & Market Risk	782	970	-188	5
Expected Underwriting Performance	-188	-250	62	6
Expected Financial Performance	-16	-21	5	7
Credit Risk	74	75	0	8
Market Value Margin (MVM)	38	36	2	9
Total Target Capital (TC)	692	810	-118	

NB: Totals and/or variations might appear different from "2018 minus 2017" 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. Premium Risk

Figure 9: EH Re AG Premium Risk

in CHF million	EoY 2018	EoY 2017	Var
Attritional events Premium Risk (AEP)	475	321	154
Individual Event 1 (IE1)	264	558	-293
Diversification within CY	-193	-253	60
CY gross of stop loss	546	626	-79
Stop loss effect	-251	-234	-16
CY net of stop loss	296	391	-96

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

The CY Attritional Events Premium Risk (AEP) increased by CHF 154 Million (+54%) to CHF 475 Million. The increase results from a decrease in the observed mean and an increase of the observed standard deviation. These changes are due to multiple aspects:

- Most historical loss ratios were reviewed down compared to prior year. This is due to positive run-off results as reserves are released following the closing of claims at a lower than reserved amounts.
- A considerable deterioration in the 2015 losses observed in the Asia Pacific region. This aspect has a major impact in the volatility of the Proportional Rest of the World Stand Re segment.
- A manual adjustment to take into account the missing claim experience of EH Re during the 2008 financial crisis. This has a considerable impact in the Proportional Europe Stand Re segment which dominates the EH Re business.

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 for the situation of the current year. The relatively uneventful year 2018 (in terms of large losses) had a significant impact in the expected frequency for IE1 which was reviewed down.
- Portfolio structure scenarios: Portfolio structure scenarios are defined in terms of the inward reinsurance portfolio. Impact from these scenarios have been reduced due to the changes in the inward portfolio of the US following the BEAT regulations.
- Political Risk: For this non-experience scenario, it is assumed that a significant political incident takes place in Brazil.
- Implications of a financial market turndown: For this non-experience scenario, a return period of 25 years was assumed. The estimated impact of this scenario decreased considerably following the decrease in expected premiums for 2019. In addition, for the previous year, the impact of XoL recoveries were not considered. This was reviewed for this year...

Additionally on the previous year, the following own scenarios were modelled:

- Default of the buyer "Best Buy" with a potential maximum loss of 10%
- Default of the buyer "Group Vinci" with a potential maximum loss of 50%

This year, those scenarios have been replaced by the followings:

- Default of the buyer "Schwarz Beteiligungs-KG" with a potential maximum loss of 30%
- Default of the buyer "Group Vinci" with a potential maximum loss of 10%

Based on these scenarios, a frequency-severity model is fitted for IE1 events, with Poisson frequency and Generalized Pareto severity. A threshold was selected in order to include at least 5 experience scenarios and after calibration the impact amounted to CHF 556 Million.

Finally, the IE1 risk decreased by 96M CHF which is mainly caused by the decrease of the frequency.

D.2.2.2. Reserve Risk

Figure 10: EH Re AG Reserve Risk

in CHF million	EoY 2018	EoY 2017	Var
Attritional events Reserve Risk (AER)	288	278	9
Individual Event 2 (IE2)	246	304	-58
Diversification within PY	-125	-133	9
PY	410	450	-40

The Reserve 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 equal to 2% in CY, 3% in CY+1, 4% in CY+2, 3% in CY+3 and 2% in CY+4, going back to zero afterwards. For the previous year a conservative valuation of the scenario was performed by considering the gross reserves and assuming that an Initial Expected Loss Ratio method was used. Both these aspects were reviewed this year: calculations were made by considering the Bornhuetter Ferguson methodology (as done in the reserving context) and using net figures. It was also identified, after reviewing EH's insurance policies, that inflation is not covered in most cases.
- PY loss increase: This scenario assumes that in the current year a reported loss event from prior accident year develops worse than expected. For the previous year a conservative valuation of the scenario was performed by considering the observed deteriorations in the past gross of retrocession. This was reviewed for this year and a net deterioration was considered.
- 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.
- 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 Gen Pareto severity. A threshold was selected in order to include all points. The IE2 amounted to CHF 246 million, down compared to CHF 304 million calculated on year 2017. This is mainly explained by a more conservative valuation methodology applied during the previous year.

The increase in AER of 7.4% is a direct consequence of the increase in reserves.

D.2.2.3. Insurance Risk

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

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

Insurance Risk decreased by CHF 122 Million or 16% compared to EoY 2017. The decrease is fully explained by changes in both premium risk and reserve risk described in the sections above.

D.2.2.4. Market Risk

The EH Re AG's Market Risk is estimated by applying the shocks recommended in the SST standard model of FINMA. The interest rate sensitivities have been derived based on both reserve liability and bonds cash flows.

The table below shows the details of the Market Risk evolution between 2017 and 2018:

Figure 11: Market Risk evolution

in CHF million	EoY 2018	EoY 2017 new market model	EoY 2017	Var incl. Model change
Interest Rates in CHF	1	0	0	1
Interest Rates in EUR	92	95	80	12
Interest Rates in USD	3	3	3	0
Interest Rates in GBP	2	1	1	1
All interest rates	96	99	81	15
Spreads	79	81	87	-7
Foreign Exchange	5	11	6	-1
Equity	43	44	57	-14
Real Estate	15	14	16	-1
Hedge Funds	0	0	0	0
Private Equity	4	4	5	-1
Participations	73	73	97	-24
Total before diversification	317	327	350	-33
Diversification	-125	-132	-118	-7
Total after diversification	192	195	232	-40

NB: Totals and/or variations might appear different from "2017 minus 2016" due to rounding

The decrease of CHF 40 million or 17% of market risk after diversification is mainly explained by FINMA Stand Re model change for market risk. For year 2018, EH Re AG's market risk is estimated using FINMA's SST tool. For year 2017, an internal Excel-based model was used which was build and calibrated according to FINMA's standard methodology for market risk.

The market risk decrease is mainly driven by:

- A decrease in the equity risk and a lower impact from the EH Ré SA (Luxembourg) participation offset by an increase in the EUR interest rate risk.
- The other main contributors to the decrease in the market risk capital requirements were the diversification effects. This is partially due to the predominance of the interest rate risk compared to other risk factors and the new simulation based approach used to calculate the total market risk.

The largest investment class is fixed income (including bond funds and loans) mainly denominated in EUR. The market value of the fixed income investments increased which explains the increase in interest rate risk, especially the increase in EUR interest rate risk.

Besides the change in model, the difference in the interest rate risk is partially explained by the different approach used to determine the liability cash flows. The main difference is due to the fact that for the year 2018, only the balance sheet items are considered. However, the cash flows related to future premiums to be written during the current year had been considered for the year 2017. In addition, for the year 2017, all receivables and payables were assumed to be due during the current year and were not included as it was assumed their market risk to be negligible.

Due to the change in model and the fact that the volatility of all market risk factors considered decreased compared to previous year, the equity, private equity, real estate and participation risk decreased although their market value increased compared to previous year.

D.2.2.5. Insurance & Market Risks

The correlation assumed between Insurance and Market Risk was changed from a 100% correlation to a 80% as prescribed by FINMA.

Thus in 2017 TC did not benefit from diversification between market and insurance risks whereas in 2018 the diversification between market and insurance risks reduced the overall TC by CHF 26 million

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

D.2.2.6. Expected Underwriting Performance

For the financial year 2018 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 year is CHF 250 Million net of reinsurance. This amount is made up of the following components:

Figure 12: EH Re AG expected underwriting performance

in CHF million, net & discounted	EoY 2017
Expected premium	1 154
Expected losses	-569
Expected expenses	-356
Expected technical underwriting result	250

in CHF million, net & discounted	Budget 2019	Budget 2018
Expected premium	1,019	1,154
Expected losses	-490	-569
Expected expenses	-340	-356
Expected technical underwriting result	187	250

A high level check was performed to confirm that this is in line with the performance of the two previous financial years and realistic based on the assumptions of the loss and expense ratio and the expected economic situation of the year. The decrease in expected profit is largely due to the reduction in premium volume, especially in the US following the BEAT regulation.

D.2.2.7. Expected Financial Performance

An investment return of CHF 16 Million is assumed in the EH Re AG budgeted figures for the 2019 financial year.

The table below shows investment returns per asset type.

Figure 13: Investment returns per asset type

in CHF million	Expected return 2019	Exposure 2019
Mortgages	1.5%	0
Corporates	0.7%	1,551
Equity	4.0%	125
hedge funds	2.0%	0
Private equity	5.0%	10
Real estate	3.0%	87
Delta remainder	0.0%	0
Expected financial performance		16

For budget 2018, there was no standard model available for the expected financial result. In previous years, EH Re calculated the expected financial result as follows: based on the cash available after the reinsurer's payment, the investments that have to be managed were defined and the

recommendation of the Group Asset Management was applied. For budget 2018, the expected financial result amounted to CHF 21 Million.

Applying the same approach as previous years for budget 2019, would lead to a higher expected financial result. We conclude that the new methodology used for the budget 2019 leads to a sensible result slightly lower than the expectations from EH Asset Management.

D.2.2.8. Credit Risk

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

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

As shown in the table below, the Credit Risk on EH Re AG's portfolio is CHF 81 Million. This is 6 million higher than in 2017. The split per class is shown below together with the risk weighted exposures.

Figure 14: Credit Risk split per class

in CHF million	Risk weighted exposure			
	EoY 2018	EoY 2017	Var	%
Central governments and central banks	123	94	29	30%
Bank and security dealers	14	13	1	9%
Corporate positions	876	826	50	6%
Total	1,014	934	80	9%
Credit Risk	81	75	6	8%

The increase in the exposure of bonds and corporate positions bonds is in line with the observed increase in credit risk exposure of government and corporate positions. In addition, for government bonds, there was as well a shift into riskier positions. Those two effects explain most of the Credit Risk increase in 2018 compared to 2017.

D.2.2.9. Market Value Margin

For year 2018, EH Re AG decided to calculate the market value margin using FINMA's standard method. The market value margin is estimated at CHF 39 million, up by CHF 2 million compared to last year. The following table shows the market value margin per risk category, and a comparison to previous year. The total market value margin equals to the sum of market value margin per risk category. The differences compared to previous year are discussed in more detail below.

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

only difference in methodology compared to previous year is that in 2018 the undiversified PY risk (i.e. no diversification between AER and IE2) is taken as a basis while in 2017 the diversified PY risk was used. This change increases the market value margin. For year 2018, the undiversified risk has been used as required by the standard model.

The market value margin of PY increased compared to previous year mainly due the change from diversified to undiversified PY risk. The runoff pattern remained approximately the same compared to previous year.

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. The only difference in methodology compared to previous year is that in 2018 only the credit risk due to default of retrocession (retro credit risk) is used as basis while in the previous year the whole credit risk was used. Since the retro credit risk is smaller than the whole credit risk, this change decreases the market value margin.

D.2.3. Stress tests

The four stress tests defined by FINMA for purposes of EoY 2018 are linked to Market Risk. These tests are consistent with the tests performed for EoY 2017. The results of these stress tests are not included in the TC calculation; they show the potential impact of these situations on the AC.

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

Figure 15: Impact of the stress tests on the risk-bearing capital

<i>in CHF million</i>	EoY 2018	<i>EoY 2017</i>	<i>Var</i>	<i>%</i>
Brexit/Eurozone crisis	-267	-231	36	16%
Global recession	-133	-132	1	1%
Global depression	-309	-278	30	11%
Real estate crisis in Switzerland	-304	-284	20	7%

The overall impact on risk-bearing capital of those scenario increased compared to previous year. The main reasons for this increase are the changes in the scenario parametrization. Main changes are an increase of EUR/USD credit spreads impact as well as an increase on USD interest rates impact.

D.2.4. Liquidity ratios

D.2.4.1. General principles

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

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

- Resources mainly come from premiums, reinsurance receivables and investment inflow.
- Needs mainly include policyholder benefits and claims and related expenses, reinsurance payables, operating expenses, dividends and planned purchase or re-purchase of assets.

The liquidity ratio is managed according to the following thresholds defined as EH Re AG Risk Appetite:

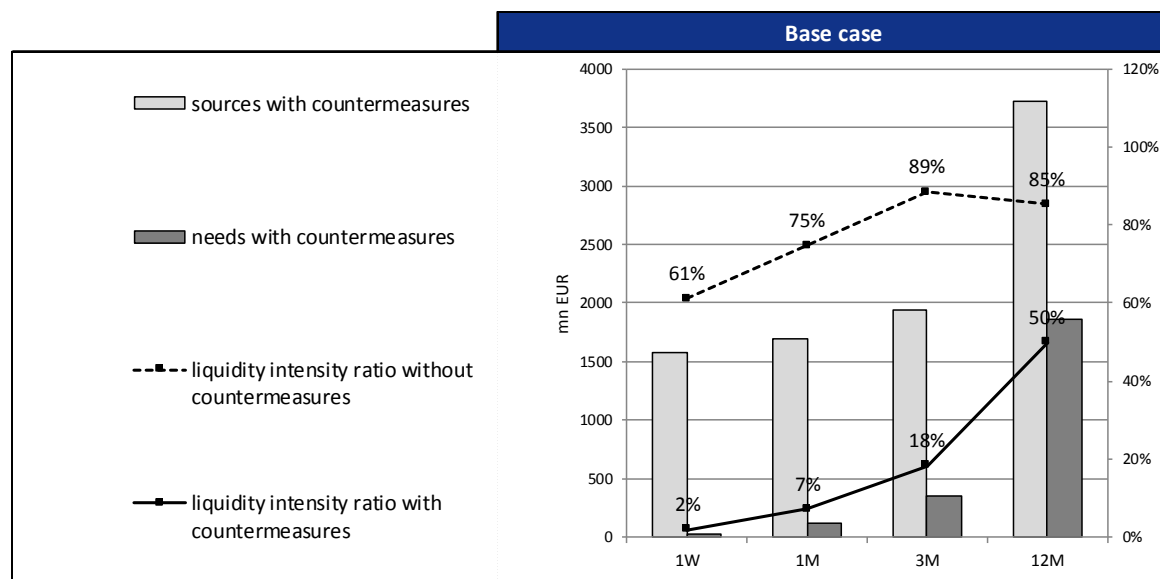
- Ratio > 100%: Red (action level);
- 100% > Ratio > 80%: Amber (alert level);
- Ratio < 80%: Green

In case of breaching, countermeasure actions can be put in place such as asset sales, a diminution of the dividends or a stop in assets purchasing.

D.2.4.2. Base case scenario analysis

The following graph shows the base case scenario liquidity analysis performed in Q4 2018, over different time horizons of 2019:

Figure 16: Base case scenario liquidity analysis



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

Without needing to put in place any countermeasure, the liquidity ratio would remain under 100% on the different time horizons. On a one-year horizon, should the ratio rise at a level of 85% EH Re AG could apply countermeasures (such as sales of assets) to lower the ratio to 50%.

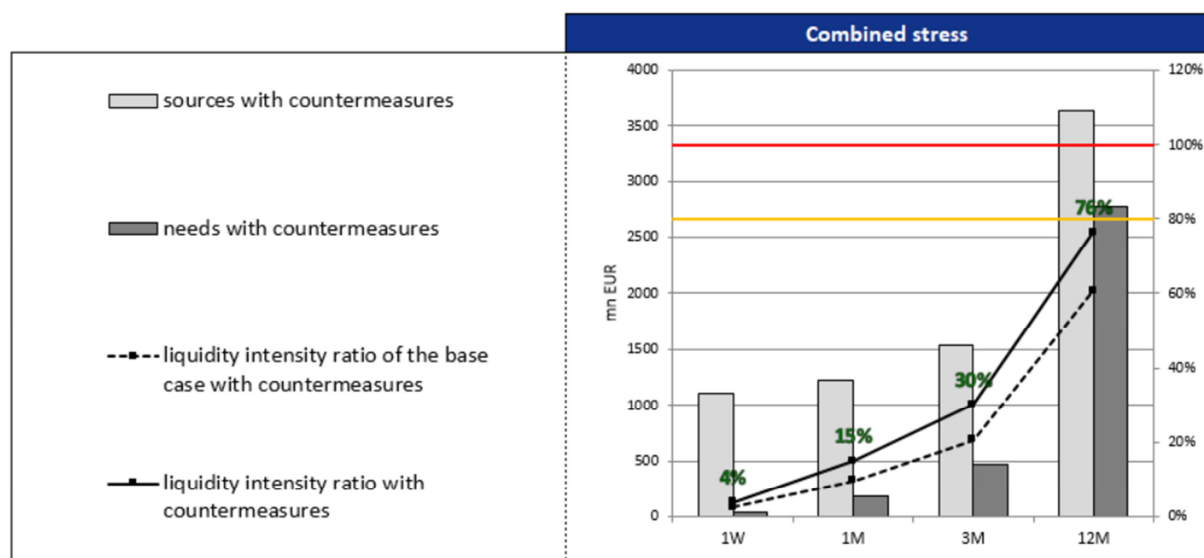
D.2.4.3. Stress scenario analysis

EH Re AG identified several liquidity stress scenarios and chose to perform the one which appeared to be the most relevant for 2019: 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.

Therefore, 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 performed in Q4 2018, over different time horizons of 2019:

Figure 17: Stress scenario liquidity analysis



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

On a one-year horizon, should such a stress scenario occur, EH Re AG would manage to keep its liquidity ratio under 80% by applying countermeasures (mainly sales of 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 18: Financial limits applied at EH Re AG level

<i>Financial limits applied at EH Re AG level</i>	2018 Actual value	2018 Limit	2017 Actual value	2017 Limit
Credit VaR (CVaR)	463	620	487	594
Financial VaR	487	651	522	638
IR +100bps sensitivity	-46	-49	-47	-47
EQ -30% sensitivity	-29	-44	-35	-43

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 captives, EH Ré SA and EH Re AG):

Figure 19: Comparison of the target and actual asset allocation at EH Re level

Assets	SAA 2018	SAA 2018 Leeway %		Actual	Conclusion
	limit %	Min	Max	AA%	
Fixed income	86.90%	70.9%	99.9%	88.84%	<i>No breach</i>
Public equity	6.80%	0.0%	9.8%	5.45%	<i>No breach</i>
Other / Alternative	1.04%	0.0%	100.0%	1.71%	<i>No breach</i>
Real estate	5.27%	2.3%	8.3%	4.00%	<i>No breach</i>

No breach is observed in 2018 for the different categories of assets.

D.2.5.3. Credit exposure limits (CRisP)

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

On this basis, EH Group manages any breach on its investment portfolio and its reinsurance receivables. Allianz notifies any breach on credit insurance exposures in order for EH to remediate these breaches.

There is no recorded breach of Credit exposure limits as of 31.12.2018.

D.2.6. Risk management policies, standards and guidelines

As indicated in section C.3.2.2, EH Re AG has put in place a Policy Framework. This framework includes a set of risk management policies, standards and guidelines, named the RPF.

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

D.3. Other risk management processes

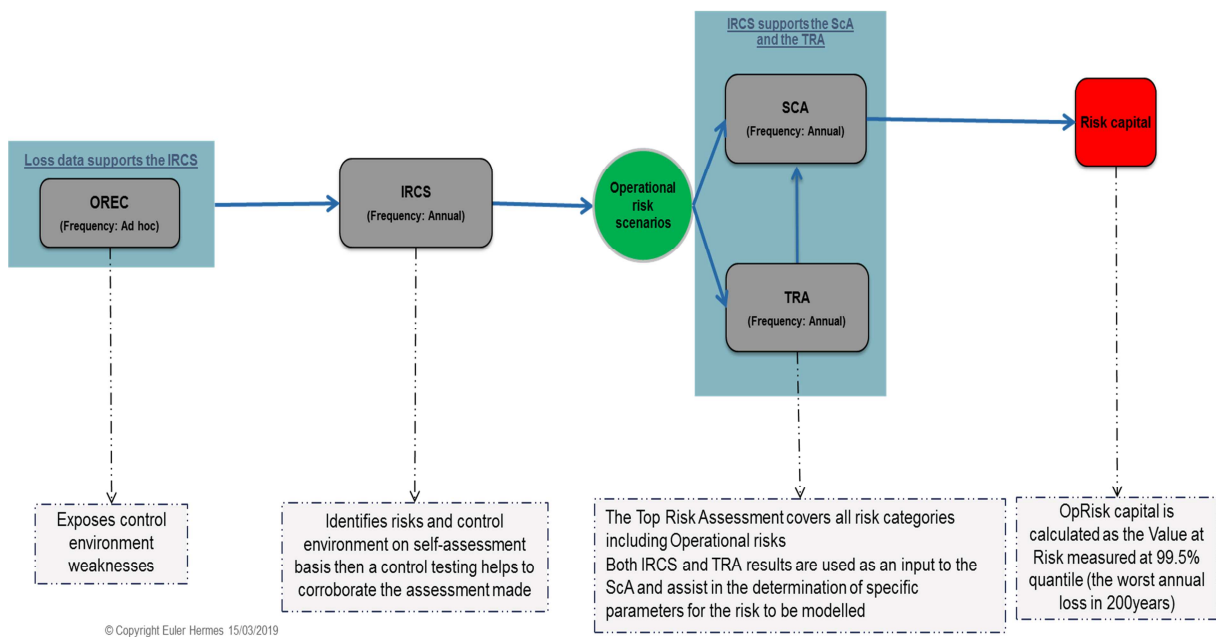
D.3.1. Operational Risk

For Operational Risk and Solvency II, an IM is in place to estimate the potential losses at the 99.5% quantile of the operational loss distribution. For 2018, the internal model capital requirement for Operational Risk is CHF 8 million (before diversification).

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

Figure 20: Operational Risk management overview



In accordance with EH risk policy framework, EH Re AG has implemented comprehensive ORM processes, aiming at keeping the Operational Risks under control.

a. The Integrated Risk and Control System (IRCS)

The IRCS has been implemented within EH Group in 2017 under the global coordination of the R&CM department, aiming at providing a harmonized internal control framework.

The IRCS is a risk management process by which EH Re AG ensures, through performance of a qualitative based analysis, that significant operational risks are 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.

b. 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.

c. The Top Risk Assessment Process (TRA)

The TRA process is defined in section C.2.1.5

d. 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 Heatmaps and assist in the determination of specific parameters for the level 2 Risk Categories to be modelled.

The Appendix 2 shows the details of the scenarios defined for 2018 and their estimated quantitative impacts.

D.3.2. Reputational Risk and Issues management

D.3.2.1. Reputational Risk definition

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

Reputational Risk is defined as an unexpected drop in the value of EH Group share price, 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.

A Reputational Risk can be either direct or indirect whether it is related or not to specific business transactions.

Direct Reputational Risks are consciously and actively taken-on during the course of specific business transactions. For example, investing in an infrastructure project that involves forced resettlement, underwriting transport insurance for a shipment of weapons to a conflict zone or entering into contractual agreements with business partners of poor repute.

Indirect Reputational Risks are inherent in the operations of the company and not related to specific business transactions. These risks normally result from the occurrence of non-reputational risk events (e.g. operational risk), whereby the non-reputational risk event triggers incidental reputational damage.

A Reputational Risk becomes a Reputational Issue once it becomes known to the public and begins to trigger the realization of adverse reputational impacts.

D.3.2.2. Reputational Risk management

Effective reputational risk management requires a structured and consistently applied approach that allows for consideration of the unique characteristics of each case. The exact nature of the approach varies dependent on whether the root cause of the reputational risk is considered direct or indirect in nature:

- The management of direct reputational risks requires balancing the benefits of a given business decision against the potential reputational impacts, taking into account the EH Re AG strategy and ESG approach.
- Indirect reputational risks are managed through the TRA and Risk & Control Self-Assessment (RCSA) processes, which apply the same reputational risk assessment methodology used for direct reputational risks.

D.3.2.3. Management of reputational issues

As explained above, a Reputational Risk becomes a Reputational Issue once it becomes known to the public and begins to trigger the realization of adverse reputational impacts.

If EH Re AG assesses an issue as having a Reputational Risk score of 3 or greater, it must develop a communication plan.

If the risk may affect the reputation the Group, a coordinated communication plan together with Group Communication and Group R&CM must be established.

During crisis situations, all relevant communications standards and guidelines, as well as EH Group rules for crisis management must be applied.

D.3.3. Concentration

D.3.3.1. Exposures

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

D.3.3.2. Assets

The assets are well diversified and mainly invested in bonds with a high rating but there is a shift from AAA to A or BBB bonds compared to last year.

From a volume perspective the largest investment represents 4.8% of the total asset value.

EH Re AG's largest investments are either safe bond investments or investment in other entities of the EH Group (Loans, Participation and Real Estate). The accumulation risk is therefore small, given that the largest investments have a high 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, comprising 80% of the total. Therefore, there is no possibility to diversify within the insured portfolio. Considering that the business is credit insurance there is a clear link to the economic environment.

D.4. Future risk profile

D.4.1. General description

The strategy of EH Re AG is to further grow the book directly in relation with the targeted growth of the EH Group book of business. EH Group expects premium growth of 2% on an annual basis for the next 3 years.

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

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

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

D.4.2. Impact of the sale of EH Ré SA

As mentioned in section A.5, EH Re AG took the decision to sell its 100% subsidiary EH Ré SA, in the near future. This section shows the impact of the sale on EH Re AG SST ratio.

D.4.2.1. Hypotheses

The following hypotheses were taken for the calculation of the impact of the sale on the SST ratio:

Before sale:

- EH Ré SA reimburses the subordinated loan to EH Re AG (subject to prior approval of the Luxembourg regulator).
- Internal receivables and payables are settled between the two companies. Reinsurance receivables and payables with other entities are transferred. The transaction is done assuring no impact on the MCBS AC.
- The reinsurance liabilities of EH Ré SA are transferred to EH Re AG and are compensated by the same amount in cash.

After sale:

- EH Ré SA is sold for CHF 133Million (EUR 118 Million).
- All reinsurance treaties will directly go to EH Re AG.

It is expected that cash from this transaction (sale price, receivables, loans and compensation liabilities) is invested in a bond portfolio similar to EH Re AG's current portfolio.

It needs to be remarked that these are hypotheses which might deviate from the final sale outcome. Therefore all next figures are proxies of the expectation. Also, the simulation is undertaken the assumption that the sale took place at 31.12.2018.

D.4.2.2. Impact on the SST ratio

The table below shows the impact on the SST ratio.

Figure 21: Impact of the sale of EH Ré SA on the SST ratio

<i>in EUR million</i>	EoY 2018	EoY 2018 Sale	
Risk Margin	39	40	2
Target Capital	692	647	-45
Available Capital	1,183	1,171	-13
SST Ratio	174%	184%	11%

The sale of EH Ré SA would mean an increase in the SST ratio of 11%.

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 2017 and 2018:

Figure 22: Asset (SST vs Swiss GAAP)

in CHF million	SST EoY 2018	Statutory EoY 2018	Diff	Var SST	Var Statutory
Real estate	23	0	23	2	0
Shareholdings	146	212	-66	0	24
Fixed-income securities	1 583	1 566	17	191	201
Loans	37	37	0	-1	-1
Mortgages	0	0	0	0	0
Equities	76	0	76	-50	0
Other investments	245	181	64	33	-19
Collective investment schemes	236	151	85	31	-23
Alternative investments	10	6	4	2	1
Other investments	0	25	-25	0	3
Total investments	2 111	1 997	114	174	205
Cash and cash equivalents	12	5	7	-31	-37
Receivables from insurance business	317	247	70	52	-69
Other receivables	5	2	3	2	-1
Other assets	15	15	0	0	0
Total other assets	349	269	81	24	-107
Total Assets	2 460	2 266	194	198	98

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

E.1.1. Real estate

The real estate is valued to CHF 23 Million 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; the real estate is valued with a market-based approach.

E.1.2. Shareholdings

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 million	SST EoY 2018	Statutory EoY 2018	Diff
EH Ré SA	146	75	71
EH Patrimonia SA	0	116	-116
EH South Express SA	0	21	-21
Shareholdings	146	212	-66

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

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

E.1.4. Loans

There is no difference of valuation between the SST balance sheet and the Annual report, and also there is no change in value of the intercompany loan.

E.1.5. Equities

The equities are valued to CHF 76 Million in the SST balance sheet whereas no equities are presented in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA; the equities are valued with a market-based approach.

E.1.6. Collective investment schemes & other investments

The collective investment schemes consist of property funds, bonds funds and equity funds. In the SST Balance sheet, the “Other securities” were reclassified as “Property funds”, which explains some of the difference of valuation between other investments and collective investment schemes. The equity funds are valued to CHF 49 Million in the SST balance sheet whereas no equity funds are presented in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA; the equity funds are valued with a market-based approach. The bond funds are valued with a market-based approach.

E.1.7. Cash and cash equivalents

Cash and cash equivalents to CHF 12 Million in the SST balance sheet, CHF 7 Million higher than in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA and EH South Express SA.

E.1.8. Receivables from insurance business

In the SST balance sheet, the receivables from insurance and reinsurance business include the deposits retained on assumed business and exclude the accrued commission on EBNR for assumed business. The latter, considered on the Liabilities side, amounts to CHF 70 million, resulting in a valuation of CHF 70 Million compared to the Annual report.

E.1.9. Other Receivables

Other receivables are valued to CHF 5 Million in the SST balance sheet vs CHF 2 Million in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA.

E.2. Liabilities

The following table shows the valuation of the different classes of liabilities in the SST report and in the Annual Report (Swiss GAAP), and their evolution between 2017 and 2018:

Figure 24: Liabilities (SST vs Swiss GAAP)

in CHF million	SST EoY 2018	Statutory EoY 2018	Diff	Var SST	Var Statutory
Best estimate of provisions for insurance liabilities	1 488	1 515	-28	-2	0
Outward reinsurance: non-life insurance business	1 488	1 515	-28	-2	0
Ceding of provisions	-581	-597	17	67	65
Outward reinsurance: non-life insurance business	-581	-597	17	67	65
Non-technical provisions	1	46	-45	1	-37
Interest-bearing liabilities	-	-	-	-	-
Liabilities from derivative financial instruments	-	-	-	-	-
Deposits retained on ceded reinsurance	-	-	-	-	-
Liabilities from insurance business	180	110	70	94	-26
Other liabilities	20	71	-51	-3	-3
Total BEL plus market-consistent value of other liabilities	1 108	1 144	-37	156	-1

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

E.2.1. Best estimate of provisions for insurance liabilities & Ceding of provisions

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

E.2.2. Non-technical provisions

In local GAAP, the provision for unrealized currency gains accounts for CHF 46 Million. As the SST currency is EUR, this position is not recognized in the SST balance sheet.

E.2.3. Liabilities from insurance business

As mentioned in section E.1.8. , in the SST balance sheet, the liabilities from insurance business include the accrued commission on EBNR for assumed business, resulting in a difference of CHF 70 Million 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 the unpaid capital and tax payables. In the Annual Report, the unpaid capital for subsidiary accounts for CHF 51 Million and the tax payables to CHF 18 Million. These are not recognized in the SST balance sheet.

E.3. Description of the risk-bearing capital

Overall, the risk-bearing capital increased by CHF 10 Million between 2017 and 2018.

Figure 25: Breakdown of the risk-bearing capital

in CHF million	EoY 2018	EoY 2017	Var
Total assets	2 460	2 262	198
Total liabilities	1 108	952	156
Assets minus liabilities	1 352	1 310	42
Deductions (Dividends)	-169	-117	-52
Core Capital	1 183	1 193	-10
Supplementary Capital	0	0	0
Risk-bearing capital	1 183	1 193	-10

The assets have increased by CHF 198 Million which is mainly due to increase of bonds (CHF +189 Million).

The liabilities increased by CHF 156 Million which is mainly due to an increase in reinsurance payables (CHF +84 Million).

The planned dividends are deducted from the assets over liabilities to calculate the risk-bearing capital. The planned dividend is CHF 52 Million up compared to last year.

There is no supplementary capital.

No particular restrictions exist on EH Re AG AC.

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

<i>in CHF million</i>	Reconciliation	<i>Section</i>
Annual report Equity	1 121	
Assets - Real estate	23	E.1.1
Assets - Shareholdings	-66	E.1.2
Assets - Fixed-income securities	17	E.1.3
Assets - Equities	76	E.1.5
Assets - Other investments	64	E.1.6
Assets - Cash and cash equivalents	7	E.1.7
Assets - Receivables from insurance business	70	E.1.8
Assets - Other receivables	3	E.1.9
Liabilities - Net technical reserves	11	E.2.1
Liabilities - Non-technical provisions	45	E.2.2
Liabilities - Liabilities from insurance business	-70	E.2.3
Liabilities - Other liabilities	51	E.2.4
Assets minus liabilities	1 352	
Deductions (Dividends)	-169	
Risk - bearing capital	1 183	

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

The equity as reported in the Annual Report is fully available and bears no restriction of any kind.

E.5. Off balance sheet items

The following table discloses off-balance sheet items within EH Re AG. They are mainly composed 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;
- Letters of Comfort received by EH Re AG.

Type of commitment	Actual updated amount for current closing in transaction currency	Actual updated transaction currency	Issuer rating agency	Issue date	Expected maturity
Letter of Credit provided	30,000	USD	AA-	30/06/2018	31/03/2019
Letter of Credit provided	110,000	USD		30/06/2018	31/03/2019
Letter of Credit provided	12,000	CAD	AA-	31/03/2017	31/03/2019
Investment Commitment provided	5,375	USD		22/12/2014	31/03/2019
Bank Guarantee provided	75	USD		15/12/2011	31/03/2019
Letter of Credit provided	142	CAD	AA-	01/01/2018	31/03/2019
Letter of Credit provided	500	USD	AA-	01/01/2018	31/03/2019
Letter of Comfort received	without amount	EUR	A-	08/10/2014	31/03/2019
Letter of Comfort received	without amount	EUR		01/01/2012	until the signed reinsurance agreement is valid

F. Capital management

F.1. Capital management strategy – SST Standard

Capital management strategy

EH Re AG monitors primarily its solvency regarding the SST standard. It has settled a target minimum SST ratio of 100%, monitored regularly by the ARC.

If EH Re AG falls below the minimum SST ratio, the BoD takes measures to re-establish the Minimum Capital Ratios in due time.

Figure 27: Equity overview

in CHF million	EoY 2018	EoY 2017 (comparable)	EoY 2017	Var	%
Total assets	3,040	2,910	2,262	778	34%
Total liabilities	1,688	1,599	952		
Dividend and intangibles	-169	-117	-117	-52	44%
Risk Bearing Capital	1,183	1,193	1,193	-10	

At constant FX rates, The 2018 Risk Bearing Capital is higher compared to 2017. The impact of FX rates lead to a non-significant decrease of the Risk Bearing Capital.

Overall the balance sheet total increased substantially due to a reclassification of the retrocession reserve recoveries. For year 2017, the retrocession reserve recoveries were included on the liability side with a negative sign to show a net of retrocession position of technical reserves. For year 2018 the retrocession reserve recoveries are included on the asset side. This change does not have an impact on the risk-bearing capital.

At constant FX rates, the increase in Risk Bearing Capital is explained by profits partly offsetted by dividends distributed to shareholders.

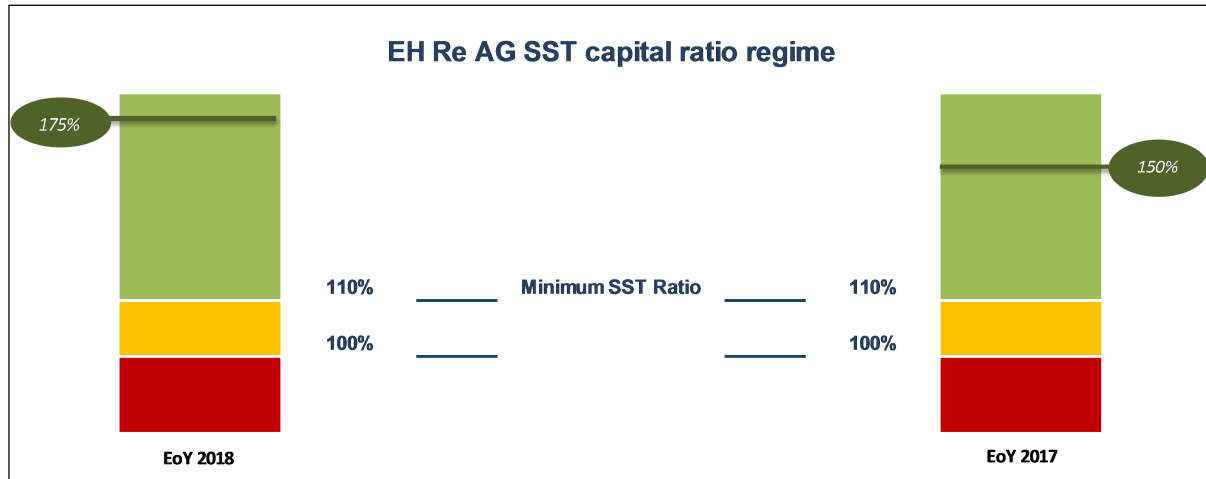
The following graph and table shows the Solvency ratio as of 31.12.2018 compared to 31.12.2017 regarding the SST:

Figure 28: SST Ratio overview

in CHF million	EoY 2018	EoY 2017	Var	%	Section
Target Capital (TC)	692	810	-118	-14%	D.2.2
Available Capital (AC)	1,183	1,193	-10	-1%	E.3
Market Value Margin (MVM)	-39	-36	-3	9%	D.2.2.9
SST Ratio (AC-MVM)/(TC-MVM)	175%	150%	26%		

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

Figure 29: EH Re AG SST capital ratio regime



The SST ratio increased from 150% to 175%, above the minimum target ratio of 110%.

The impact of future significant events on the risk profile and solvency is analyzed and presented in section D.4.

The current solvency information regarding the SST 2019 including risk bearing capital and target capital is still subject to the regulatory audit by FINMA.

F.2. Capital management strategy – SII Standard

For steering reasons and alignment with Group processes, EH Re AG has also set Solvency II target capitalization ratios and limits.

The current Capital Management strategy, Dividend policy and limits are defined as follows:

- EH Re AG targets to stay within the Capital Management Range of 140% (the “Lower Bound” or “Action Barrier”) and 178% (the “Upper Bound”) in the normal course of business.
- In case of a breach of the Capital Management Range in any of the two dimensions, the BoD evaluates the situation in their next regular board meeting and evaluates any potential countermeasures to get back within the Capital Management Range.
- If EH Re AG falls below the Minimum Capital Ratios the BoD takes measures to re-establish the Minimum Capital Ratios in due time.
- If EH Re AG drops below the Alert Barrier, it is expected to submit a contingency plan to the BoD within due time.

G.Solvency

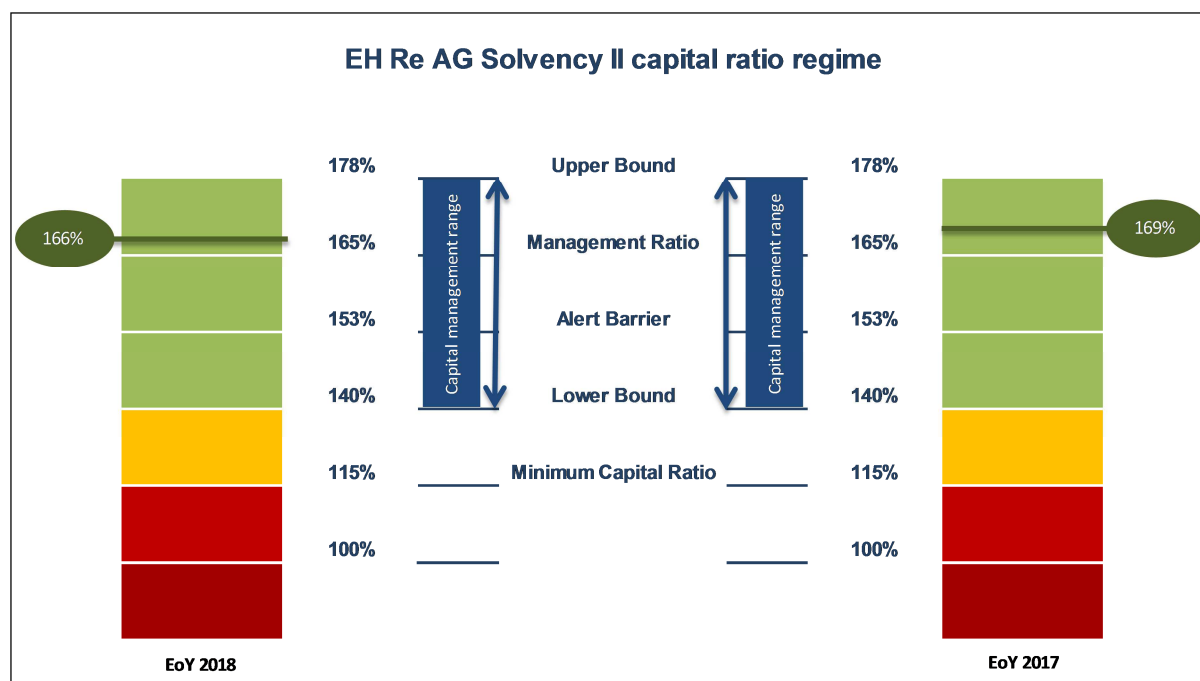
G.1. Solvency Overview

The following graph and table shows the Solvency II ratio as of 31.12.2018 compared to 31.12.2017:

Figure 30: Solvency II ratio overview

in CHF million	EoY 2018	EoY 2017	Var	%
Required capital	797	758	39	5%
Own Funds	1,324	1,278	46	4%
Solvency ratio	166%	169%	-2%	

Figure 31: EH Re AG Solvency II capital ratio regime



The Solvency II ratio is rather stable at 166%, within the Lower and Upper Barriers presented above.

The solvency ratio disclosed above is not subject to regulatory audit.

G.2. Capital planning

EH Re AG capital planning process is included in the EH Group capital planning process, following a bottom/up and top/down approach, based on EH Re AG analysis and discussions with the Group.

In the yearly planning process the BoM of EH Group reviews the capital allocation over the three-year planning horizon. Based on this projection the BoM of EH Group approves the capital plan and the resulting discretionary budget (if any) for the capital available for capital allocation over the plan horizon.

The resulting capital plan will also be presented to the Supervisory Board of EH Group. This includes the current and future capital allocation to the LEs, such as EH Re AG, and underlying risk-drivers.

At EH Re AG level, the capital and dividend plan is also established over a three-year horizon.

It reflects any excess capital available and targets to make the excess capital available to EH Group. At the same time the impact of growth over time on any capital requirements and changes in the regulatory environment have to be considered.

The plan data is based on a proper plan of all risk drivers with a consistent plan for the profit and loss statement, balance sheet and capital. In the absence of growth of the capital requirements over the plan period and as long as the capitalization is above the Management Ratio, EH Re AG plans dividend payments at a minimum in the amount of its planned net income.

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;
- Ensuring that information of EH Re AG relevant solvency measures and any capital and risk limits 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;
- Enactment of capital measures such as capital increases, dividends;
- Regular reporting of capital levels and stress tests;
- Providing the capital and dividend plan figures in the planning process.

Appendix

Appendix 1 : External auditor's report on the Annual Report



EH RE PwC_Long
Form 2018_signed.p

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.

Risk category	Worst case scenario description and estimated impact
Suitability, Information Disclosure and Fiduciary Duty	In case of a breach of confidentiality related to the reinsurance treaties, the shareholders of ceding companies could sue EH, resulting in a settlement or in contractual penalties. The estimated impact of this scenario would be CHF 120.000.
Improper Business or Market Practices	Several legal risks exist, that could be due to inadequate legal terms that does not fulfil the external (legal) requirements due to changes in laws and regulations. The estimated impact of this scenario would be CHF 350.000.
Trade Counterparties	A worst case scenario could be a rejection of claim by an external reinsurer due to an incomplete or inaccurate reinsurance contract. The failure of reinsurance coverage could be because of errors, omissions or other inadequacies in relation to the company's documentation and contracts, resulting in losses or legal costs. The estimated impact of this scenario would be CHF 600.000.
Human Resources Management	A worst case scenario could be EH Re AG becoming unable to maintain operating capacity or service quality due to departure of key persons at key positions or a significant portion of key teams. Staff may not be replaced within a reasonable timeframe; remaining staff unable or not qualified to assume all tasks leading to a loss. The estimated impact of this scenario would be CHF 230.000.
Monitoring and Reporting	In case of inaccurate or out of due time SST report, the FINMA might require to have it done by an external consulting firm which would have not been budgeted. The estimated impact of this scenario would be CHF 120.000.
Theft and Fraud (External Fraud)	A worst case scenario could be an organized scam, known as "CEO impersonation fraud". Fraudster pretending to be the CEO of EH orders, to an employee using fake email or phone call, an international transfer of money into a specific bank account located outside the country. The estimated impact of this scenario would be CHF 300.000.

Appendix 3 : Quantitative templates

Financial situation report: quantitative template "Market-consistent Balance Sheet Solo"		Currency: CHF Amounts stated in millions		
		Ref. date previous period	Adjustments previous period	Ref. date reporting year
Market-consistent value of investments	Real estate	21		23
	Shareholdings	146		146
	Fixed-income securities	1,393		1,583
	Loans	39		37
	Mortgages	-		-
	Equities	126		76
	Other investments	213		245
	Collective investment schemes	205		236
	Alternative investments	8		10
	Other investments	-		-
	Total investments	1,937		2,111
	Financial investments from unit-linked life insurance	-		-
Receivables from derivative financial instruments	-		-	
Market-consistent value of other assets	Cash and cash equivalents	43		12
	Receivables from insurance business	266		298
	Other receivables	2		5
	Other assets	15		15
	Total other assets	326		330
Total market-consistent value of assets	Total market-consistent value of assets	2,262		2,440
0				
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities			
		1,490		1,488
	Direct insurance: life insurance business (excluding ALV)	-		-
	Direct insurance: non-life insurance business	-		-
	Direct insurance: health insurance business	-		-
	Direct insurance: unit-linked life insurance business	-		-
	Direct insurance: other business	-		-
	Outward reinsurance: life insurance business (excluding ALV)	-		-
	Outward reinsurance: non-life insurance business	1,490		1,488
	Outward reinsurance: health insurance business	-		-
	Outward reinsurance: unit-linked life insurance business	-		-
	Outward reinsurance: other business	-		-
	Reinsurers' share of best estimate of provisions for insurance liabilities	-647		-600
	Direct insurance: life insurance business (excluding ALV)	-		-
	Direct insurance: non-life insurance business	-		-
	Direct insurance: health insurance business	-		-
	Direct insurance: unit-linked life insurance business	-		-
	Direct insurance: other business	-		-
	Outward reinsurance: life insurance business (excluding ALV)	-		-
	Outward reinsurance: non-life insurance business	-647		-600
Outward reinsurance: health insurance business	-		-	
Outward reinsurance: unit-linked life insurance business	-		-	
Outward reinsurance: other business	-		-	
Market-consistent value of other liabilities	Non-technical provisions	-		1
	Interest-bearing liabilities	-		-
	Liabilities from derivative financial instruments	-		-
	Deposits retained on ceded reinsurance	-		-
	Liabilities from insurance business	86		180
	Other liabilities	24		20
Total BEL plus market-consistent value of other liabilities	Total BEL plus market-consistent value of other liabilities	952		1,088
Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities		1,310		1,352

Financial situation report: quantitative template

Currency: CHF
Amounts stated in
millions

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in CHF millions	in CHF millions	in CHF millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,310		1,352
	Deductions	-117		-169
	Core capital	1,193		1,183
	Supplementary capital	0		0
	RBC	1,193		1,183

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in CHF millions	in CHF millions	in CHF millions
Derivation of target capital	Underwriting risk	738		617
	Market risk	232		192
	Diversification effects	0		-26
	Credit risk	75		75
	Risk margin and other effects on target capital	-235		-165
	Target capital	810		692

		Ref. date previous period	Adjustments previous period	Ref. date reporting year
		in %	in %	in %
SST ratio	Risk-bearing capital / target capital	149%		175%

Financial situation report: quantitative template "Performance Solo Reinsurance"

Currency: CHF
Amounts stated in millions

	Total		Miscellaneous	
	Previous year	Reporting year	Previous year	Reporting year
1 Gross premiums	1,745	1,927	1,745	1,927
2 Reinsurers' share of gross premiums	-687	-742	-687	-742
3 Premiums for own account (1 + 2)	1,058	1,185	1,058	1,185
4 Change in unearned premium reserves	-32	-24	-32	-24
5 Reinsurers' share of change in unearned premium reserves	5	15	5	15
6 Premiums earned for own account (3 + 4 + 5)	1,031	1,176	1,031	1,176
7 Other income from insurance business	1	1	1	1
8 Total income from underwriting business (6 + 7)	1,032	1,177	1,032	1,177
9 Payments for insurance claims (gross)	-694	-786	-694	-786
10 Reinsurers' share of payments for insurance claims	249	304	249	304
11 Change in technical provisions	-152	-13	-152	-13
12 Reinsurers' share of change in technical provisions	99	-64	99	-64
13 Change in technical provisions for unit-linked life insurance	-	0	-	-
14 Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	-497	-559	-497	-559
15 Acquisition and administration expenses	-604	-676	-604	-676
16 Reinsurers' share of acquisition and administration expenses	269	291	269	291
17 Acquisition and administration expenses for own account (15 + 16)	-335	-385	-335	-385
18 Other underwriting expenses for own account	-	0	-	-
19 Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	-832	-944	-832	-944
20 Investment income	30	30		
21 Investment expenses	-5	-19		
22 Net investment income (20 + 21)	26	11		
23 Capital and interest income from unit-linked life insurance	0	0		
24 Other financial income	24	10		
25 Other financial expenses	-25	-14		
26 Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	224	241		
27 Interest expenses for interest-bearing liabilities	-1	-1		
28 Other income	0	0		
29 Other expenses	0	0		
30 Extraordinary income/expenses	0	0		
31 Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	223	241		
32 Direct taxes	-22	-24		
33 Profit / loss (31 + 32)	202	217		

Appendix 4 : Reputational risk management - details

Reputational Risk matrix

The Reputational Risk Matrix provides a methodology to assess potential stakeholder impacts in the event a reputational risk becomes publicly known and thereby becomes a reputational issue.

When completing the assessment a 1-5 rating should be applied to each dimension of the matrix (investors, customers...). After consideration of the ratings for each dimension, professional judgement should be applied to determine a single overall rating of the risk. If the overall is "3" or higher the reputational risk must be referred to Group R&CM.

Rating		Stakeholder awareness	Criteria to assess/ categorize impact on single stakeholder groups					
			Investors	Customers	NGOs	Business partners	Regulators	Staff
1	Very Low	<ul style="list-style-type: none"> No significant impact on any group of stakeholders 	<ul style="list-style-type: none"> Low level local or special media awareness (incl. limited web) No change in analysts' recommendations 	<ul style="list-style-type: none"> Low level local or special media awareness (incl. limited web) No important customer/significant number of customers at risk 	<ul style="list-style-type: none"> Little negative attention by minor/regional NGOs 	<ul style="list-style-type: none"> Low level local or special (incl. limited web) media awareness No impact on attractiveness of EH for business partners 	<ul style="list-style-type: none"> Minor nonpublic criticism by regulator or industry body 	<ul style="list-style-type: none"> No impact on trust/motivation of employees
2	Low	<ul style="list-style-type: none"> Small number of people/no important group affected 	<ul style="list-style-type: none"> National or special media awareness No change in analysts' recommendations 	<ul style="list-style-type: none"> Regional or special (incl. broader web) media awareness/impact on minor customer groups Marginal impact on product quality Customers become aware of problem, but only small number of existing/new customers at risk 	<ul style="list-style-type: none"> Campaign or heightened attention by minor/regional NGOs 	<ul style="list-style-type: none"> Marginal impact on attractiveness of EH for business partners 	<ul style="list-style-type: none"> Strong nonpublic criticism by regulator or industry body 	<ul style="list-style-type: none"> Moderate negative impact on trust/motivation of certain groups of employees
3	Medium	<ul style="list-style-type: none"> Larger number of people/small number of important groups affected 	<ul style="list-style-type: none"> Long-term national/short term international media awareness Critical articles in national financial press No change in analysts' recommendations 	<ul style="list-style-type: none"> Long-term national/short term international media awareness Topic-related impact on sensitive customer groups Some impact on product quality Risk of significant lapses/loss of targeted new customers, as significant impact on customers 	<ul style="list-style-type: none"> Some negative attention by international and highly influential NGOs 	<ul style="list-style-type: none"> Long-term national/short-term international media awareness Topic related impact on sensitive business partners Some impact on attractiveness of EH for business partners 	<ul style="list-style-type: none"> Public criticism by regulator or industry body 	<ul style="list-style-type: none"> Strong topic related impact on trust/motivation of some sensitive staff
4	High	<ul style="list-style-type: none"> Majority of people/significant number of important groups 	<ul style="list-style-type: none"> Financial results are adversely affected by 	<ul style="list-style-type: none"> Challenge on EH brand/"Trust" High short-term 	<ul style="list-style-type: none"> Campaign or heightened attention by a single international and 	<ul style="list-style-type: none"> Significant loss of attractiveness of EH for major 	<ul style="list-style-type: none"> Low-scale regulatory action 	<ul style="list-style-type: none"> Serious challenge to trust and motivation of

		affected	<ul style="list-style-type: none"> • reputational event • Critical articles in international financial press • High short-term national/international media awareness (cover stories) • A few analysts downgrade their recommendations. • EH is removed from • portfolios/investment universe by some specialized ESG investors 	<p>national/ international media awareness (cover stories)</p> <ul style="list-style-type: none"> • High impact on product • quality • Risk of large number of lapses / huge loss of targeted new customers 	highly influential NGO.	business partners		<ul style="list-style-type: none"> • majority of mid management • and staff
5	Very High	<ul style="list-style-type: none"> • (Nearly) all people/most important groups affected 	<ul style="list-style-type: none"> • Repeated, very critical articles in international financial press • High long-term national/international media awareness (cover stories) • Many analysts reduce target • prices and downgrade their recommendations • EH is removed from portfolios/investment universe by some important institutional investors 	<ul style="list-style-type: none"> • High long-term national/international media awareness (cover stories) • Very high impact on product quality • Huge loss of "Trust" in EH products across all important customer groups • Risk of very large number of lapses / very huge loss of targeted new customers 	<ul style="list-style-type: none"> • Campaign or heightened attention by a coalition of international and highly influential NGOs. 	<ul style="list-style-type: none"> • Significant loss of attractiveness of EH for a significant number of business partners 	<ul style="list-style-type: none"> • High-scale • Regulatory action • Government • action 	<ul style="list-style-type: none"> • Huge loss in confidence by mid management • and staff

Sensitive business guidelines

The corresponding Sensitive Business Guideline must be completed for any business transactions (with insured companies) in one of the following sensitive business areas or sensitive countries.

Sensitive business areas

<p><u>Environmental areas</u></p> <p><u>1. Mining</u></p> <p><u>2. Oil & gas</u></p> <p><u>3. Nuclear energy</u></p> <p><u>4. Hydro-electric power</u></p> <p><u>5. Agriculture</u></p> <p><u>5.1 Agricultural commodity investments</u></p> <p><u>5.2 Animal welfare</u></p> <p><u>6. Large-scale infrastructure</u></p>
<p><u>Social areas</u></p> <p><u>7. Human rights</u></p> <p><u>8. Health care</u></p> <p><u>8.1 Clinical trials</u></p> <p><u>8.2 Animal testing</u></p> <p><u>9. Sex industry</u></p> <p><u>10. Betting & gambling</u></p>
<p><u>Governance areas</u></p> <p><u>11. Defense</u></p> <p><u>11.1 Banned weapons</u></p> <p><u>11.2 Transport of weapons to sensitive / high-tension countries</u></p> <p><u>12. Sanctions-related</u></p> <p><u>13. Fiscal / tax related</u></p>

Where the business being considered relates to a single project/risk/site/transaction, the ‘Single Site’ section of the Sensitive Business Guideline must be used. Where the business being assessed relates to multiple sites or wide geographic areas, the ‘Multiple Sites or Territories’ section must be used.

Where multiple sensitive business areas apply to a client, project or investment it is only necessary to complete a single Sensitive Business Guideline according to the most significant business exposure present. The completion of additional Sensitive Business Guidelines under such circumstances is at the discretion of the first line of defense.

Appendix 5 : Glossary

Terms / Abbreviations	Description
AC	Available Capital
AEP/AER	Attritional Events Premium/Reserve Risk
ARC	Audit & Risk Committee
BoD	Board of Directors
BoM	Board of Management
CEO	Chief Executive Officer
CFAO	Chief Financial and Administrative Officer
CRisP	Credit Risk Platform
CRO	Chief Risk Officer
CUO	Chief Underwriting Officer
CHF	Swiss franc
EBNR	Earned But Not Reported
EH	Euler Hermes
EH Group	Euler Hermes Group
EH NAM	Euler Hermes North America
EH Re AG	Euler Hermes Reinsurance AG
EH Ré SA	Euler Hermes Reinsurance SA
EH SA	Euler Hermes SA
EoY	End of Year
ESG	Environmental, Social and Governance
EUR	Euro
FCR	Financial Condition Report
FiCo	Financial Committee
FINMA	Swiss Financial Market Supervisory Authority
FX	Foreign Exchange
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
OREC	Operational Risk Event Capture
ORM	Operational Risk Management
ORSA	Own Risk and Solvency Assessment
P&C	Property & Casualty
R&CM	Risk & Capital Management
RCSA	Risk & Control Self-Assessment

RiCo	Risk Committee
RM	Risk Margin
RoRC	Return on Risk Capital
RPF	Risk Policy Framework
S&P	Standard & Poor's
SCR	Solvency Capital Requirement
SAA	Strategic Asset Allocation
SLA	Service Level Agreement
SST	Swiss Solvency Test
Stand Re	Standard formula to calculate insurance risk for reinsurance companies
TC	Target Capital
TCI	Trade Credit Insurance
TRA	Top Risk Assessment
VaR	Value at Risk