

# Euler Hermes Reinsurance AG

## Financial Condition Report

Based on figures at 31/12/2022

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## Executive Summary

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

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

The qualitative and quantitative information disclosed in this report is based on the situation at 31.12.2022.

The EUR/CHF rates used in this report are the year-end rates applied by Euler Hermes Reinsurance AG (EH Re AG) in its financial statements 2022 for the balance sheet positions: 1 EUR = 0.9874 CHF (1.0362 in 2021).

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

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

### Business activities (A)

EH Re AG is the Euler Hermes Group reinsurance company providing reinsurance solutions and capacity for commercial Trade Credit, Surety & Guarantee, and Fidelity business to all EH Group companies as well as to some AZ companies. EH Re AG, together with its 100% owned subsidiary Euler Hermes Ré SA (EH Ré SA), reinsure also the business of some joint ventures with external companies as well as the worldwide Surety & Guarantee business of Allianz entities since 2014.

Since a capital restructuring in 2020 in the context of the project REACH, EH Re is fully owned by Allianz Re Dublin dac which is held by Euler Hermes Group SAS (45%) and Allianz Europe BV (55%). The shareholder structure is presented in chapter A.2.1.

There are no major changes in the 2022 reinsurance structure compared to 2021.

Finally, Euler Hermes Group<sup>1</sup> has changed its brand name to Allianz Trade effective 28.03.2022. However, this has no impact on the legal entity name of Euler Hermes Reinsurance AG which remains unchanged.

## Company success (B)

In 2022 EH Re's overall profitability increased significantly compared to 2021. Earned premiums have increased by CHF 273mn (33%) from CHF 823mn to CHF 1096mn mainly impacted by the exit of the State Support Schemes by the end of June 2021 in all countries where those had been implemented since 2020.

However, the net financial result<sup>2</sup> has deteriorated from a loss of CHF 29.9mn to a loss of CHF 153.6mn in 2022. This is mainly driven by the unrealized losses on investments which have increased by 1'014% (CHF 142mn) due to impairment on the bond's portfolio as well as by realized and unrealized currency losses which have increased by +480% (CHF 89mn). This was slightly offset by a +104% increase in the investment income from interests and dividends (CHF 19mn) due to better interest rate and a +606% increase of the realized and unrealized currency gains (CHF 96mn).

The annual profit result of EH Re AG in 2022 is CHF 72.4mn, CHF 81.8mn (-53%) down compared to 2021.

## Governance and risk management (C)

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

Note that governance structures have been implemented to keep EH Re AG within the operational and risk environment of the EH Group.

EH Re AG has also implemented four independent key functions (Risk Management which is partly outsourced to EH SA, Compliance, Actuarial which is outsourced to EH SA, and Internal Audit which is

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<sup>1</sup> For the sake of simplicity, the EH Group name is used in this report when referring to EH operating entities and the legal name 'Euler Hermes Group SAS' when referring to the holding entity.

<sup>2</sup> Following a misstatement identified in local statutory balance sheet after first publication, the report has been updated accordingly.

outsourced to EH Services SAS), constituting the 2<sup>nd</sup> and 3<sup>rd</sup> level of its “three lines of defense” organization.

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

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

## Risk profile (D)

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

The Insurance, Market, and Credit Risk are considered and monitored through the Target Capital (TC) of the SST as well as other quantitative limits. EH Re AG’s TC was at CHF 716mn at the end of December 2022, up by CHF 48mn compared to 2021. The increase is mainly explained by the growth in reserve and premium volume following termination of State Schemes mechanism and a slow post-Covid recovery.

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

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

## Valuation (E)

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

Overall, EH Re AG’s Risk Bearing Capital (RBC) amounts to CHF 994mn down by 18% compared to 2021, after deduction of a planned dividend of CHF 247mn. It is exclusively composed of basic own funds, with no particular restrictions on it.

## Capital management & Solvency requirements (F&G)

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

The SST 2023 Ratio is at 140% and down compared to the 183% ratio of 2022 reflecting a growth in business and therefore Target Capital (TC) as well as a reduction in available capital (RBC) due to expected dividend payments. The SST 2023 remains however well above the target management ratio of 136% defined in EH Re AG Risk Appetite.

## A. Business activities

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### A.1. Business overview

#### A.1.1. Business overview

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

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

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

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

#### A.1.2. Business outlook

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

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

Apart from smaller changes, the overall reinsurance structures of EH Re remains mostly unchanged in 2022 with no further local State Support Schemes in place. The Group Stop Loss treaty implemented since the underwriting year 2019 has been renewed successfully and will continue to cover the net retention of EH Re and the ceding entities. Next to that, an additional outward Stop Loss cover (15% xs 95% layer) will be implemented in 2023.



The financial markets are expected to remain volatile, fueled by rising inflation concerns. Accordingly, EH Re AG will pursue its "safety-oriented" and diversified investment strategy in line with the EH and Allianz Group's Investments Rules. EH Re AG is continuously pursuing its decision to sell its 100% subsidiary EH Ré SA in Luxembourg in the near future<sup>3</sup>. A buyer has not been found, but the initiative will be continued in 2023 despite the difficult economic environment.

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

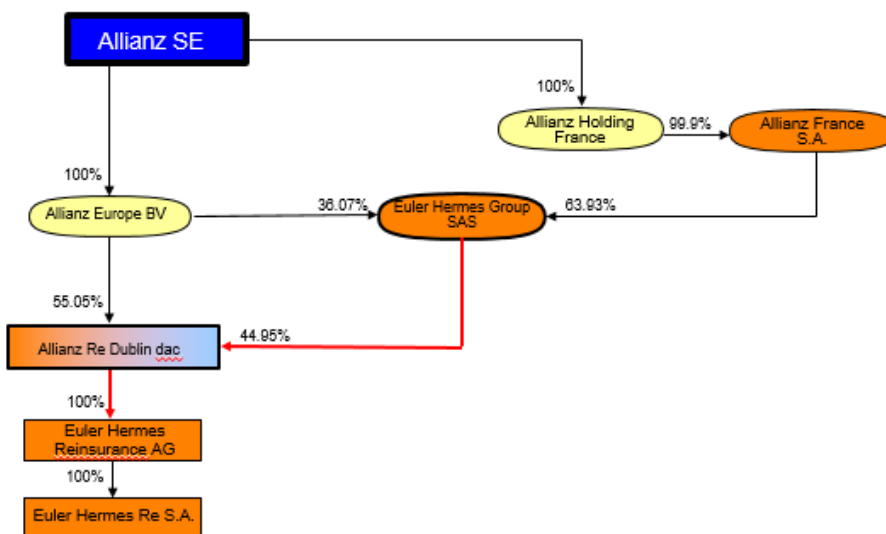
### A.2.1. Legal Entity & Group structure

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

Euler Hermes Reinsurance AG  
 Richtiplatz 1  
 CH-8304 Wallisellen  
 Switzerland

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

**Figure 1: EH Re AG simplified group structure**



<sup>3</sup> See Appendix 4 for last impact assessment on SST ratio 2022

## A.2.2. Related Party Transactions

### A.2.2.1. Insurance relationships

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

### A.2.2.2. Financial relationships

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

- with EH Ré SA, amounting to CHF 33mn;
- with Allianz Europe BV, amounting to CHF 104mn; and
- With EH Group SAS, amounting to CHF 29mn.

### 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 EH Group, in line with the EH Outsourcing Policy.

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

- The actuarial function is outsourced to Euler Hermes SA (EH SA);
- The internal audit function is outsourced to Euler Hermes Services SAS (EH SAS);
- EH SA risk function provides support regarding the computation of the SST Capital Requirement, Risk Governance framework and other related activities; and
- EH Services provides advice and services to support activities, notably in fields of risk underwriting, information and claims management, commercial and marketing, financial services, and other support (except IT)
- EH Group SAS and EH SA provide support regarding the IT-related activity: applications development, maintenance, and run;
- Investment Accounting is outsourced to EH SA.

### A.2.2.4. Participations

EH Re AG has investments in affiliated enterprises for a total of CHF 177mn, as follows:

- EH Ré SA: CHF 75mn, corresponding to 100% share in the capital;
- EH Patrimonia SA: CHF 85mn, corresponding to 35% in the capital; and
- EH South Express SA: CHF 17mn, corresponding to 49% share in the capital.

## A.3. External auditor

The 2022 Financial Statements were audited by:

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

PwC's opinion on the 2022 statutory accounts is that EH Re AG complies with Swiss law and the company's articles of incorporation.

Also, PwC confirmed that during their audit they have not encountered any misstatements<sup>4</sup>, 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 11.05.2022 for the financial year 2022.

#### 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 2022 and subsequent events

2022 was a year of slowed recovery after the deep global recession experienced in 2020 and a strong recovery in 2021. Global real GDP is expected to land around +3% after a +6% increase in 2021.

2022 was mainly marked by the Ukraine - Russia war which has led to a global shock on trade, energy prices and ultimately to global inflation which is expected to land around +8.6%. This war event has generated a +10% increase in the 2022 Allianz Trade global insolvency index vs 2021 with diverse pictures across countries with US showing a +2% increase while the main EU countries show an average +25% increase (but yet below pre-Covid levels by circa -10%). This has also reflected on the

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<sup>4</sup> This was further corrected following the misstatement reported under footnote #2; the corrected financial statements in appendix are not audited.

insurance portfolio evolution where claims' frequency increase is slowly confirmed whereas severity remains low given the improved quality of the portfolio rating.

After a tumultuous year, EH Group anticipate lackluster growth in 2023, followed by differing recovery paths across countries in 2024. Global growth is likely to slow to +1.4% in 2023 (after +2.9% in 2022) and to recover modestly to +3.1% in 2024, with significant divergence across countries. Advanced economies will register a shallow recession of -0.1% in 2023 (after growth of +2.5% in 2022), followed by a rebound to below-potential growth of +1.5% in 2024.

We expect energy prices will remain high over the coming two years. Despite some easing in demand due to the global recession penciled in for 2023 and gas-demand destruction, we believe markets will remain tight and prices high for the next couple of years.

Global trade continues to slow as industrial activity recedes despite easing supply-side constraints. Oversupply in the manufacturing sector has worsened since Q3 2022, notably in Europe. Hence, the manufacturing sector is expected to remain in recession in 2023 due to lower demand, mainly for consumer-driven industries, and a more pronounced destocking process from corporates in sectors where oversupply is highest. The largest cliff is expected in cyclical sectors such as construction, consumer goods (electronics, household equipment etc.) and retail. We expect supply chains to continue to normalize, supported by slowing demand and China's reopening.

Inflation will remain uncomfortably high over the near term, averaging 6.4% at the global level in 2023 before receding to 3.9% in 2024. It should continue to remain strong over the coming quarters (despite strong disinflationary base effects in 2023), with core inflation remaining rather sticky this year. Besides the lower contribution from supply chains and a negative contribution from demand and monetary policy, a stronger euro should reduce inflation by around -1pp in 2023-24. In advanced economies, we expect inflation to reach 4.7% in 2023 (down from 7.4% in 2022). Continued wage pressures coupled with persistently high energy and food prices will keep inflation at 2.4% until late 2024, especially in Europe.

From a business perspective, the EH Group ceding entities to EH Re AG have reacted by permanently adjusting the value of limits accepted and the price of the policies to the circumstances.

## B. Company success

### B.1. Underwriting performance

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

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

In CHF mn	EoY 2022	EoY 2021	Δ	%
Earned premiums for own account	1096	823	273	+33%
Other income from insurance business	1	1	0	0%
Total income from the insurance business	1097	824	273	+33%
Claims expenses for own account	-442	-330	-112	+34%

Acquisition and administration costs for own account	-418	-287	-131	+46%
Total expenses from the insurance business	-860	-617	-243	+39%
<b>Underwriting result</b>	<b>237</b>	<b>207</b>	<b>-30</b>	<b>+14%</b>

Earned premiums have increased by CHF 273mn (33%), from CHF 823mn to CHF 1096mn since the State support schemes stopped end of June 2021 in Germany, France, Italy, and in other countries of Northern Europe with direct cession to the State.

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

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

The cost of claims has increased by CHF 112mn (34%), from CHF 330mn to CHF 442mn, the loss ratio is at 40%. The increase in claims is due to State support schemes that stopped end of June 2021 and the post-covid Loss ratio remains stable due to a continued low level of bankruptcies in the markets. The Loss ratio in Trade Credit has slightly increased (37% in 2022 vs 34% in 2021), Surety remains stable (66% in 2022 vs 65% in 2021) and Fidelity decreased (50% in 2022 vs 66% in 2021).

Acquisition and administration cost increased in 2022 by CHF 131mn (46%), from CHF 287mn to CHF 418mn driven by the increase of premiums earned. Overall the net cost ratio increased by 2.7%pt (38.1% in 2022 compared to 35.4% in 2021). The net cost ratio is at 37.8% for Trade Credit, at 39.1% for Surety & Guarantee, and at 40.2% for Fidelity.

The underwriting result shows a profit of CHF 237mn, higher than 2021 (14%) with an increase in the net combined ratio (78.4% in 2022 compared to 75.6% in 2021) explained by the higher net cost ratio. The underwriting result in Surety & Guarantee have decreased but were overcompensated by the results in Trade Credit and Fidelity.

## B.2. Financial performance

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

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

In CHF mn	EoY 2022	EoY 2021	Δ	%
Interests and dividends	38	18.6	19	+104%
Realized gains on investments	2.6	3.7	-1	-30%
Write ups of investments	1	0.1	1	900%
Investment income	41.6	22.4	19	+86%
Investment management expenses	-2.9	-2.2	-1	+32%
Realized losses on investments	-2.8	-0.5	-2	+460%
Unrealized losses on investments	-155.9	-14	-142	+1014%

Investment expenses	-161.6	-16.7	-145	+868%
Investment result	-120	5.7	-126	-2205%
Realized & unreal. currency gains	112.3	15.9	96	+606%
Other financial income	112.3	15.9	96	+606%
Realized & unreal. currency losses	-107.3	-18.5	-89	+480%
Inc. & exp. From currency translation	--38.6	-33	-5.6	-17%
Other financial expenses	-146.0	-51.5	--94.5	+184%
<b>Financial result</b>	<b>-153.6</b>	<b>-29.9</b>	<b>-123.7</b>	<b>-414%</b>

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

The net financial result has deteriorated from a loss of CHF 29.9mn to a loss of CHF 153.6mn in 2022 mainly driven by the unrealized losses on investment which increased by 1'014% (CHF 142mn) due to impairment on the bonds portfolio. Further evolutions are the increase of the investment income from interests and dividends +104% (CHF 19mn) due to better interest rate, the increase of the realized and unrealized currency gains +606% (CHF 96mn) but also the increase of realized and unrealized currency losses +480% (CHF 89mn).

### B.2.2. Analysis per Asset Classes

#### B.2.2.1. Investment income

In CHF mn	EoY 2022	EoY 2021	Δ	%
Investments in affiliated enterprises	12.7	0.3	12.4	+4133%
Bonds	0.0	2.1	-2.1	-99%
Intercompany loans	0.3	0.1	0.2	+152%
Säntis Umbrella fund	15.3	13.2	2.1	+16%
Bond funds	8.6	4.2	4.4	+106%
Private equity fund of funds	2.2	0.9	1.3	+142%
Property funds	2.3	1.4	0.9	+64%
Deposits retained on assumed business	0.2	0.2	0.0	0%
Cash	0.0	0.0	0.0	0%
<b>Investment income</b>	<b>41.6</b>	<b>22.4</b>	<b>19.2</b>	<b>+86%</b>

Due to the increase in the total value of the investments by CHF 340mn, the investment income increased significantly (CHF 19.2mn) as well as the interest rate.

In 2022 EH Re AG shows the following investment income per asset classes:

- Investments in affiliated enterprises: income of CHF 12.7mn, CHF 12.4mn increase due to dividend received from EH Ré SA;
- Bonds: income of CHF 0.0mn, CHF 2.1mn decrease. The lower income on bonds is caused by no realized gains in 2022 (in 2021 high amount was due to bonds transfer from EH Re AG to Säntis Umbrella Fund);
- Intercompany loans: income of CHF 0.3mn, slight increase of CHF 0.2mn;

- Sántis Umbrella Fund: income of CHF 15.3mn, increase of CHF 2.1mn due to better market conditions and higher volume of investments;
- Bond Funds: income of CHF 8.6mn, CHF 4.4mn increase;
- Private equity funds of funds: income of CHF 2.2mn, CHF 1.3mn increase;
- Property funds: income of CHF 2.3mn, CHF 0.9mn increase;
- Deposits retained on assumed business: income of CHF 0.2mn, stable;
- Cash: no income in 2022, same as 2021.

In 2021 and 2022 there was no income from Shares.

### B.2.2.2. Investment expenses

In CHF mn	EoY 2022	EoY 2021	Δ	%
Investments in affiliated enterprises	0.0	2.3	-2.3	-100%
Bonds	0.9	0.1	0.8	+796%
Sántis Umbrella fund	145.8	12.2	133.6	+1095%
Bond funds	11.9	1.9	10.0	+526%
Equity funds	0.1	0.0	0.1	0%
Property funds	2.9	0.2	1.7	+1363%
Investment income	161.6	16.7	144.9	+868%

Total Investment Expenses increased by CHF 144.9mn to CHF 161.6mn, mainly caused by the write-downs on Sántis Umbrella Fund in 2022.

In 2022, investment expenses per asset classes were as follows:

- Investments in affiliated enterprises: no expenses in 2022 due to no cost from EH Patrimonia;
- Bonds: expense of CHF 0.9mn, CHF 0.9mn increase mainly due to the write-downs in 2022;
- Sántis Umbrella fund: expenses of CHF 145.8mn, increase of CHF 133.6mn mainly due to higher write-downs on the side of Sántis Umbrella fund;
- Bond Funds: expense of CHF 11.9mn, CHF 10mn increase mainly due to higher write-downs in 2022;
- Equity funds: expense of CHF 0.1mn in 2022, slight increase of CHF 0.1mn;
- Property funds: expense of CHF 2.9mn, increase of CHF 2.7mn mainly due to higher write-downs in 2022.

## B.3. Performance of other activities

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

## C. Governance and risk management

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### C.1. Governance framework

#### C.1.1. Overview

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

EH Re AG has also implemented the following Key Functions:

- Risk function (historically partly outsourced to EH SA<sup>5</sup>);
- Compliance function;
- Actuarial function (outsourced to EH SA); and
- Internal Audit function (outsourced to EH Services SAS).

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

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

#### C.1.2. Board of Directors (BoD)

##### C.1.2.1. Role and responsibilities of the BoD

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

In particular, the BoD has the following tasks:

- Executive management and supervision of the company and issuance of relevant instructions;
- Determination of the basic organizational structures of the company (financial, legal, and operational organization);

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<sup>5</sup> The risk function is being internalized following the hiring of a new CRO



- Organization of the accounting, financial controls, and financial planning;
- Appointment and revocation of BoM members and representatives of the company and the determination of signature authorities;
- Supervision of the BoM and the whole management of the company regarding the compliance with laws, articles of association, regulations, and directives;
- Preparation of the annual Management Report and the General Assembly including the resolutions passed within the General Assembly;
- Resolutions about capital increases and resulting changes of the Articles of Association; and
- Official information to the ad-hoc authorities in case of insolvency;
- Check of the qualification of the External Auditors in case of specific missions required by law.

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

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

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

#### C.1.2.2. Composition of the BoD

Since June 2021, the BoD is composed of the following members:

- Jan Störmann, Chairman of the Board;
- Clarisse Kopff, Board member<sup>6</sup>;
- Wilfried Verstraete, Board member;
- Colm Costello, Board member;
- Dr. Marita Kraemer external Board member; and
- Roland Van Malderghem, external Board member.

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<sup>6</sup> Following the resignation of Clarisse Kopff on Nov 30<sup>th</sup> 2022, a replacement across all committees has been initiated

### C.1.2.3. BoD committees

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

- The Audit & Compliance Committee supervising finance and compliance;
- The Risk Committee supervising the risk management of EH Re;
- The Financial Committee (FiCo) supervising the investment strategy and asset management; and
- The Nomination & Remuneration Committee supervising the appointment and remuneration of BoD and BoM members.

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

- Roland van Malderghem (Chairperson);
- Jan Störmann<sup>7</sup>;
- Clarisse Kopff;
- Wilfried Verstraete;
- Colm Costello; and
- Dr. Marita Kraemer.

The FiCo is composed of the following members:

- Clarisse Kopff (Chairperson – until Nov 30<sup>th</sup>);
- Wilfried Verstraete;
- Jan Störmann;
- Colm Costello (Chairperson – from Dec 6<sup>th</sup>);
- Dr. Marita Kraemer and
- Roland Van Malderghem.

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

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

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<sup>7</sup> until 23.03.2022 for the Audit & Compliance Committee, no replacement needed.

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

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

### C.1.3. Board of Management (BoM)

#### C.1.3.1. Role and responsibilities of the BoM

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

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

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

#### C.1.3.2. Composition of the BoM

The composition of the BoM of EH Re AG remains unchanged compared to 2021:

- Benoît des Cressonnières, CEO;
- Birte Inninger, CFAO; and
- Nigel Pryor, CUO.

### C.1.4. Key functions

#### C.1.4.1. Key functions in the organization

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

The key function holders remain the same as in 2021:

- Internal Audit function: EH Group Head of Internal Audit;
- Compliance function: EH Re AG Compliance Officer;

- Risk function: EH Re AG Chief Risk Officer (CRO)<sup>8</sup>; and
- Actuarial function: Head of Group Loss Reserving (EH Re AG Responsible Actuary).

#### C.1.4.2. Internal Audit function

The internal audit function is outsourced to EH Group Internal Audit. The function is managed by the Chief Audit Executive (CAE). The CAE reports to the EH Group CEO, to the EH Audit, Risk and Compliance Committee and to the EH Re AG Audit and Risk Committee.

##### C.1.4.2.1. Roles and responsibilities

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

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

Therefore, Internal Audit activities are geared towards helping the company mitigate risks as well as further assist in strengthening the organization's governance processes and structures.

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

##### C.1.4.2.2. Independence

The Internal Audit function has a standing within the EH Re AG organizational structure that ensures the necessary independence. Necessary independence means that no undue influence is exercised over the Internal Audit function. Compliance with the above principles is ensured through adequate reporting lines and information rights. In addition, to ensure independent judgement, any bonus received by Internal Audit function representatives is based exclusively on achieving qualitative individual targets rather than on the financial and business results.

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<sup>8</sup> As previously mentioned, a new CRO was hired in 2022

## C.1.5. Fit & Proper policy

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

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

### C.1.5.1. Definition of Fitness & Propriety

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

### C.1.5.2. Processes for ensuring Fitness and Propriety

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

#### C.1.5.2.1. Members of the BoD

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

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

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

#### C.1.5.2.3. Ad hoc reviews

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

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

#### C.1.5.2.4. Outsourcing of a Key Function

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

#### C.1.5.2.5. Assessment results

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

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

#### C.1.5.2.6. Documentation

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

#### C.1.5.3. Training

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

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

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

## C.2. Risk management system

### C.2.1. Risk management framework

#### C.2.1.1. Risk governance structure

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

- Monitoring the financial reporting process, including the preparation of the financial statements as well as any investment/divestment, financing, and cash management plans and their implementation;
- Monitoring the financial policy, including the appropriation of income and payment of dividends;
- Monitoring the statutory audit of the annual financial statements and the independence of the statutory auditor;
- Monitoring the functioning of the Actuarial function; and
- Monitoring the activities, adequacy, and effectiveness of the Company's internal control including Internal Audit and compliance management systems.

The **Risk Committee** is responsible for:

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

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

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

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

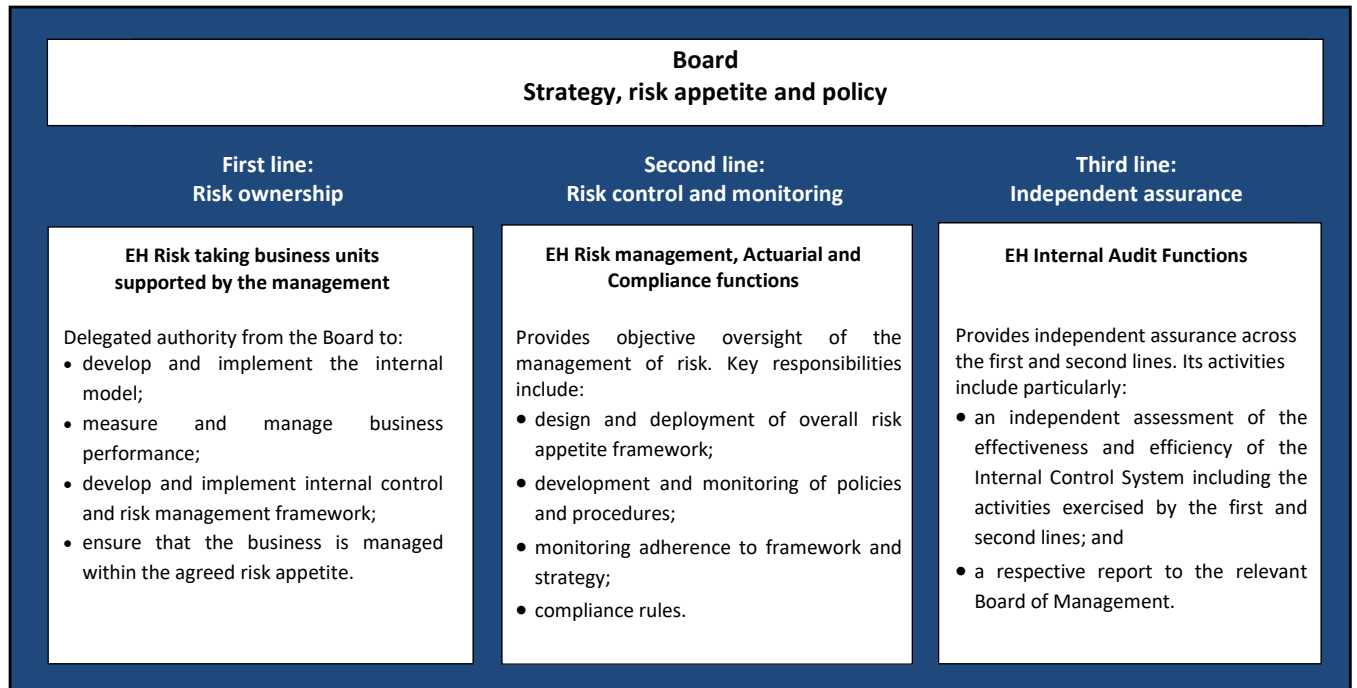
### C.2.1.2. Three-lines-of-defence organization

EH has adopted the “Three lines of defense” model for risk governance, with clear responsibilities between the different organizational functions. It defines as the first line of defense the Operating Business, as second-line control functions the Actuarial, Compliance, Legal<sup>9</sup>, Accounting & Reporting, and Risk functions, and as third-line the Internal audit. This model is described hereafter:

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<sup>9</sup> In addition to the Independent Control Functions determined by the Solvency II Law (Actuarial, Internal Audit, Compliance and Risk), Legal and Accounting & Reporting have been designated as key functions.



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

### C.2.2. Risk strategy and risk appetite

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

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

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

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

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

## C.3. Internal control system

### C.3.1. Internal Control Framework principles

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

The internal control system has the following objectives:

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

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

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

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

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

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

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

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

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

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

### C.3.2.2. Committee and Policy framework

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

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

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

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

### C.3.3. Specific control areas

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

**Figure 5: Control areas set by EH Re AG**

Area	Scope	Control Owner	Main Documentation
<b>Risk Appetite</b>	<ul style="list-style-type: none"> <li>Exposure limits</li> <li>Financial limits</li> <li>Reinsurance limits</li> <li>Capital Ratio framework</li> </ul>	<ul style="list-style-type: none"> <li>EH Re AG CUO</li> <li>EH Re AG CRO</li> </ul>	<ul style="list-style-type: none"> <li>S24. EH Re AG Treaty Rules_10</li> <li>P02. EH Re AG Capital Management Policy_8.1</li> <li>FR01. EH Re AG Guidelines for Management Ratio and Financial Limits_1</li> <li>P01. EH Re AG Risk Strategy inc Risk Appetite_v6.2.docx</li> </ul>
<b>Risk Capital Requirements</b>	<ul style="list-style-type: none"> <li>SST balance sheet</li> <li>SST computations and projections</li> </ul>	<ul style="list-style-type: none"> <li>EH Re AG CRO</li> </ul>	<ul style="list-style-type: none"> <li>P02. EH Re AG Capital Management Policy_8.1</li> <li>FINMA Circular "SST" 2017/03</li> <li>S10. EH Re AG- Standards for ORSA_3.2</li> </ul>
<b>Investment Management</b>	<ul style="list-style-type: none"> <li>Strategy and asset allocation</li> <li>Execution</li> <li>Performance monitoring</li> </ul>	<ul style="list-style-type: none"> <li>Allianz Trade Investment &amp; Treasury</li> <li>EH Re AG CFAO</li> <li>EH Re AG CRO</li> </ul>	<ul style="list-style-type: none"> <li>S04. EH Re AG-Investment Management Framework_v7.1.doc</li> </ul>
<b>Operational Risk</b>	<ul style="list-style-type: none"> <li>Operational risk appetite</li> <li>Operational risk capital</li> <li>Internal control assessment</li> </ul>	<ul style="list-style-type: none"> <li>EH Re AG CRO</li> </ul>	<ul style="list-style-type: none"> <li>S09. EH Re AG-Operational Risk Management Standards_1.4</li> </ul>

## D. Risk profile

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### D.1. Risk profile overview

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

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

Thereby, EH Re AG is expected:

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

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

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

Although the quantitative assessment of the own solvency needs does not include additional risks except those covered by the SST model, EH Re AG has identified risks which complement the risk profile: liquidity risk, operational risk<sup>10</sup>, 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.

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<sup>10</sup> Since 2022, EH Re AG accounts for capital requirements for operational risk into its ORSA

## D.2. Current risk profile

### D.2.1. Top risks

The TRA process is described in section C.2.1.5.

The EH Re AG TRA most recent annual run was carried out in 4Q 2022 as part of the ORSA process. It was approved by the BoM on November 18<sup>th</sup> 2022.

The following table shows the outcome of the 2022 TRA process, including the risk retained from 2021. The actual scores result from the assessment of the frequency and impact for each Top Risk, the impact being the highest score between the economic impact and the reputational impact.

**Figure 6: Top Risk Assessment summary**

#	Risk	Retained	C	E	P	I	A	T	Description and retention decision
1	Default of a reinsurer	Y	4	1	3	2	2		The likelihood of a major reinsurer default is historically deemed as rare but given the current economic environment and the growing appetite for external reinsurance, the risk has been retained and the assessment confirmed.
2	Transfer pricing risk	N							The risk has been re-assessed and given this is a group relevant scenario, it has been excluded as deemed irrelevant for EH Re.
3	Uncertainty regarding Bonding underwriting	N							The risk has been re-assessed and given this is a group relevant scenario, it has been excluded as deemed irrelevant for EH Re.
4	Non-compliance with international regulations	Y	4	2	3	1	1		The risk has been re-assessed and maintained as it is critical in the current geopolitical and regulatory environment. This covers regulatory and political risk dimensions and therefore the scenario 7 further below is excluded.
5	Product risk	N							The risk has been re-assessed and given this is a group relevant scenario, it has been excluded as deemed irrelevant for EH Re.
6	Incorrect data input within FSRI	Y	4	4	3	3	3		The risk has been re-assessed and maintained as it is critical to the operation activities of EH Re.
7	Political and regulatory risk	N							The risk has been re-assessed and excluded as regulatory risk dimension overlaps with the non-compliance with international laws and is therefore covered there while political risk has materialized into global sanctions and is therefore covered from a compliance risk perspective in above risk as well.
8	Disputed claim	Y	4	1	3	1	1		This is a new risk specific to EH Re. The company would face a dispute with an external reinsurer from the panel on the coverage of a claim.
9	Target Operating Model	Y	3	4	3	3	2		This is a new risk specific to EH Re. The company is increasingly exposed to deviations from the Target Operating Model due to evolving CUW practices resulting in increasing demand for non standard reinsurance treaties and to increased complexity in decision layers.
10	Key people	Y	2	4	3	3	2		This is a new risk specific to EH Re. The company is over-exposed to a high risk around key people due to increasing internal operational pressure combined with insufficient resources and strong demand for similar resources on the market.

Compared to 2021, the following evolutions can be highlighted:

- Out of scope risks

The following risks have been assessed as of out scope as more relevant to Az Trade Group and not specific to EH Re AG: transfer pricing risk, uncertainty regarding bonding underwriting, product risk and political and regulatory risk; the last one has been merged into the global non-compliance with international regulations due to overlap in the original purposes.

- New risks

The following risks have been newly identified:

- Disputed claim: the risk of unanticipated rejection of a claim by a reinsurer within the panel under the rationale that the new product does not qualify for coverage;
  - Target operating model: this risk has been identified as a result of increasing demand for non-standard reinsurance treaties and increased complexity in decision making;
  - Key people: the risk has been identified as a result of high risk around key people due to increasing internal operational pressure combined with insufficient resources and strong demand for similar resources on the market.
- Revised assessment

Non-Compliance with international regulations: following the implementation of a compliance risk assessment process where all regulations applicable to EH Re AG are monitored for changes and impact analysis on business processes, the actual risk has been decreased to 1 in line with the target risk appetite.

## D.2.2. Target Capital

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

This methodology was used to calculate the TC. The comparison between the TC and the AC (corresponds to Risk Bearing Capital) using the SST ratio is presented in section F.1.

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

**Figure 7: Breakdown of the Target Capital**

in CHF mn	SST 2023	SST 2022	Var
Underwriting Risk	234	216	18
Reserving Risk	589	446	143
Diversification	-110	-73	-37
<b>Expected Shortfall Insurance</b>	<b>713</b>	<b>589</b>	<b>124</b>
Market Risk	181	219	-38
Credit Risk	139	136	2
Diversification	-49	-46	-3
<b>Expected Shortfall Insurance, Market and Credit Risk</b>	<b>984</b>	<b>898</b>	<b>86</b>
Expected Shortfall Insurance, Market and Credit Risk incl. Scenarios	984	898	86
Expected Insurance Result	-278	-236	-42
Expected Financial performance over 1 year risk free	-14	-15	1
<b>Insurance &amp; Market &amp; Credit Risks = Target Capital</b>	<b>692</b>	<b>647</b>	<b>45</b>
Risk Margin	24	21	3
<b>Target Capital</b>	<b>716</b>	<b>668</b>	<b>48</b>

<b>Risk Bearing Capital</b>	<b>994</b>	<b>1206</b>	<b>-212</b>
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NB: Totals and/or variations might appear different from “SST 2023 minus SST 2022” due to rounding

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

### D.2.2.1. Current Year (CY) Risk

**Figure 8: EH Re AG Premium Risk**

in CHF mn	SST 2023	SST 2022	Var
Attritional Events Premium Risk (AEP)	284	388	-104
Individual Events 1 (IE1)	211	219	-8
Natural Catastrophe Events (NE)	0	0	0
Diversification (Premium Risk)	-161	-179	18
Underwriting Risk (netgross)	334	428	-94
Stop Loss Effect	-100	-212	111
<i>Underwriting Risk</i>	<i>234</i>	<i>216</i>	<i>18</i>

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

The CY Attritional Events Premium Risk (AEP) decreased by CHF 104mn (27%) to CHF 284mn. While there was an increase in premiums due to growth in business, this was more than offset by the decrease in volatility leading to a decrease in the AEP Target Capital.

EH Re AG has considered the following prescribed IE1 events:

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

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

Based on these scenarios, a frequency-severity model is fitted for IE1 events, with Poisson frequency and Generalized Pareto severity. The IE1 risk decreased by 8mn, this is mainly driven by the re-parametrization of the scenarios.

The net CY Risk however increased by CHF 18mn. This increase is due to the outward Stop Loss cover. Since the attachment point of the Stop Loss has increased due to a higher premium level considered, there are less recoveries from the Stop Loss.

### D.2.2.1. Previous Year (PY) Risk

**Figure 9: EH Re AG Reserve Risk**

in CHF mn	SST 2023	SST 2022	Var
Attritional Events Reserve Risk (AER)	551	324	227
Individual Events 2 (IE2)	325	268	57
Diversification	-287	-146	-141
Reserving Risk	589	446	143

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

EH Re AG has considered the following IE2 events:

- Global shock to expected claims inflation: The scenario assumes an excess of the expected inflation path;
- PY loss increase: This scenario assumes that in the current year a reported loss event from a prior accident year develops worse than expected;
- Retrocession default on reserve: For this scenario, it is assumed that the two retrocessionaires with the highest technical reserves default in the current year, with 100% loss given default;
- Underpricing: This scenario assumes that the underwriting/pricing has underestimated the loss ratios for reserving for the previous two underwriting years; and
- Own scenario – Russia-Ukraine Crisis: The scenario is intended to cover the effects of the ongoing Russia-Ukraine crisis. It assumes a full escalation with Russia subject to Iran style sanctions and a cut-off from SWIFT with the energy supply to Europe fully cut-off.

Based on these scenarios a frequency-severity model is fitted for IE2 events, with Poisson frequency and Generalized Pareto severity. The IE2 centered Expected Shortfall amounted to CHF 325mn, which represents an increase compared to CHF 268mn calculated in SST 2022.

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

### D.2.2.2. Insurance Risk

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

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



Insurance Risk increased by CHF 124mn or 21% compared to SST 2022. The increase is fully explained by changes in both CY risk and PY risk described in the sections above.

### D.2.2.3. Market Risk

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

The table below shows the details of the Market Risk evolution between 2021 and 2022:

**Figure 10: Market Risk evolution**

Risk factors in CHF mn	SST 2023	SST 2022	Difference
Diversification effects risk	-120	-144	24
Standalone interest rate risk	94	88	7
Standalone CHF rate risk	1	1	0
Standalone EUR rate risk	84	81	3
Standalone USD rate risk	7	5	2
Standalone GBP rate risk	5	3	3
Standalone spread risk	81	101	-20
Standalone currency risk	50	40	10
Equity risk	2	26	-24
Real estate risk	20	18	2
Private Equity risk	5	6	0
Participation risk	47	84	-37
<b>Total market risk</b>	<b>181</b>	<b>219</b>	<b>-38</b>

NB: Totals and/or variations might appear different from "SST 2023 minus SST 2022" due to rounding

The decrease in market risk has multiple drivers. The main movements are:

- A decrease of 91% (CHF 24mn) in equity risk driven by the sale of the equities held through Patrimonia;
- A decrease of 44% (CHF 37mn) in participation risk, which is driven by the decrease in the market value of the EH Ré Luxembourg participation;
- An increase of 25% (CHF 10mn) in currency risk, which is driven by the increase in the market value of the fixed-income investments and insurance liabilities.

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

### D.2.2.4. Credit Risk

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

The rating sources for reinsurance (i.e. retrocession exposures) and investments exposures are defined by Allianz risk rating waterfall approach, based on ratings provided by rating agencies (S&P, Moody's and Fitch). The source file for the ratings of investments has changed, and with the new source now issue ratings are used rather than issuer rating, which were used in the previous year.

The exposure split per counterparty class is shown below, the Credit Risk on EH Re AG's portfolio increased by CHF 2mn or 2% compared to EoY 2021.

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

Exposure without credit risk mitigation (CRM) in CHF mn	SST 2023	SST 2022	Difference	Relative Difference
Central governments and central banks	240	433	-193	-45%
Public-sector entities	243	51	191	372%
Bank and security dealers	546	282	264	93%
Corporate positions	2'496	2'435	61	3%
BIS, IMF and multilateral development banks	32	21	11	49%
Stock exchanges, clearing houses and central counterparties	2	2	0	-19%
Swiss mortgage bonds	9	0	9	
<b>Total</b>	<b>3'568</b>	<b>3'225</b>	<b>343</b>	<b>11%</b>
<b>Credit Risk</b>	<b>139</b>	<b>136</b>	<b>2</b>	<b>2%</b>

The slight increase in the credit risk is driven by the increase in the amount of exposed assets to credit risk partially offset by the change in rating from issuer to issue rating for investments leading generally to better ratings on the investment side compared to SST 2022.

#### D.2.2.5. Insurance, Market & Credit Risks

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

The diversification between market credit and insurance risks amounts to CHF 49mn compared to CHF 46mn in the SST 2022.

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

#### D.2.2.6. Expected Underwriting Performance

For the financial year 2023, the following figures are budgeted for written 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 Trade Operating Units. The expected insurance result for the current underwriting year is CHF 278mn after discounting and net of retrocession. This amount is made up of the following components:

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

Insurance Result in CHF mn	SST 2023	SST 2022
Net expected written Premium	1'216	1'049
Net expected losses	-506	-453
Net expected costs	-433	-361
<b>Expected Insurance Result</b>	<b>278</b>	<b>236</b>

### D.2.2.7. Expected Financial Performance

An expected investment return of CHF 14mn is estimated based on the SST Standard Model. The table below shows investment returns per asset type as per FINMA's Standard Model.

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

in CHF mn	Expected return 2022	Exposure 2022
Mortgages	1.5%	-
Corporates	0.7%	1'739
Equity	4.0%	6
Hedge funds	2.0%	-
Private equity	5.0%	11
Real estate	3.0%	106
Delta Remainder	0.0%	-
<b>Expected financial performance</b>		<b>14</b>

### D.2.2.8. Market Value Margin

EH Re AG calculates the market value margin using FINMA's standard method. The market value margin is estimated at CHF 24mn, which represents an increase of CHF 3mn compared to last year.

The 2023 market value margin corresponds to the expected discounted capital costs at the end of 2022 required by the insurance company to fulfil its insurance liabilities. It is estimated based on the FINMA Standard Model. The main driver for the increase in market value margin is the increase in reserve risk as highlighted above as well as the consideration of unexpired reserve risk as at t=1 within the FINMA Standard Model which was not considered in the previous SST.

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

### D.2.3. Stress tests

The three stress tests defined by FINMA for purposes of SST 2023 are linked to Market Risk. These tests are consistent with the tests performed for SST 2022. The results of these stress tests are not included in the target capital calculation; they show the potential impact of these situations on the available capital.

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

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

in CHF mn	SST 2023	SST 2022	Difference	Relative Difference
Global recession	-40	-124	84	-68%
Global depression	-106	-298	192	-64%
Real estate crisis in Switzerland	-178	-351	173	-49%

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

## D.2.4. Liquidity ratios

### D.2.4.1. General principles

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

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

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

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

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

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

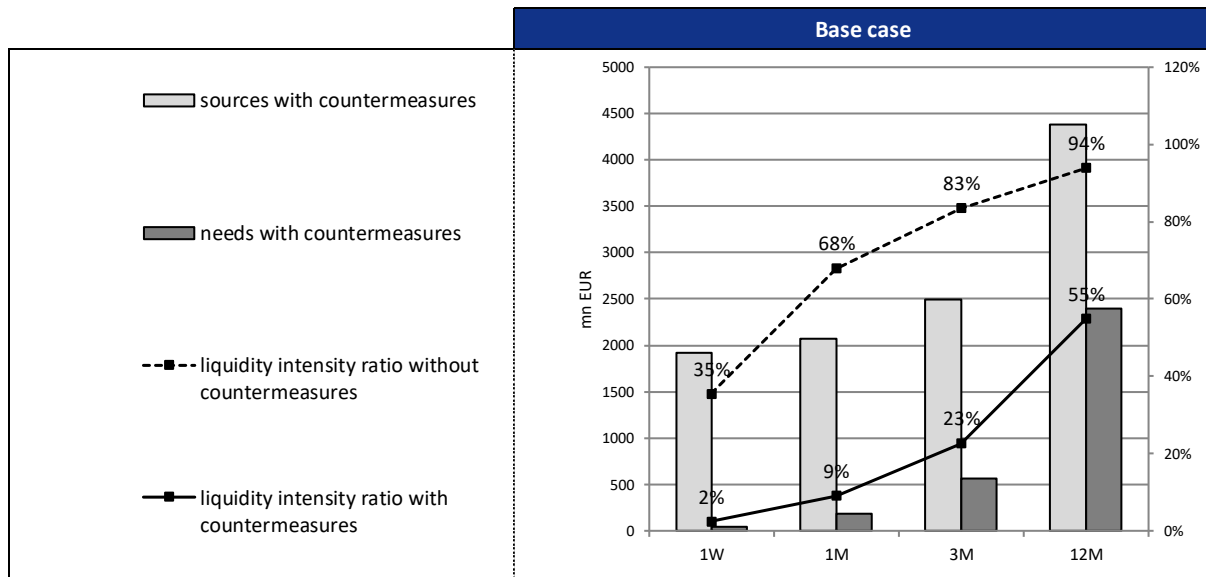
Condition	Consequence
No warning level (<80%)	No further actions required by the Risk function.
Warning level (80%-100%)	Explanation of status in liquidity risk report by the Risk function.
Limit breach (>100%)	EH Re AG prepares a remediation plan to bring back the liquidity ratio in the green zone.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

### D.2.4.2. Base case scenario analysis

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

The following graph shows the base case scenario liquidity analysis performed in 4Q 2022, over different time horizons (1 week, 1 month, 3 months, 12 months):

**Figure 15:** Base case scenario liquidity analysis



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

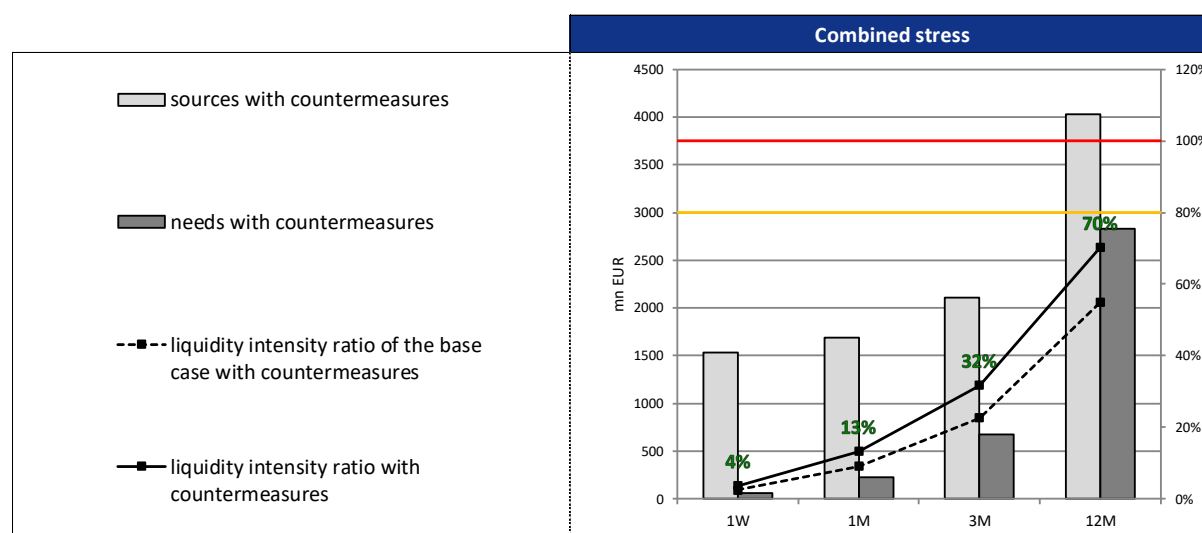
EH Re AG’s liquidity ratio would be higher than the alert level (80%) in the 3 months horizon and higher as well as in the 12 months horizon without considering countermeasures. However, considering countermeasures (such as the sale of invested assets), the ratio would remain in the green zone.

### D.2.4.3. Stress scenario analysis

EH Re AG identified several liquidity stress scenarios and chose to perform the one which appeared to be the most relevant in 2022: a deterioration of the market conditions leading to an economic crisis, a recession event which implies an increase of the claim frequency for credit insurers.

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

The following graph shows the combined stress scenario liquidity analysis:

**Figure 16:** Stress scenario liquidity analysis

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

In this combined stress scenario, the liquidity ratio calculated at 4Q 2022 remains below the 80% alert level for the different time horizons, both excluding and including countermeasures.

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

## D.2.5. Quantitative limits

### D.2.5.1. Financial Risk and Sensitivity Limits

The following tables summarize the level of the sensitivity limits in place. All the sensitivities are within the limits defined except the Financial VaR which shows a minor breach of CHF 4mn. At the time of writing the report, a review of the Financial VaR limit has been initiated as a result of interest rates increase.

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

Financial limits applied at EH Re AG level (in CHF mn)	2022		2021	
	Actual value	Limit	Actual value	Limit
Credit VaR (CVaR)	387	645	408	580
Financial VaR	177	173	109	131
Duration gap	2.7	4	n/a	4.4
EQ -30% sensitivity	-3	-4	-20	-34

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

### D.2.5.2. Asset allocation limits

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

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

Assets	SAA 2022 actual %	SAA 2022 Leeway %	Conclusion
Fixed income	93.3%	87.4%-100%	No Breach
Public equity	0%	0%-2%	No Breach
Other /Alternative	1.3%	0%-2.9%	No Breach
Real estate	5.4%	0%-7.7%	No Breach

No breach is observed at 4Q 2022 for the different asset categories.

### D.2.5.3. Credit exposure limits (CRisP)

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

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

There is no recorded breach of Credit exposure limits as of 31.12.2022.

### D.2.6. Risk Policy Framework

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

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

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

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

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

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

<b>Title</b>	<b>Description</b>
<b>Code of Conduct</b>	The Code of Conduct reflects our values and principles and thus gives our employees guidance in their actions and decisions.
<b>Risk Policy (incl Risk Strategy &amp; Appetite)</b>	The policy establishes a set of guiding principles and a common framework for risk management. It also defines the overall risk appetite with respect to all material quantified and non-quantified risks.
<b>Capital Management Policy</b>	The Capital Management Policy (CMP or Policy) establishes the core principles and processes for the capitalization of the Allianz Group including its subsidiaries. Its main objective is to ensure an adequate capitalization in line with regulatory requirements and the Group's risk appetite.
<b>Actuarial Policy</b>	The Actuarial Policy ('Policy') sets the framework for actuarial work within the Allianz Group in general and facilitates the implementation of regulatory requirements with respect to the Actuarial Function.
<b>Audit Policy</b>	The purpose of the Audit Policy (the "Policy") is to ensure that the organization and work of the Allianz Group's (the "Group") Internal Audit functions worldwide adhere to a consistent set of minimum rules and operating procedures such that the effectiveness of the controls necessary to achieve the Group's goals is ensured.
<b>Compliance Policy</b>	The Compliance Policy (Policy) establishes the core principles and tasks of a Compliance Function within Allianz Group. It ensures that the organization and work of the Allianz Group's Compliance functions worldwide adheres to a consistent set of minimum rules.
<b>Fit and Proper Policy</b>	The Fit and Proper Policy (Policy) facilitates the implementation of regulatory requirements and safeguards a high Fit and Proper standard across the Allianz Group for Supervisory Board members, Senior Management and Key Function Members.
<b>Governance and Control Policy</b>	The Governance and Control Policy (Policy) outlines general aspects of the Group's system of governance and shall, thus, facilitate the implementation of regulatory requirements. It describes core principles and processes to ensure an effective management and oversight of the Allianz Group's business.
<b>Outsourcing Policy</b>	Outsourcing of Functions or Services that are essential to the operation of the Outsourcing OE directly affect customer interests. In order to appropriately safeguard these interests, certain principles and processes have to be observed in order to adequately assess, mitigate and control the risks associated with the Outsourcing and ensure business continuity in case of adverse events or termination.
<b>Accounting and Reporting Policy</b>	This Accounting and Reporting Policy ('Policy') defines the framework for the provision of reliable and high quality financial and non-financial information by Allianz Group, and shall, thus, facilitate the implementation of regulatory and accounting requirements as well as non-financial reporting guidelines and standards. It aims to minimize any Accounting and Reporting risk to protect the Group's financial stability and reputation.
<b>Legal Policy</b>	The Legal Policy (Policy) establishes core principles of the Legal Function within Allianz Group, its key responsibilities and tasks as well as its organizational framework.
<b>Information Technology and Information Security Policy</b>	This policy provides minimum requirements with respect to the core principles, the responsibilities and tasks as well as the organizational framework for Information Technology (IT) and Information Security (IS).
<b>Standard for Compliance with Economic Sanctions</b>	This Standard for Compliance with Economic Sanctions ('Standard') shall ensure that all relevant functions within Allianz' business segments (in particular investments, financial services, underwriting, operations, claims, payments and related functions) consider the requirements of economic sanctions in the markets in which Allianz operates.
<b>Privacy Standard</b>	This standard provides minimum requirements with respect to the processing and transfer of personal data.
<b>Standard for Credit Risk Management</b>	This standard provides minimum requirements with respect to the management of credit risks.



Title	Description
<b>Standard for Investment Management Organization</b>	This standard provides minimum requirements with respect to organizational setup and procedural elements concerning the management of investments of own financial assets of insurance and reinsurance legal entities.
<b>Standard for P&amp;C Underwriting</b>	This standard provides minimum requirements with respect to all P&C underwriting activities and management of the corresponding risks
<b>Standard for Operational Risk Management</b>	This standard provides minimum requirements with respect to the management of operational risks.
<b>Standard for Own Risk and Solvency Assessment</b>	This standard provides minimum requirements with respect to the implementation, conduct and documentation of a solvency assessment.
<b>Standard for Top Risk Assessment</b>	This standard provides minimum requirements with respect to the performance of an overarching qualitative risk management assessment, covering all risk categories, in order to identify and remediate significant threats to financial results, operational viability or the delivery of key strategic objectives.
<b>Standard for Outgoing Reinsurance</b>	This standard provides minimum requirements with respect to the all transfers of insurance risks either within the Allianz Group or to non-Allianz Group companies.
<b>Standard for Reputational Risk and Issues Management</b>	This standard provides minimum requirements with respect to protection of the company's reputation and the management of reputational Risks that arise in the course of business.
<b>Standard for Tax Management</b>	This standard provides minimum requirements with respect to tax-relevant processes, methods and structures to adhere when conducting tax activities, including tax risk management.
<b>Standard for Information and Document Management</b>	This standard provides minimum requirements, including rules and principles, for managing the Documents.

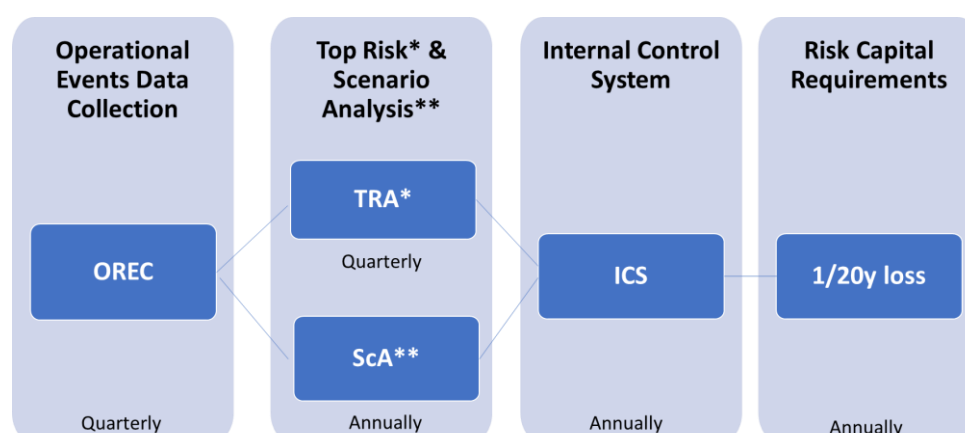
### D.3. Other risk management processes

#### D.3.1. Operational Risk Management

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

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

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

**Figure 20: Operational Risk management overview**

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

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

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

## D.3.2. Reputational Risk Management

Reputational risk is defined as an unexpected drop in the value of in-force business or value of future business caused by a decline in the reputation of Allianz Trade from the perspective of its stakeholders. A reputational risk becomes a reputational issue once it becomes known to the public and begins to trigger the realization of adverse reputational impacts.

EH Re AG has established a core set of principles and processes for the management of Reputational Risk. A management process depending on whether the root cause of the reputational risk is considered direct or indirect in nature has been set up.

### D.3.2.1. Direct reputational risk

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

- Assessment of direct reputational risk

Direct reputational risks are consciously and actively taken-on during the course of specific business transactions. The management of direct reputational risk requires balancing the benefits of a given business decision against the potential reputational impacts, considering Allianz Trade reputational risk strategy defined.

- a. Assessment of direct reputational risk

The potential for direct reputational risk must be always considered throughout the course of all business activities. The first line of defense needs to be vigilant about potential reputational risks they might encounter during their day-to-day business. If a reputational risk is recognized for a proposed or ongoing business transaction, it is required to perform a reputational risk assessment. The reputational risk assessment is performed through the reputational risk matrix that provides a reputational risk score on a scale of 1-5 based on an assessment of (potential) stakeholder perception:

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

The Allianz Trade Communication function is responsible for the review of the reputational risk assessment performed by the first line of defense.

- b. Referral of reputational risk

All direct reputational risks identified and assessed as having a reputational risk score of 3 or higher trigger a mandatory referral. In addition to these mandatory referrals, the Allianz Trade Communication or the Allianz Trade Risk function may also at their discretion request the submission of a referral for any proposed or ongoing business transaction.

The escalation of referral process decisions is as follows:

- If any Allianz Trade function does not wish to accept the referral decision they may request Allianz Trade Risk to initiate a further escalation to the Allianz Trade BoM;
- Allianz Trade Risk will coordinate submission of the referral to the Group BoM.

If decided by Allianz Trade BoM, Allianz Trade Risk will coordinate submission of the referral to Allianz Group Finance Risk Committee (GFRC) and communicate AZ GFRC's decision back to all parties involved within the best effort period of time.

#### D.3.2.2. Indirect reputational risk

Indirect reputational risks are inherent in the operations of EH Re AG 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. Indirect reputational risks are managed through the Top Risk Assessment (TRA) and ICS processes, which apply the same reputational risk assessment methodology used for direct reputational risk. Thus, the top risks identified and assessed as having a reputational risk score of 3 or higher are designated as indirect reputational risks for EH Re AG (see section D.2.1 for top risk assessment).

#### D.3.2.3. Reputational Risk monitoring

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

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

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

#### D.3.2.4. ESG Risk

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

### D.3.3. Concentration

#### D.3.3.1. Concentration Risk Exposure

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

#### D.3.3.2. Assets

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

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

#### D.3.3.3. Liabilities

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

## D.4. Future risk profile

### D.4.1. General description

At the moment of writing of this report, the economic recovery remains uncertain. After a tumultuous year, we anticipate lackluster growth in 2023, followed by differing recovery paths across countries in 2024. Global growth is likely to slow to +1.4% in 2023 (after +2.9% in 2022) and to recover modestly to +3.1% in 2024, with significant divergence across countries. Advanced economies will register a shallow recession of -0.1% in 2023 (after growth of +2.5% in 2022), followed by a rebound to below-potential growth of +1.5% in 2024.

As financial markets remain volatile, it is expected that the investments in better rated fixed income instruments will keep increasing, contributing to reducing market risk capital requirements as already observed.

Finally, 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 5% on an annual basis for 2023 and 2024 and as inflation remain strong, this should contribute to the target through increased premium via increased turnover from policy holders. Through the cession in reinsurance from the EH entities, EH Re AG will directly benefit from this dynamic group development. Accordingly, this might impact the future target capital of EH Re AG. However, according to the actual profitability

of the inward business, the expected annual results achieved by the company should enable the financing of additional risks capital requirements over the next few years.

## D.5. Off-balance sheet items

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

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

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

**Figure 21: Off-Balance sheet items**

Item	Amount for current closing in transaction currency	Transaction currency disclosed at current closing	Reporting currency disclosed at current closing	Issue date (signature date)	Expected maturity
Letter of Credit provided	50'000'000	USD	EUR	30.06.2018	31.12.2023
Letter of Credit provided	10'000'000	USD	EUR	30.06.2018	31.12.2023
Letter of Credit provided	30'000'000	CAD	EUR	31.03.2017	31.12.2023
Letter of Credit provided	75'000	USD	EUR	15.12.2011	31.12.2023
Letter of Credit provided	9'250'000	CAD	EUR	01.01.2018	31.12.2023
Letter of Credit provided	47'800'000	USD	EUR	01.01.2018	31.12.2023
Investment Commitment provided	1'370'344	EUR	EUR	28.06.2016	31.12.2023
Investment Commitment provided	3'149'260	USD	EUR	25.10.2019	31.12.2024
Investment Commitment provided	12'072'181	USD	EUR	22.12.2014	31.12.2023
Investment Commitment provided	950'000	EUR	EUR	12.12.2019	12.12.2029
Investment Commitment provided	1'040'000	EUR	EUR	12.08.2016	31.12.2023
Investment Commitment provided	3'680'000	EUR	EUR	14.12.2014	27.03.2023
Investment Commitment provided	737'500	EUR	EUR	23.12.2009	Unlimited
Investment Commitment provided	202'150	EUR	EUR	05.09.2012	Unlimited
Investment Commitment provided	11'546'748	EUR	EUR	23.11.2021	23.11.2035

Investment Commitment provided	5'427'136	EUR	EUR	03.12.2021	03.12.2031
Finance Guarantee received	9'300'000	EUR	EUR	01.06.2015	Open
Investment Commitment provided	87'302'772	EUR	EUR	01.12.2022	30.11.2032

## 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 SST 2022 (EoY 2021) and SST 2023 (EoY 2022):

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

Assets	SST BS 2023	Statutory BS 2023	Difference 2023	SST BS 2022	Statutory BS 2022	Difference 2022
Real estate	18	0	18	19	0	19
Participations	94	177	-83	169	149	20
Fixed-income securities	7	7	0	8	8	0
Loans	145	160	-15	141	138	3
Equities	6	1	6	67	1	67
Collective investment schemes	1'864	1'846	17	1'722	1'684	38
Alternative investments	10	3	7	11	5	6
Deposits made under assumed reinsurance contracts	17	17	0	15	15	0
Cash and cash equivalents	34	29	5	15	13	2
Share of technical provisions from reinsurance	789	871	-82	776	785	-9
Fixed assets	0.2	0.0	0	0	0	0
Intangible assets	0	0	0	0.1	0.1	0
Receivables from insurance and reinsurance companies	321	226	95	393	292	101
Other receivables	84	9	75	10	11	-1
Other assets	0	0	0	0.2	0.0	0
Accrued assets	1	0.2	1	0.1	0.1	0
<b>Total Assets</b>	<b>3'391</b>	<b>3'347</b>	<b>-44</b>	<b>3'348</b>	<b>3101</b>	<b>247</b>

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

#### E.1.1. Real estate

The real estate is valued at CHF 18mn in the SST balance sheet whereas no real estate is presented in the Annual Report. This is due to the "look-through" approach on EH South Express SA where the real estate is valued with a market-based approach.

## E.1.2. Participations

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

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

in CHF mn	SST BS 2023	Statutory BS 2023	Difference
EH Ré SA	94	75	20
EH Patrimonia SA		85	(85)
EH South Express SA		17	-17
<b>Participations</b>	<b>94</b>	<b>177</b>	<b>-83</b>

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

The SST value of the participation in EH Patrimonia SA and EH South Express SA is established through a “look-through” approach and therefore not considered under the participation balance sheet position.

## E.1.3. Fixed-income securities

The SST balance sheet value of the fixed-income securities is evaluated at the market value. Similar to the previous year, EH Re AG holds most of the fixed-income securities through the Sántis Umbrella Fund as well as some separate investments into bond funds, which are shown under Collective investment schemes.

## E.1.4. Loans

The SST balance sheet value of the intercompany loans is evaluated at the market value. The change in this position is due to an additional loan to the EH Group compared to the prior year.

## E.1.5. Equities

The equities are valued at CHF 6mn in the SST balance sheet whereas only CHF 1mn of equities are presented in the Annual Report. This is due to an investment in a real estate investment vehicle being in a public stock account in the IFRS balance sheet, while it is mapped under property funds (collective investment schemes) for the Annual Report. The large reduction in the SST balance sheet compared to the prior year is due to the sale of all equity investments held via EH Patrimonia SA during 2022.

## E.1.6. Collective investment schemes

The collective investment schemes consist of property funds, private equity funds, and bond funds. The increase compared to last year is mainly due to an increase in the market value of the investment into the Sántis Umbrella Fund, which holds most of the fixed-income securities of EH Re AG. The difference compared to the Annual report is due to the “look-through” approach on Sántis Umbrella Fund where the bond funds are valued with a market-based approach, and the valuation at market price in the SST BS for the property funds and bond funds that EH Re AG holds directly.



### E.1.7. Alternative investments

The alternative investment schemes consist of private equity and an investment in a private equity fund, the investment into the fund is considered under the Collective investment schemes position in the Asset table above. The private equity is valued at CHF 3mn in the Annual Report (CHF 4mn including the fund). In the SST balance sheet, the market value of the private equity is shown and amounts to CHF 10mn (CHF 11m including the fund).

### E.1.8. Deposits made under assumed reinsurance

There is no difference in valuation between the SST balance sheet and the Annual report. They amount to CHF 17m.

### E.1.9. Cash and cash equivalents

Cash and cash equivalents amount to CHF 34mn in the SST balance sheet, CHF 5mn higher than in the Annual Report. This is due to the “look-through” approach on EH Patrimonia SA, EH South Express SA and Sántis Umbrella Fund.

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

The reserves were discounted for the time value of money using the risk-free rates provided in the SST StandRe template and the expected run-off of the claims. Additionally, the unearned premium reserves are adjusted with the expected combined ratio to attain a market consistent value. With the change in interest rates seen in 2022 the decreasing effect of discounting is quite pronounced even with the short-tailed nature of the business. In combination with the decrease in UPR due to the application of the expected combined ratio below 100% this leads to a difference of CHF 82mn between the SST balance sheet and the Annual Report.

### E.1.11. Intangible Assets

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

### E.1.12. Receivables from insurance business

In the SST balance sheet, the receivables from insurance and reinsurance business include the accrued RI commission on EBNR for ceded business (analogously to the IFRS BS, whereas in the Annual report this is considered on the liability side) and exclude the accrued commission on EBNR for assumed business (analogously to the IFRS BS, whereas in the Annual report this is considered on the asset side). These two different allocations result in a valuation difference of CHF 95mn compared to the Annual report.

### E.1.13. Other Receivables

Other receivables are valued at CHF 84mn in the SST balance sheet vs CHF 9mn in the Annual Report. This is mainly due to the “look-through” approach on EH Patrimonia SA, EH South Express and Säntis Umbrella Fund, offset by corporate tax items which are valued at 0 in the SST balance sheet. The large difference in SST value compared to last year is due to a shift from equity to receivables in EH Patrimonia SA with the sale of equities that happened in 2022.

### E.1.14. Accrued Assets

There is a CHF 1mn difference in valuation between the SST balance sheet and the Annual report. This is due to a new accrued income account that was considered under Accrued Assets in the SST balance sheet, but is considered under Other Receivables in the Annual Report.

## E.2. Liabilities

The following table shows the valuation of the different classes of liabilities in the SST report and the Annual Report (Swiss GAAP) and their evolution between 2021 and 2022:

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

Liabilities in CHFmn	SST BS 2023	Statutory BS 2023	Difference 2023	SST BS 2022	Statutory BS 2022	Difference 2022
Best Estimate of provisions for insurance liabilities	1'940	2'116	-176	1'804	1'816	-11
Non-technical provisions	0.4	7.3	-6.9	0.4	11	-11
Deposits retained on ceded reinsurance	0.5	0.5	0	1	0.6	0.0
Liabilities from insurance business	206	110	95	201	100	101
Other liabilities	2	46	-44	5	48	-42
Accrued liabilities	2	18	-17	1	20	-19
<b>Total</b>	<b>2'149</b>	<b>2'298</b>	<b>-149</b>	<b>2'012</b>	<b>1'995</b>	<b>17</b>

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

#### E.2.1. Best Estimate of provisions for insurance liabilities

The reserves were discounted for the time value of money using the risk-free rates provided in the SST standard template and the expected run-off of the claims. Additionally, the unearned premium reserves are adjusted with the expected combined ratio to attain a market consistent value. With the change in interest rates seen in 2022 the decreasing effect of discounting is quite pronounced even with the short-tailed nature of the business. In combination with the decrease in UPR due to the application of the expected combined ratio below 100% this leads to a difference of CHF 176mn between the SST balance sheet and the Annual Report.

## E.2.2. Non-technical provisions

In local GAAP, the provision for unrealized currency gains accounts for CHF 7mn. This provision is not considered in the SST balance sheet. The Non-technical provisions in the SST balance sheet are provisions for stock-based compensation.

## E.2.3. Liabilities from insurance business

As mentioned in Section E.1.12, in the SST balance sheet, the accrued RI commission on EBNR for ceded business is considered on the asset side, the accrued commission on EBNR for assumed business on the liability side, resulting in a difference of CHF 95mn compared to the Annual report.

## E.2.4. Other liabilities

The difference between the statutory and the SST valuations mainly comes from the difference in the treatment of unpaid capital. In the Annual Report, the unpaid capital for the subsidiary accounts for CHF 45mn. This is not recognized in the SST balance sheet as it is considered in the valuation of the EH Ré SA participation.

## E.2.5. Accrued liabilities

The accrued liabilities are CHF 17mn higher in the local GAAP compared to the SST report. This is driven by corporate tax items which are valued at 0 in the SST balance sheet.

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

Overall, the risk-bearing capital increased by CHF 43mn between 2022 and 2021.

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

Component in CHF	SST 2023	SST 2022	Difference
Total Assets	3'391	3'348	43
Total Liabilities	2'150	2'012	138
Assets minus liabilities	1'241	1'336	-95
Deductions	247	130	117
<b>RBC</b>	<b>994</b>	<b>1'206</b>	<b>-212</b>

The assets have increased by CHF 43mn which is mainly due to the increase in the collective investment schemes (increase is mainly due to Investment funds: fixed income securities) by CHF 142mn, in Cash and cash equivalents by CHF 19mn, and in other receivables by CHF 73mn (driven by the sale of equities held via EH Patrimonia SA). This is partially offset by a decrease in participation by CHF 74mn, in equities by CHF 61mn (driven by the sale of equities held via EH Patrimonia SA) and in receivables from insurance business by CHF 72mn.

The liabilities increased by CHF 138mn which is explained by an increase in the gross Best Estimate of provisions for insurance liabilities by CHF 135mn, an increase in liabilities from insurance business by CHF 5mn, slightly offset by a decrease in other liabilities by CHF 3mn.

The planned dividends and intangible assets are deducted from the assets over liabilities to calculate the risk-bearing capital. The planned dividend is CHF 117mn higher compared to last year.

There is no supplementary capital. No particular restrictions exist on EH Re AG's available capital.

## E.4. Capital reconciliation

The following table shows the reconciliation between the Annual Report equity and the SST available capital.

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

in CHF mn	Reconciliation	Section
<b>Annual report Equity</b>	<b>1'048</b>	
Assets - Real estate	18	E.1.1
Assets - Participations	(83)	E.1.2
Assets - Fixed-income securities	0	E.1.3
Assets - Loans	(15)	E.1.4
Assets - Equities	6	E.1.5
Assets - Collective investments schemes	17	E.1.6
Assets - Alternative investments	7	E.1.7
Assets - Deposits made under assumed reinsurance contracts	(0)	E.1.8
Assets - Cash and cash equivalents	5	E.1.9
Assets - Ceding of BE provisions for insurance liabilities	(82)	E.1.10
Assets - Intangible assets	(0)	E.1.11
Assets - Receivables from insurance business	95	E.1.12
Assets - Other receivables	75	E.1.13
Assets - Accrued assets	1	E.1.14
Liabilities - BE of provisions for insurance liabilities	176	E.2.1
Liabilities - Non-technical provisions	7	E.2.2
Liabilities - Liabilities from insurance business	(95)	E.2.3
Liabilities - Other liabilities	44	E.2.4
Liabilities - Accrued liabilities	17	E.2.5
Assets minus liabilities	193	
Deductions (Dividends)	247	
<b>Risk bearing capital</b>	<b>994</b>	

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

The statutory equity of EH Re AG decreased by CHF 19mn from CHF 1'106mn to CHF 1'087mn in the financial year 2022. As of 31<sup>st</sup> December 2022, it is composed of share capital amounting to CHF 401mn, statutory capital reserves amounting to CHF 189mn, statutory retained earnings amounting to CHF 201mn, voluntary retained earnings (balance brought forward) amounting to CHF 186mn, and the annual profit for the financial year 2022 of CHF 111mn.

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

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

The difference of CHF 93mn between the statutory equity and the difference between market consistent assets and liabilities mainly result from different valuation approaches. The valuation rules according to Swiss Code of Obligations and regulatory rules for the preparation of the annual financial statements of a reinsurance company can differ substantially from the regulations according to the SST.

## F. Capital management

### F.1. Capital management strategy – SST Standard

EH Re AG steers primarily its solvency through the SST standard model. In that respect, EH Re AG has set a target management ratio of 136% and an action barrier ratio of 118%. Deviations against these thresholds are regularly monitored by the Risk Committee and the BoD. If EH Re AG falls below the action barrier ratio, the BoD takes the necessary measures to re-establish its SST ratio above.

**Figure 27: Equity overview**

in CHF mn	SST 2023	SST 2022	Var	Relative Var
Total Assets	3'391	3'348	43	1%
Total Liabilities	2'150	2'012	138	7%
Assets minus liabilities	1'241	1'336	-95	-7%
Deductions	247	130	117	90%
Core capital	994	1'206	-212	-18%

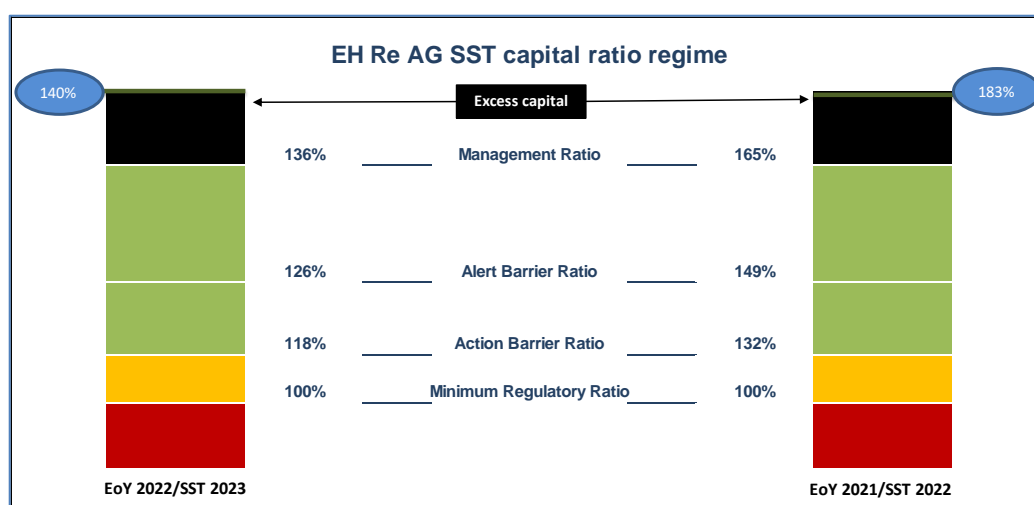
The decrease in Risk Bearing Capital is explained by the expected dividend payment of CHF 247mn in 2023.

The following graph and table show the SST ratio as of 31.12.2022 compared to 31.12.2021:

**Figure 28: SST Ratio overview**

in CHF mn	SST 2023	SST 2022	Var	Relative Var	Section
Target Capital (TC)	716	668	48	7%	D.2.2
Risk Bearing Capital (RBC)	994	1'206	-212	-18%	E.3
Market Value Margin (MVM)	24	21	3	13%	D.2.2.9
<b>SST Ratio (RBC-MVM)/(TC-MVM)</b>	<b>140%</b>	<b>183%</b>	<b>-43%</b>	<b>-23%</b>	

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

**Figure 29: SST capital ratio regime**

The SST 2023 ratio decreased from 183% to 140%, slightly above the target management ratio of 136%. This is mainly due to the expected dividend payment of CHF 247mn as well as the increased in reserve risk capital. The impact of future significant events on the risk profile and solvency is presented in section D.4.

## G. Solvency

### G.1. Solvency overview

The following table shows the SST ratio as of 31.12.2022 compared to 31.12.2021:

**Figure 30: SST ratio overview**

in CHF mn	SST 2023	SST 2022	Var	Relative Var
Target Capital (TC)	716	668	48	7%
Risk Bearing Capital (RBC)	994	1'206	-212	-18%
<b>SST Ratio</b>	<b>140%</b>	<b>183%</b>	<b>-43%</b>	<b>-23%</b>

The SST ratio stands at 140%, slightly above the 136% target ratio.

### G.2. Capital planning

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

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

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

### G.3. Capital management governance

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

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

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

- Management and controlling of the capital target levels;
- Implementing capital measures such as capital increases, dividends;
- Regular reporting of capital levels and stress tests; and
- Providing the capital and dividend plan figures in the planning process.

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

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

## Appendix

### Appendix 1 : Financial Statements as of 31.12.2022

Following their correction, the below financial statements are not audited at the date of the corrected report.

Balance sheet as at 31 December	Notes	2022	2021
		CHF	CHF
<b>ASSETS</b>			
Investments			
Investments in affiliated enterprises	3.1	177'355'672	148'732'924
Bonds		7'087'901	7'927'566
Intercompany loans	3.2	160'165'224	137'911'741
Shares		635'913	569'975
Säntis Umbrella fund	3.3	1'661'452'099	1'488'054'641
Bond funds		116'650'794	130'694'575
Equity funds			
Private equity fund of funds		3'919'818	5'196'064
Property funds		68'377'914	64'750'888
Other securities		0	0
		<u>2'195'645'335</u>	<u>1'983'838'374</u>
Deposits retained on assumed business		16'814'472	14'911'640
Cash and cash equivalents		28'821'556	13'407'952
Cash equivalents		0	0
Unearned premium reserve ceded	3.6	81'446'538	77'469'373
Rebates reserve ceded	3.6	44'399'812	36'807'377
Outstanding claims reserve ceded	3.6	745'076'862	670'576'951
Reinsurer's share of technical reserves		<u>870'923'212</u>	<u>784'853'701</u>
Tangible Assets		0	0
Intangible Assets		40'809	61'368
Reinsurance receivables	3.4 & 3.5	118'915'252	188'585'010
Assumed accruals	3.4 & 3.5	106'656'079	103'732'811
Receivables from insurance and reinsurance		<u>225'571'331</u>	<u>292'317'821</u>
Other receivables		8'545'528	11'136'771
Accrued interest	3.4 & 3.5	222'930	100'562
Total earnings shown in Balance sheet			
<b>TOTAL ASSETS</b>		<b><u>3'346'585'173</u></b>	<b><u>3'100'628'189</u></b>



Balance sheet as at 31 December	Notes	2022	2021
		CHF	CHF
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Unearned premium reserve assumed	3.6	161'093'798	148'992'948
Rebates reserve assumed	3.6	135'327'467	111'527'505
Outstanding claims reserve assumed	3.6	1'819'363'484	1'555'022'901
Technical reserves		<u>2'115'784'749</u>	<u>1'815'543'354</u>
Provision for unrealized currency gains		7'315'472	11'023'855
Provisions for stock based compensation		426'456	410'128
Non-technical provisions		<u>7'741'928</u>	<u>11'433'983</u>
Deposits retained ceded		504'980	565'655
Reinsurance payables	3.4 & 3.5	73'001'486	63'682'180
Ceded accruals	3.4 & 3.5	37'377'740	36'229'872
Liabilities from insurance and reinsurance		<u>110'379'226</u>	<u>99'912'052</u>
Other short-term liabilities		1'278'374	1'198'199
Unpaid capital to subsidiary		44'270'020	46'453'453
Other liabilities		<u>45'548'394</u>	<u>47'651'652</u>
Accrued payables	3.4 & 3.5	1'593'159	715'844
- due from third parties			
- other payables			
Tax payables		16'657'843	18'895'829
<b>TOTAL LIABILITIES</b>		<b><u>2'298'210'279</u></b>	<b><u>1'994'718'369</u></b>
Share capital		400'750'000	400'750'000
Organisation fund		0	0
Statutory capital reserves			
General capital reserves		17'000'000	17'000'000
Capital contribution reserves		171'750'000	171'750'000
Statutory retained earnings		200'477'606	200'477'606
Voluntary retained earnings			
Balance brought forward		185'982'214	161'742'561
Annual profit		72'415'074	154'189'653
<b>TOTAL SHAREHOLDERS' EQUITY</b>	3.7	<b><u>1'048'374'894</u></b>	<b><u>1'105'909'820</u></b>
<b>TOTAL</b>		<b><u>3'346'585'173</u></b>	<b><u>3'100'628'189</u></b>

Income statement for the year	Notes	2022	2021
		CHF	CHF
Written premium assumed		1'844'085'900	1'458'702'049
Written premium ceded		-739'057'457	-596'473'769
<b>Written premium for own account</b>		<b>1'105'028'443</b>	<b>862'228'280</b>
Change in unearned premium reserve assumed	4.1	-13'874'073	-57'924'549
Change in unearned premium reserve ceded	4.1	5'480'426	19'173'075
<b>Earned premiums for own account</b>		<b>1'096'634'796</b>	<b>823'476'806</b>
Other income from the insurance business		781'237	833'700
<b>Total income from the insurance business</b>		<b>1'097'416'033</b>	<b>824'310'506</b>
Claims paid assumed		-329'347'428	-255'333'572
Claims paid ceded		120'315'149	93'430'512
Change in claims reserve assumed	4.1	-340'349'146	-303'801'279
Change in claims reserve ceded	4.1	106'948'227	136'203'072
<b>Claims expenses for own account</b>		<b>-442'433'198</b>	<b>-329'501'267</b>
Commissions paid		-685'085'937	-501'923'257
Administration expenses	4.2 & 4.3	-12'069'955	-9'875'139
Acquisition and administration costs		-697'155'892	-511'798'396
Reinsurers' share of the acquisition and administration costs		279'454'605	224'487'888
<b>Acquisition and administration costs for own account</b>		<b>-417'701'287</b>	<b>-287'310'508</b>
<b>Change in aggregate policy reserve</b>		<b>327'474'237</b>	<b>219'889'019</b>
<b>Other ceded expenses</b>			
<b>Total expenses from the insurance business</b>		<b>-860'134'485</b>	<b>-616'811'775</b>
<b>Underwriting result</b>		<b>237'281'548</b>	<b>207'498'731</b>
Interest and dividends	4.4	37'956'613	18'574'608
Realized gains on investments	4.4	2'641'849	3'742'360
Write ups of investments		978'878	101'241
<b>Investment income</b>		<b>41'577'340</b>	<b>22'418'209</b>
Investment management expenses		-2'927'623	-2'237'511
Realized losses on investments	4.5	-2'851'719	-511'843
Unrealized losses on investments		-155'877'537	-14'020'675
<b>Investment expenses</b>		<b>-161'656'879</b>	<b>-16'770'029</b>
<b>Investment result</b>		<b>-120'079'539</b>	<b>5'648'180</b>
Realised & unreal. currency gains		112'347'809	15'909'100
<b>Other financial income</b>		<b>112'347'809</b>	<b>15'909'100</b>
Realised & unreal. currency losses		-107'358'347	-18'510'686
Inc. & exp. from currency translation		-38'558'619	-32'987'839
<b>Other financial expenses</b>		<b>-145'916'966</b>	<b>-51'498'525</b>
<b>Operating result</b>		<b>83'632'852</b>	<b>177'557'486</b>
Interests expenses		-616'928	-785'365
<b>Profit before taxes</b>		<b>83'015'924</b>	<b>176'772'121</b>
<b>Direct taxes</b>		<b>-10'600'850</b>	<b>-22'582'468</b>
<b>Annual profit</b>		<b>72'415'074</b>	<b>154'189'653</b>

Statement of cash flows	2022	2021
	CHF	CHF
<b>Annual profit</b>	72'415'074	154'189'653
Depreciation and amortization	25'334	25'500
Inc. & exp. from currency translation	38'558'619	32'987'839
Provisions for stock based compensation	16'328	63'455
Net realized investment gains/Losses	155'108'529	10'688'917
Change in:		
Technical reserves	300'241'395	335'507'414
Reinsurance receivables	66'746'490	-125'259'850
Reinsurance payables	9'319'306	4'028'300
Ceded business, net	-84'982'318	-130'517'329
Deposits retained assumed	-1'902'832	3'541'779
Taxes payable	-2'237'986	16'171'136
Other assets and liabilities, net	3'426'365	-6'636'018
<b>Cash flow from operating activities</b>	<b>556'734'304</b>	<b>294'790'796</b>
Disposals of investments (without affiliated enterprises)	4'349'175	4'242'612
Acquisitions of investments (without affiliated enterprises)	-14'427'092	-15'140'223
Investment in affiliated enterprises	-28'622'748	2'303'692
Sántis Umbrella fund	-372'720'628	-318'650'764
Loans to consolidated affiliated enterprises	-22'253'483	6'042'401
Cashflow for unpaid capital to subsidiary	-2'183'433	-2'035'291
<b>Cash flow from investing activities</b>	<b>-435'858'208</b>	<b>-323'237'573</b>
Dividend paid to shareholders	-129'950'000	-54'817'500
<b>Cash flow from financing activities</b>	<b>-129'950'000</b>	<b>-54'817'500</b>
Effect of foreign currency translation	24'487'509	2'625'631
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>15'413'604</b>	<b>-80'638'646</b>
Cash and cash equivalents as of 1st January	13'407'950	94'046'596
<b>CASH AND CASH EQUIV. AS OF 31st DECEMBER</b>	<b>28'821'554</b>	<b>13'407'950</b>

## Notes to the financial statements

### 1. Information on the company and basis of presentation

Euler Hermes Reinsurance AG (EH Reinsurance AG) is headquartered in Wallisellen, Switzerland. The accompanying financial EH Reinsurance AG employs like in the prior year more than 10 but less than 50 employees (fulltime equivalent).

### 2. Accounting principles

#### 2.1 Investments

Loans and investments in affiliates are initially recognized at their acquisition costs. Loans are subsequently valued at nominal value. Bonds are valued at lower of amortized cost or market value.

Shares are valued at fair value.

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

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

#### 2.2 Reinsurer's share of technical reserves

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

#### 2.3 Receivables

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

#### 2.4 Claims reserves

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

#### 2.5 Translation of foreign currencies

The functional currency of the company is EUR. For statutory reporting purposes, a translation into CHF is done. All Assets and

Rates used:	2022	2021
Year end rates	0.98744952	1.03615132
Average rates	1.00491403	1.08102265

Existing provision for unrealized FX in amount of 11'023'855 CHF was decreased due to FX loss from translation, resulting in total remaining provision of 7'315'472 CHF.

**3. Balance sheet positions**

<b>3.1 Investment in affiliated enterprises</b>	<b>2022</b>	<b>2021</b>
<i>Equity investments</i>	Share capital (EUR)	
100% shares (2021: 100%) of Euler Hermes Ré SA, Luxembourg.	61'055'000	61'055'000
35% shares (2021: 35%) of Euler Hermes Patrimonia SA, Bruxelles	140'519'874	90'000'000
49% shares (2021: 49%) of Euler Hermes South Express SA, Bruxelles	28'986'452	28'986'452
<b>3.2 Intercompany loans</b>	<b>2022</b>	<b>2021</b>
Loan to Euler Hermes Group (France) in EUR	0	0
Loan to Euler Hermes Ré SA (EUR 33'100'000) in CHF	32'684'579	34'296'609
Loan to Allianz Europe BV (EUR 100'000'000) in CHF	98'744'952	103'615'132
Loan to Euler Hermes Group SAS (EUR 29'100'924.07) in CHF	28'735'693	0
<b>Total intercompany loans</b>	<b>160'165'224</b>	<b>137'911'741</b>
<b>3.3 Sántis Umbrella fund</b>	<b>2022</b>	<b>2021</b>
Single Investor Fund, NAV in CHF	1'661'452'099	1'488'054'641

**3.4 Receivables and liabilities from the insurance business**

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

<b>3.5 Receivables due from and liabilities due to group companies</b>	<b>2022</b>	<b>2021</b>
Reinsurance receivables due from group companies	119'008'391	184'353'760
Other receivables due from group companies	501'862	531'723
Assumed accruals due from group companies	95'140'001	93'177'337
Accrued interests due from group companies	212'067	86'694
Reinsurance payables due to group companies	-41'353'475	-39'181'280
Ceded accruals due to group companies	-22'304'020	-23'213'821
Accrued payables due to group companies	-745'717	-414'157

**3.6 Technical provision**

<b>2022</b>	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	<b>Total</b>
Assumed	161'093'798	135'327'467	1'819'363'484	<b>2'115'784'749</b>
Ceded	-81'446'538	-44'399'812	-745'076'862	<b>-870'923'212</b>
<b>Technical provision net 2022</b>	<b>79'647'260</b>	<b>90'927'655</b>	<b>1'074'286'622</b>	<b>1'244'861'537</b>
<b>2021</b>	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	<b>Total</b>
Assumed	148'992'948	111'527'505	1'555'022'901	<b>1'815'543'354</b>
Ceded	-77'469'373	-36'807'377	-670'576'951	<b>-784'853'701</b>
<b>Technical provision net 2021</b>	<b>71'523'575</b>	<b>74'720'128</b>	<b>884'445'950</b>	<b>1'030'689'653</b>

**3.7 Equity roll forward**

	Share capital	Statutory capital reserves	Statutory retained earnings	Voluntary retained earnings	Total equity
<b>as per 01.01.2021</b>	<b>400'750'000</b>	<b>188'750'000</b>	<b>200'477'606</b>	<b>231'863'457</b>	<b>1'006'537'668</b>
Dividend				-54'817'500	<b>-54'817'500</b>
Annual profit				154'189'653	<b>154'189'653</b>
<b>as per 31.12.2021</b>	<b>400'750'000</b>	<b>188'750'000</b>	<b>200'477'606</b>	<b>331'235'610</b>	<b>1'105'909'821</b>
Dividend				-129'950'000	<b>-129'950'000</b>
Annual profit				72'415'074	<b>72'415'074</b>
<b>as per 31.12.2022</b>	<b>400'750'000</b>	<b>188'750'000</b>	<b>200'477'606</b>	<b>273'700'684</b>	<b>1'048'374'895</b>

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

<b>2022</b>	Unearned premium reserve	Rebates reserve	Outstanding claims reserve	Total
Assumed	-13'874'073	-23'799'962	-340'349'146	<b>-378'023'181</b>
Ceded	5'480'426	7'592'435	106'948'227	<b>120'021'088</b>
<b>Changes in technical provision net 2022</b>	<b>-8'393'647</b>	<b>-16'207'527</b>	<b>-233'400'919</b>	<b>-258'002'093</b>

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

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

	2022	2021
Personal expenses	5'106'656	4'423'107
Amortization and depreciation on non-current assets	25'334	25'500

**4.3 Auditor fees**

	2022	2021
Audit fees	155'842	87'044
Other fees	12'394	51'869
<b>Total auditor fees</b>	<b>168'235</b>	<b>138'912</b>

**4.4 Investment income**

<b>2022</b>	Curr. income	Write-ups	realized gains	<b>Total income</b>
Investments in affiliated enterprises	12'702'187	-	-	<b>12'702'187</b>
Bonds	20'914	-	11'741	<b>32'654</b>
Intercompany loans	252'803	-	-	<b>252'803</b>
Shares	-	-	-	<b>0</b>
Säntis Umbrella fund	14'770'085	88'543	458'689	<b>15'317'317</b>
Bond funds	7'755'443	890'334	-	<b>8'645'777</b>
Equity funds	-	-	-	<b>0</b>
Private equity fund of funds	3'245	-	2'171'419	<b>2'174'664</b>
Property funds	2'299'819	-	-	<b>2'299'819</b>
Other securities	-	-	-	<b>0</b>
Deposits retained on assumed business	150'884	-	-	<b>150'884</b>
Cash and cash equivalents	1'233	-	-	<b>1'233</b>
Cash equivalents	-	-	-	<b>0</b>
<b>Investment income 2022</b>	<b>37'956'612</b>	<b>978'878</b>	<b>2'641'849</b>	<b>41'577'339</b>

<b>2021</b>	Curr. income	Write-ups	realized gains	<b>Total income</b>
Investments in affiliated enterprises	318'979	-	-	<b>318'979</b>
Bonds	26'642	-	2'069'933	<b>2'096'575</b>
Intercompany loans	133'149	-	-	<b>133'149</b>
Shares	-	-	-	<b>0</b>
Säntis Umbrella fund	12'290'374	2'775	884'168	<b>13'177'317</b>
Bond funds	4'201'350	-	-	<b>4'201'350</b>
Equity funds	-	-	-	<b>0</b>
Private equity fund of funds	-	98'465	788'259	<b>886'724</b>
Property funds	1'395'900	-	-	<b>1'395'900</b>
Other securities	-	-	-	<b>0</b>
Deposits retained on assumed business	208'213	-	-	<b>208'213</b>
Cash and cash equivalents	-	-	-	<b>0</b>
<b>Investment income 2021</b>	<b>18'574'607</b>	<b>101'241</b>	<b>3'742'360</b>	<b>22'418'208</b>

**4.5 Investment expenses**

<b>2022</b>	Investment expenses	Write downs	realized losses	<b>Total expense</b>
Investments in affiliated enterprises	-	-	-	<b>0</b>
Bonds	37'561	858'730	-	<b>896'291</b>
Intercompany loans	-	-	-	<b>0</b>
Shares	-	-	32'948	<b>32'948</b>
Säntis Umbrella fund	1'888'759	142'748'877	1'208'072	<b>145'845'708</b>
Bond funds	618'172	9'665'327	1'610'699	<b>11'894'198</b>
Equity funds	-	-	-	<b>0</b>
Private equity fund of funds	20'772	41'054	-	<b>61'827</b>
Property funds	362'358	2'563'550	-	<b>2'925'907</b>
Other securities	-	-	-	<b>0</b>
Deposits retained on assumed business	-	-	-	<b>0</b>
Cash and cash equivalents	-	-	-	<b>0</b>
<b>Investment expenses 2022</b>	<b>2'927'623</b>	<b>155'877'537</b>	<b>2'851'719</b>	<b>161'656'879</b>

Säntis Umbrella Fund result FY2022 is a loss of 253'812'613 CHF.

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

## 5. Additional information

### 5.1 Guarantees and commitments given

EH Reinsurance AG purchased a bank guarantee in the amount of USD 75'000 (2021: USD 75'000).

EH Reinsurance AG has pledged cash position of USD 75'000 (2021: USD 75'000).

EH Reinsurance AG has lease commitments amounting to CHF 82'901 (2021: CHF 84'630).

EH Reinsurance AG has entered a commitment with CORDIANT regarding future drawdowns limited by the unfunded amount as per December 31 2022 of USD 15'221'441 (2021: USD 14'728'854).

EH Reinsurance AG has entered a commitment with FASO regarding future drawdowns limited by the unfunded amount as per December 31 2022 of EUR 1'990'000 (2021: EUR 9'730'000).

EH Reinsurance AG has entered a commitment with AEW Logistis regarding future drawdowns limited by the unfunded amount as per December 31 2022 of EUR 3'680'000 (2021: EUR 10'368'310).

EH Reinsurance AG has entered a commitment with IPUT regarding future drawdowns limited by the unfunded amount as per December 31 2022 of EUR 1'370'344 (2021: EUR 1'370'344).

EH Reinsurance AG has entered a commitment with APEF regarding future drawdowns limited by the unfunded amount as per December 31 2022 of EUR 11'546'748 (2021: EUR 7'253'232).

EH Reinsurance AG has entered a commitment with AGDPDFP regarding future drawdowns limited by the unfunded amount as per December 31 2022 of EUR 5'427'136 (2021: EUR 4'430'000).

EH Reinsurance AG has entered a loan commitment with Euler Hermes Group SAS regarding future drawdowns limited by the unfunded amount as per December 31 2022 of EUR 87'302'722

EH Reinsurance AG has entered into commitments with a bank to provide letter of credits to Group companies in amount of USD 60'000'000 and CAD 30'000'000 to meet any valid claims, in case of EH Reinsurance AG would face bankruptcy (2021: USD 95'000'000 and CAD 30'000'000).

EH Reinsurance AG has entered into commitments with a bank to provide letter of credits to external partners in amount of USD 47'800'000 and CAD 9'250'000 to meet any valid claims, in case of EH Reinsurance AG would face bankruptcy (2021: USD 46'000'000 and CAD 4'700'000).

### 5.2 Guarantee received

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



<b>Proposed appropriation of available earnings As at 31 December</b>	<b>2022</b>	<b>2021</b>
	<b>CHF</b>	<b>CHF</b>
Balance brought forward	185'982'214	161'742'561
Annual profit	72'415'074	154'189'653
<b>Voluntary retained earnings available</b>	<b><u>258'397'288</u></b>	<b><u>315'932'214</u></b>
Proposed Dividend *)	-245'237'500	-129'950'000
<b>Voluntary Retained earnings to be carried forward</b>	<b><u>13'159'788</u></b>	<b><u>185'982'214</u></b>

\*) The dividend payment shall be EUR 250'000'000 and the difference between EUR 250'000'000 paid and translated with the exchange rate at the time of the dividend payment and CHF 250'000'000 shall be allocated to the retained earnings to be carried forward.

## Appendix 2: Operational Risk – scenarios analysis

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

Name	1 in 20 year Scenario Description	Frequency	Sigma	1 in 20 Year Event Loss.Local Amount (EUR)
<b>ScA_1008_EPWS_Human Resources Management</b>	EH Reinsurance AG becoming unable to maintain operating capacity or service quality due to departure of key people at a key position (Solvency II key function or a Top management) or a significant portion of key teams, or a weak succession plan. Staff may not be replaced within a reasonable timeframe; remaining staff unable or not qualified to ensure all tasks leading to a loss.	0.3	1.3	210,000.00
<b>ScA_1009_CPBP_Suitability, Information Disclosure and Fiduciary Duty (NL)</b>	The 1-in-20 year storyline would be a breach of confidentiality related to buyer confidential information disclosed in reinsurance treaties. The ceding company's shareholders could sue EH, resulting in a settlement or in contractual penalties.	0.2	1.5	100,000.00
<b>ScA_1010_CPBP_Improper Business or Market Practices</b>	Legal risks due to inadequate legal terms that do not fulfil external (legal) requirements due to changes in laws and regulations. (e.g. The company treated claims in bias, charged unapproved rates to policyholders, and failed to maintain accurate claims files, unlicensed activity).	0.2	2.1	500,000.00

Name	1 in 20 year Scenario Description	Frequency	Sigma	1 in 20 Year Event Loss.Local Amount (EUR)
<b>ScA_1012_CPBP_Trade Counterparties</b>	The 1-in-20 storyline would be a rejection of claim done by EH Reinsurance AG to an external reinsurer due to an incomplete or inaccurate reinsurance contract. Failure of reinsurance coverage could be because of errors, omissions or other inadequacies in relation to the company's documentation and contracts, resulting in reinsurance related losses or legal costs. This risk includes changes in the interpretation of reinsurance contracts that impact the collectability of existing reinsurance contracts, disputes with reinsurance brokers and/or reinsurers regarding terms of specific reinsurance contracts, or general errors, omissions, or unenforceable or misleading terms in reinsurance policies that generally result in reinsurance coverage not aligned with business needs.	0.2	1.9	225,000.00
<b>ScA_1016_BDSF_Transportation Disruption Other Disruptions</b>	Business disruption and therefore delay or non-provision of services due to unavailability of personnel because of a pandemic event, resulting in incremental operational costs or financial losses.	0.2	1.7	150,000.00

## Appendix 3 : Quantitative templates

Financial situation report: quantitative template "Solvency Solo"		Currency: CHF Amounts stated in millions		
EHRe FX rate per 31.12.2022 EUR - CHF:		0.987		
		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	1,336		1,241
	Deductions	-130		-247
	Core capital	1,206		994
	Supplementary capital	-		-
	RBC	1,206	-	994
		Ref. date previous period in CHF millions	Adjustments previous period in CHF millions	Ref. date reporting year in CHF millions
Derivation of target capital	Underwriting risk	589		713
	Market risk	219		181
	Diversification effects	-46		-49
	Credit risk	136		139
	Risk margin and other effects on target capital	-230		-267
	Target capital	668	-	716
		Ref. date previous period in %	Adjustments previous period in %	Ref. date reporting year in %
	SST ratio	183%	-	140%

Financial situation report: quantitative template		Currency: CHF Amounts stated in millions		
EHRe FX rate per 31.12.2022 EUR - CHF: 0.987		in CHF millions Ref. date previous period	in CHF millions Adjustments previous period	in CHF millions Ref. date reporting year
Market-consistent value of investments	Real estate	19	-	18
	Participations	169	-	94
	Fixed-income securities	8	-	7
	Loans	141	-	145
	Mortgages	-	-	-
	Equities	67	-	6
	Other investments	1,733	-	1,874
	Collective investment schemes	1,722	-	1,864
	Alternative investments	11	-	10
	Structured products	-	-	-
	Other investments	-	-	-
Total investments	2,137	-	2,145	
Market-consistent value of other assets	Financial investments from unit-linked life	-	-	-
	Receivables from derivative financial	-	-	-
	Deposits made under assumed	15	-	17
	Cash and cash equivalents	15	-	34
	Reinsurers' share of best estimate of	776	-	789
	Direct insurance: non-life insurance business (excluding unit-linked life insurance)	-	-	-
	Reinsurance: life insurance business (excluding unit-linked life insurance)	-	-	-
	Direct insurance: non-life insurance	-	-	-
	Direct insurance: health insurance	-	-	-
	Reinsurance: non-life insurance	776	-	789
	Reinsurance: health insurance	-	-	-
	Direct insurance: other business	-	-	-
	Reinsurance: other business	-	-	-
	Direct insurance: unit-linked life	-	-	-
	Reinsurance: unit-linked life insurance	-	-	-
	Fixed assets	-	-	0
	Deferred acquisition costs	-	-	-
Intangible assets	0	-	0	
Receivables from insurance business	393	-	321	
Other receivables	10	-	84	
Other assets	0	-	-	
Unpaid share capital	-	-	-	
Accrued assets	0	-	1	
Total other assets	1,210	-	1,246	
<b>Total market-consistent value of assets</b>	<b>Total market-consistent value of assets</b>	<b>3,348</b>	<b>-</b>	<b>3,391</b>
BEL: Best estimate of liabilities (including unit linked life insurance)	Best estimate of provisions for insurance	1,804	-	1,940
	Direct insurance: life insurance business	-	-	-
	Reinsurance: life insurance business (excluding unit-linked life insurance)	-	-	-
	Direct insurance: non-life insurance	-	-	-
	Direct insurance: health insurance	-	-	-
	Reinsurance: non-life insurance	1,804	-	1,940
	Reinsurance: health insurance	-	-	-
	Direct insurance: other business	-	-	-
	Reinsurance: other business	-	-	-
	Best estimate of provisions for unit-linked	-	-	-
Direct insurance: unit-linked life	-	-	-	
Reinsurance: unit-linked life insurance	-	-	-	
Market-consistent value of other liabilities	Non-technical provisions	0	-	0
	Interest-bearing liabilities	-	-	-
	Liabilities from derivative financial	-	-	-
	Deposits retained on ceded reinsurance	1	-	1
	Liabilities from insurance business	201	-	206
	Other liabilities	5	-	2
	Accrued liabilities	1	-	2
Subordinated debts	-	-	-	
<b>Total BEL plus market-consistent value of other liabilities</b>	<b>Total BEL plus market-consistent value of other liabilities</b>	<b>2,012</b>	<b>-</b>	<b>2,150</b>
	<b>Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities</b>	<b>1,336</b>	<b>-</b>	<b>1,241</b>

Financial situation report: quantitative template "Performance Solo NL"					
Currency: CHF or annual report currency Amounts stated in millions					
	Total		Direct non-Swiss business		
	Previous year	Reporting year	Previous year	Reporting year	
1	Gross premiums	1'459	1'844	1459	1844
2	Reinsurers' share of gross premiums	-596	-739	-596	-739
3	Premiums for own account (1 + 2)	862	1'105	862	1105
4	Change in unearned premium reserves	-58	-14	-58	-14
5	Reinsurers' share of change in unearned premium reserves	19	5	19	5
6	Premiums earned for own account (3 + 4 + 5)	823	1'097	823	1097
7	Other income from insurance business	1	1	1	1
8	<b>Total income from underwriting business (6 + 7)</b>	824	1'097	824	1097
9	Payments for insurance claims (gross)	-255	-329	-255	-329
10	Reinsurers' share of payments for insurance claims	93	120	93	120
11	Change in technical provisions	-304	-340	-304	-340
12	Reinsurers' share of change in technical provisions	136	107	136	107
13	Change in technical provisions for unit-linked life insurance	-	1	0	1
14	<b>Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)</b>	-330	-442	-330	-442
15	Acquisition and administration expenses	-512	-697	-512	-697
16	Reinsurers' share of acquisition and administration expenses	224	279	224	279
17	Acquisition and administration expenses for own account (15 + 16)	-287	-418	-287	-418
18	Other underwriting expenses for own account	-	-	0	0
19	<b>Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)</b>	-617	-860	-617	-860
20	Investment income	22	42		
21	Investment expenses	-17	-162		
22	<b>Net investment income (20 + 21)</b>	6	-120		
23	Capital and interest income from unit-linked life insurance	-	-		
24	Other financial income	16	112		
25	Other financial expenses	-51	-146		
26	<b>Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)</b>	178	84		
27	Interest expenses for interest-bearing liabilities	-1	-1		
28	Other income	-	-		
29	Other expenses	-	-		
30	Extraordinary income/expenses	-	-		
31	<b>Profit / loss before taxes (26 + 27 + 28 + 29 + 30)</b>	177	83		
32	Direct taxes	-23	-11		
33	<b>Profit / loss (31 + 32)</b>	154	72		

## Appendix 4 : EH Ré SA sale impact analysis

The sale scenario impact analysis has not been updated for 2023 SST. Figures of SST 2022 are shown with a potential impact of +7%pt on the SST ratio of EH Re AG.

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

## Appendix 5 : Glossary

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

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