Financial Condition Report 2020

As per FINMA Circular 2016/02

of

Peak Reinsurance AG
Fortunagasse 28
8001 Zürich

For the business year ended in 2020
(covers period from 1.1.2020 until 31.12.2020)

Table of Content

About this Document

This document is the Financial Condition Report (“FCR”) for Peak Reinsurance AG as at 31 December 2020.

This FCR covers Peak Reinsurance AG on a stand-alone basis.

Peak Reinsurance AG’s functional currency is USD, albeit for Local Statutory reporting figures are presented in CHF.

Directors’ statement

The Board of Directors acknowledge their responsibility that this Financial Condition Report has been properly prepared in all material respects in accordance with the FINMA regulations. The Board is satisfied that:

a) throughout the financial year disclosed in this report, Peak Reinsurance AG has complied in all material respects with the requirements of FINMA regulations as applicable to Peak Reinsurance AG; and
b) it is reasonable to believe that, at the date of publication of this report, Peak Reinsurance AG continues to comply and will comply in the future.

This report was discussed and reviewed by the Board of Directors and approved on 29.04.2021. The Board of Directors authorized Ulrich Fricker and Gianluca Mereu to sign the report.

On behalf of the Board of Directors

Ulrich Fricker Member and Independent Non-Executive Director	Gianluca Mereu Head of Finance

Zürich, 30 April 2021

1. Overview of company activities and management summary

Peak Reinsurance AG Zurich ("Peak Re AG", "we", "us", or the "Company") is a wholly owned reinsurance subsidiary of Peak Reinsurance Company Limited ("the Parent Company", "Peak Re Hong Kong").

The company underwrites exclusively non-life proportional and non-proportional reinsurance treaties ceded by companies headquartered in Europe with the exception of a single Peruvian company. Underwriting of business from India has been discontinued from 1.4.2020 and it is in now in run-off. Going forward Peak Re intends to continue the expansion of its presence on the main European markets and in other territories on a selective basis.

Peak Reinsurance AG is a privately owned limited company domiciled in Zurich, Switzerland, and was incorporated on 26 September 2016. It writes non-life reinsurance business as a reinsurer licensed by the Swiss Financial Regulator (FINMA) on 1 January 2017.

All shares are held by Peak Reinsurance Company Ltd., Hong Kong which is regulated by the Insurance Authority of Hong Kong.

As per 31 December 2020 the Company has a Swiss Statutory shareholder's equity of CHF 68.2m (previous year: CHF 75.8m) and reports a solvency ratio of 278% according to the Swiss Solvency Test (SST) Report 2021 as delivered to FINMA on 30 April 2021, the SST ratio is calculated in USD on a Risk Based Capital of USD 81.6m. The Company is rated A- (stable outlook) by AM Best, Oldwick, USA.

Key figures as per Swiss Statutory Financial Statement

CHF thousands	FY 2020	FY 2019	Δ	Δ in %
Gross Written Premium	73'536	86'203	-12'667	85%
Net Earned premiums	12'592	14'678	-2'086	86%
Net acquisition costs	262	1'193	-931	22%
Net claims incurred	-15'659	-13'518	-2'141	116%
Net Underwriting margin	-2'805	2'353	-5'158	-119%
Net Administrative expenses	-4'655	-4'602	-53	101%
Net Investment income	2'720	115	2'605	2964%
Net Loss before taxes	-6'589	-2'781	-3'808	212%
Net loss after taxes	**-6'589**	**-2'781**	**-3'808**	**212%**

2020 financial performance on a Swiss Statutory basis shows a net loss after taxes of CHF 6.6m of which CHF 5.2m are caused by foreign exchange translation adjustment to report in national currency.

The Net Underwriting Margin dropped by CHF 5.2m to CHF -2.8m. The Net loss after taxes Peak Reinsurance AG reported was CHF -6.6m for the financial year 2020 (in 2019: CHF -2.8m). The result was mostly driven by Foreign exchange on currency translation to national currency (CHF -5.2m) while the other part of the Net loss for (CHF -1.4m) was driven mainly by negative underwriting due Covid-19 losses as well as by adverse development of Indian business underwritten in 2019 (CHF -5.8m). These effects were partially compensated by Investment income (CHF 2.7m) and Other Financial income (CHF 1.7m).

This Financial Condition Report is available on Peak Re's website (https://www.peak-re.com/about-peakre/our-subsidiaries-branches/) to all interested third parties.

2. Introduction

This report presents information following the structure provided in FINMA's circular 2016/2 Disclosure-insurers (Public Disclosure) dated 3 December 2016.
It provides quantitative and qualitative information on Peak Reinsurance AG's business activities, performance, corporate governance and risk management, risk profile, valuation, capital management and solvency.

Quantitative information refers to different frameworks applicable or mandatory to the Company: business activities related and performance results are presented on Swiss statutory basis. The disclosure is complemented with information in the quantitative reporting templates (see under 3B.2 and Appendix 1, 2).

The risk profile section presents information for Peak Reinsurance AG under IFRS or market value bases for insurance and credit risk, and a net economic asset value-based analysis of the market risk.

The valuation section of this report presents the market-consistent balance sheet (MCBS) of Peak Reinsurance AG following the Swiss Solvency Test (SST) principles.

Finally, the solvency section shows the regulatory capital adequacy of the Company based on FINMA's Swiss Solvency Test (SST).

3. Financial condition report

3 A Business Activities

Peak Re AG plays an important role in the Peak Re Group strategy to establish a leadership position as a global reinsurer with strong Asia foothold and to maintain a client-centric approach, being an agile player creating value through technology.

The business focus is on underwriting selected reinsurance and insurance risks, mostly mainstream Non-life risks.

Peak Re AG is targeting a diversified portfolio of business across Europe and selected areas outside Europe as part of Group strategy to provide speedy and attentive reinsurance solutions on a multi-line and long-term basis to clients.

The growth of the assumed European reinsurance portfolio originates for a large part from increased business of existing clients and from the acquisition of new clients.

All shares of Peak Reinsurance AG are held by Peak Reinsurance Company Ltd., Hong Kong which is ultimately owned by the Fosun Group, Shanghai, People's Republic of China (86.5% indirect shareholding in Peak Reinsurance AG). The remaining shares are split between Prudential Insurance Company of America, New Jersey, USA (13.1% indirect shareholding) and Executives of Peak Re Hong Kong (0.4% indirect holding). Peak Reinsurance AG has no subsidiary or branch offices.

During 2020 Peak Reinsurance AG has benefited from an 80% Whole Account Quota Share Retrocession Agreement with the Parent Company.
The Net after the 80% Quota Share retention is protected by an Annual Aggregate XL for Property & Casualty lines. Additionally the Stop Loss for Indian Agriculture business will continue to cover the company until run off of Indian business.

As a second line of defense Peak Re AG is a named reinsured in the outwards retrocession arranged by the Group benefitting from well rated retrocessionaires.

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) and the Insurance Supervisory Ordinance (AVO) and they are consistent with those applied in the previous year.

Peak Reinsurance AG’s external Auditor is Ernst & Young AG, Zürich.

In 2020 there were are no significant unusual events to separately report. Separate reporting on Covid-19 was provided twice to FINMA during 2020.

3 B Financial Performance

3 B.1 - Financial Statements

Balance Sheet

Assets **CHF thousands**	**Note**	**2020**	**2019**
Investments		70'152	93'922
Fixed-interest securities		16’881	71'050
Loans	3	1'684	2'783
ETF Shares		51'587	20'089
Cash and cash equivalents		33'012	30'433
Reinsurers' share of technical provisions	7	106'888	89'366
Property and equipment		12	23
Deferred acquisition costs, Net	4	1'085	1'040
Insurance receivables	5	128'472	116'605
Other receivables	9	26	24
Other assets		219	803
Prepaid expenses	6	25	26
TOTAL ASSETS		**339'891**	**332'242**

Liabilities and equity **CHF thousands**	**Note**	**2020**	**2019**
Technical provisions	7	135'695	114'552
Unearned Premium Reserve		25'254	36'748
Outstanding Loss Reserve		108'943	76'157
Equalisation reserve (SER)		1'498	1'647
Insurance payables	8	112'697	118'889
Other liabilities	9	23'215	23'017
TOTAL LIABILITIES		**271'606**	**256'457**
Share capital		10'000	10'000
Legal capital reserves		79'462	79'462
Reserves from capital contributions		70'462	70'462
Organization fund		9'000	9'000
Currency Translation Adjustment		-	910
Voluntary retained earnings		-21'177	-14'588
Profit / loss carried forward		-14'588	-11'806
Profit / loss		-6’589	-2'781
Total equity	**10**	**68'285**	**75'784**
TOTAL LIABILITIES AND EQUITY		**339'891**	**332'242**

Income Statement

CHF thousands	Note	2020	2019
Gross premium written		73'536	86'203
Premiums ceded to reinsurers		-60'944	-71'524
Net premiums written		**12'592**	**14'678**
Change in unearned premium reserves	12	8'725	-2'938
Change in reinsurers' share of unearned premium reserves	12	-6'980	2'350
Net premiums earned		**14'337**	**14'091**
Total technical income		**14'337**	**14'091**
Gross claims and claim expenses paid		-40'381	-22'117
Reinsurer's share of claims and claim expenses		32'305	17'694
Change in technical provisions	12	-40'551	-42'807
Change in reinsurers' share of technical provisions	12	32'969	33'712
Net claims and claim expenses incurred		**-15'659**	**-13'518**
Acquisition costs and administrative expenses		-19'708	-18'011
Change in deferred acquisition costs, assumed reinsurance	11	642	2'658
Reinsurers' share of acquisition costs and administrative expenses		15'187	14'070
Change in deferred acquisition costs, Reinsurers' share	11	-514	-2'126
Net acquisition costs and administrative expenses		**-4'393**	**-3'409**
Other technical expenses own business		-163	-188
Total technical expenses		**-20'215**	**-17'116**
Income from investments	14	3’489	2'970
Expenses from investments	15	-769	-2'854
Net income from investments		**2'720**	**115**
Other financial income		1'775	233
Other financial expenses		-	-105
Operating result		**-1’383**	**-2'781**
Foreign exchange on currency translation to national currency		-5’121	-
Other expenses	19	-85	-
Extraordinary income/expenses		-	-
Profit/(loss) before tax		**-6’589**	**-2'781**
LOSS		**-6’589**	**-2'781**

Cash Flow Statement

CHF thousand	Note	2020	2019
Profit/loss		-6'589	-2'781
Depreciation, amortization and write-downs on ...			
Property and equipment		12	23
Investments*			
Net realized gains on investments fixed-interest securities		1'180	-
Net income from investments (Income statement)		937	2'369
Net income on investments loans		78	86
Net income on investments in ETF shares		1'090	142
Net income on other investments		204	237
Net expenses on investments		-72	-27
Net unrealized (losses) on investments fixed-interest securities		-697	-2'790
Increase/decrease in			
Unearned premium reserves		-1'636	574
Technical provisions		38'026	41'840
Increase/decrease in assets and liabilities			
Purchase/Proceeds from sale of fixed-interest securities		48'375	6'251
Purchase/Proceeds from sale of loans		-	-
Purchase/Proceeds from sale of shares		-32'660	-19'371
Reinsurance share of technical provisions		-30'916	-32'950
Deferred acquisition costs		-120	-520
Insurance receivables		-22'379	-53'524
Other receivables		509	149
Other assets		-	-
Foreign exchange gains and losses Reinsurance activities		1'878	-228
Prepaid expenses		1	15
Insurance payables		4'525	64'315
Other liabilities		-2'203	2'599
Changes in other operating assets and liabilities		158	10'486
Cash flow from operating activities		**-616**	**4'420**
Purchase of property and equipment		-9	-6
Dividends from participations in associates			
Cash flow from investing activities		**-9**	**-6**
Change in cash and cash equivalents		**-625**	**4'414**
Statement:			
Cash and cash equivalents as of 1 January		-30’433	-26'019
Effects of exchange rate changes on cash and cash equivalents		-3'203	-
Cash and cash equivalents as of 31 December		33'012	30'433
Change in cash and cash equivalents		**-625**	**4'414**

Notes to Financial Statements
For the Period January 1, 2020 to December 31, 2020

1. Basis of preparation

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO) (Art. 957-963b CO, applicable as of 1 January 2013. Apart from the CO, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5-6a ISO-FINMA, applicable as of 15 December 2015) have been applied.

The company was founded on 26 September 2016.

2. Accounting principles

The Company's accounting principles are in line with those prescribed by the CO and ISO-FINMA. The accounting and valuation principles applied for the balance sheet items are as follows.

(a) Investments

Fixed interest securities and Loans are valued at market value less required impairments in line with provision of CO art. 960b and with Art. 110.1 ISO that for insurance companies states that reporting value in the balance sheet must be equal to lower of market value or amortised cost.

Shares, ETF shares and all other investments are valued at lower of cost or market value.

(b) Cash and cash equivalents

Cash and cash equivalents and other highly liquid investments with maturity of less than three months are carried in the balance sheet at nominal value.

(c) Deferred acquisition costs

Deferred acquisition costs (DAC) are costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and certain underwriting and policy issue expenses. These costs, newly from this year, are deferred and subsequently amortized over the period in which the related premiums are earned.

(d) Reinsurance receivables

Reinsurance receivables are recognized when due and recorded net of commissions, brokerage, premium taxes and other levies on premium, unless the contract specifies otherwise, and are booked at nominal value.

(e) Technical provisions

Technical provisions comprise unearned premium reserves, outstanding losses and loss expense reserves, provisions for unexpired risk reserve, equalization reserves.

Unearned premium reserves are earned respectively amortized over the period of exposure to risk of the underlying contract.

Outstanding losses comprise estimates of the amount of reported losses and loss expenses received from the ceding insurance companies plus a provision for losses incurred but not reported ("IBNR"). The IBNR provision is estimated by management based on reports from industry sources, including initial estimates of aggregate industry losses, individual loss estimates received from ceding companies and brokers, output from commercially available catastrophe loss models and actuarial analysis using historical data available to the Company on the business.

Equalization reserves are set in accordance with FINMA Circular 2011/3 and the company approved business plan. These reserves are booked in addition to the best estimate for claims reserves.

(f) Foreign Currencies re-measurement and translation

The Company maintains its accounts in its functional currency (USD) and the annual financial statements are prepared in USD and here presented in CHF, the national reporting currency. Expenses and income in foreign currencies are translated at the prevailing rate at the date when the transactions are carried out. At period end, monetary assets and liabilities in foreign currencies are revalued at year-end exchange rates. The resulting exchange-rates differences are included in the income statement. The aggregate unrealized exchange loss remains in the income statement while the aggregate unrealized exchange gain is deferred.

For the statutory closing, the financial statements are presented in CHF. For this purpose, the USD accounts are translated in CHF using the year end rate for balance sheet, average rate for income statement and historical rates for the equity. A resulting foreign currency translation loss is shown in the income statement while a gain is deferred.

The exchange rates used for year end 2020 and 2019 respectively are presented below:

	Balance Sheet		Income Statement		Equity (avg. historical rate)	
Currency	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
USD to CHF	0.881422	0.9688	0.939956	0.9911	0.9912	0.9912

3. Loans

CHF thousands	31.12.2020	31.12.2019
Investments in senior secured loans	1'684	2'783
Total	**1'684**	**2'783**

4.Deferred acquisition costs, Net

CHF thousands	**31.12.2020**	**31.12.2019**
Deferred acquisition costs, assumed reinsurance	5'426	5'199
Deferred acquisition costs, ceded reinsurance	-4'340	- 4'159
Total	**1'085**	**1'040**

5. Insurance receivables

CHF thousands	**Third-party 31.12.2020**	**Intercompany Participants 31.12.2020**	**Total 31.12.2020**	**Third-party 31.12.2019**	**Intercompany Participants 31.12.2019**	**Total 31.12.2019**
Receivables from insurance companies	86'850	41'622	128'472	83'464	33'141	116'605
Total	**86'850**	**41'622**	**128'472**	**83'464**	**33'141**	**116'605**

6. Prepaid expenses

CHF thousands	**31.12.2020**	**31.12.2019**
Other deferrals	25	26
Total	**25**	**26**

7. Technical provisions

CHF thousands	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	Technical provisions written (net) 31.12.2020	Technical provisions (gross) 31.12.2019	Reinsurers' share 31.12.2019	Technical provisions written (net) 31.12.2019
Unearned premium reserve	25'254	20'203	5'051	36'748	29'398	7'350
Outstanding loss reserves	108'943	86'685	22'258	76'157	59'967	16'190
Equalisation reserve (SER)	1'498	0	1'498	1'647	0	1'647
Total	**135'695**	**106'888**	**28'807**	**114'552**	**89'366**	**25'186**

8. Insurance payables

CHF thousands	Third-party 31.12.2020	Intercompany Participants 31.12.2020	Total 31.12.2020	Third-party 31.12.2019	Intercompany Participants 31.12.2019	Total 31.12.2019
Liabilities to insurance companies *	21'899	90'797	112'697	18'527	100'361	118'889
Total	**21'899**	**90'797**	**112'697**	**18'527**	**100'361**	**118'889**

* in both years amounts for intercompany dues are related to the intercompany Quota Share retro agreements premiums less commissions with Parent Company that is the sole Reinsurer of the company.

9. Receivables from and liabilities to related parties

CHF thousands	Third-party	Intercompany Participants	Total 31.12.2020	Third-party	Intercompany Participants	Total 31.12.2019
Other receivables	26	-	**26**	24	-	**24**
Other liabilities	2'601	20'614	**23'215**	749	22'267	**23'017**

- Intercompany of other liabilities: both in 2020 and 2019 CHF 20m are held as collateral, in cash, under the Whole Account Quota Share Retrocession Agreement. In 2019 additional CHF 1.2m were liabilities to pay for various services outsourced to parent company, which in 2020 were already paid.
- Third-party liabilities includes CHF 0.8m accruals for services to be paid (2019: CHF 0.8m); in FY 2020, the remaining amount of CHF 1.7m are Reserves for unrealized gains on foreign exchange on investments activities and on technical reserves.

10. Statement of changes in equity

CHF thousands	Share capital	Statutory capital reserves	Voluntary retained earnings	Currency Translation reserve	Total equity
As of 31 Dec 2019	**10'000**	**79'462**	**-14'588**	**910**	**75'784**
Transfer to voluntary retained earnings					-
Additional Paid in capital					-
Purchase/sale of treasury shares					-
Effect of foreign exchange				-910	-910
(Loss) for the period			-6’589		-6'589
As of 31 Dec 2020	**10'000**	**79'462**	**-21'177**	**-0**	**68'285**

Disclosures, breakdowns and explanations on income statement items

11.Change in Deferred acquisition costs, Net

CHF thousands	31.12.2020	31.12.2019
Change in deferred acquisition costs, assumed reins.	642	2'658
Change in deferred acquisition costs, ceded reins.	-514	-2'126
Total	**128**	**532**

12. Change in technical provisions (gross) and in Reinsurers' share of technical provisions

CHF thousands	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	31.12.2020	31.12.2019	31.12.2019	31.12.2019
Change in Unearned premium reserve	8'725	6'980	**1'745**	2'938	2'350	**588**
Change in loss reserves	40'551	32'969	**7'582**	42'807	33'712	**9'095**
Change in SER (Security Equalization Reserve)	-	-	**-**	-	-	**-**
Total	**49'276**	**39'949**	**9'327**	**45'745**	**36'063**	**9'683**

No change in SER (Security Equalization Reserve) for 2020: SER is computed and booked only in case the FY closes with a profit.

13. Audit fees

CHF thousands	**31.12.2020**	**31.12.2019**
Audit services	**111**	**94**
Total	**111**	**94**

The audit fees include fees for engagements with a direct or indirect connection to an external audit engagement. The fees exclude outlays and include VAT.

14. Income from investments

CHF thousands	**Income *** 31.12.2020	**Net unrealized gains** 31.12.2020	**Net realized gains** 31.12.2020	**Total** 31.12.2020	**Income *** 31.12.2019	**Net unrealize d gains** 31.12.2019	**Net realized gains** 31.12.2019	**Total** 31.12.2019
Fixed-interest securities	937	-	1’180	2'117	2'424	-	-	2'424
Loans	78	-	-	78	88	-	-	88
ETF Shares	1'090	-	-	1'090	215	-	-	215
Other investments	204	-	-	204	243	-	-	243
Total	**2'309**	**-**	**1’180**	**3'489**	**2'970**	**-**	**-**	**2'970**

* Income relates to dividends for shares, interest coupons, interest on cash and cash equivalents.

15. Expenses from investments

CHF thousands	**Current expenses** 31.12.2020	**Net unrealized losses** 31.12.2020	**Net realized losses** 31.12.2020	**Total** 31.12.2020	**Current expenses** 31.12.2019	**Net unrealize d losses** 31.12.2019	**Net realized losses** 31.12.2019	**Total** 31.12.2019
Fixed-interest securities	72	697	-	**769**	-	-	-	-
Loans	-	-	-	**-**	27	-	2'827	2'854
ETF Shares	-	-	-	**-**	-	-	-	-
Other investments	-	-	-	**-**	-	-	-	-
Total	**72**	**697**	**-**	**769**	**27**	**-**	**2'827**	**2'854**

16. Personnel expenses

Personnel expenses for fiscal year 2020 amounted to CHF 2.6m (2019: CHF 2.3m) and are included in the line item acquisition costs and administrative expenses.

17. Depreciation of office equipment and hardware

CHF thousands

	31.12.2020	31.12.2019
Hardware and office equipment	10	10
Total	**10**	**10**

Other notes to the financial statements

18. Contingent Liabilities : none

19. Other Expenses

CHF thousands	31.12.2020	31.12.2019
Capital Tax expenses	85	0
Total	**85**	**0**

20. Full-time equivalents

The annual average number of full-time equivalents for the reporting year was 6.5

21. Restricted assets

As at 31 December 2020 no fixed interest securities were held by the Company for the purpose of funding future claim payments in relation to a loss portfolio transfer agreement, these were paid directly to the ceding company upon underwriting of the contract.

In the normal course of business, no fixed interest securities and cash and cash equivalents as at 31 December 2020 were deposited in trust for the benefit of ceding companies and credit institutions since no such deposit was required, for the purpose of doing Reinsurance business.

To secure the rental of the office premises a deposit of CHF 47 thousands is held with Zurich Kantonal Bank.

22. Commitments

At 31 December 2020 we had no letters of credit in favour of ceding companies or a letter of credit facility with any Bank.

23. Further points subject to mandatory disclosure

- No significant event affecting the amounts reported in the balance sheet occurred after the balance sheet date
- No bonds were issued by the company.

Proposed appropriation of retained earnings

	31.12.2020
Retained earnings carried forward	-14'588
Loss for the year	-6’589
Loss to be carried forward	-21'177

The Board of Directors proposes to appropriate the retained earnings as follows:	
Distributable Earnings (deficit)	-21'177
Transfer to Organisation Fund	0
Amount carried forward	-21'177

No dividend is proposed since the year ended with a loss.

Further allocations have been waived.

External auditor’s report

The external auditors approved the financial statements without qualifications or reservations.

See Appendix 3

3 B.2 - Additional information Quantitative template “Performance Solo Reinsurance”

Currency : CHF	Total		Personal accident		Health		Motor	
	2019	2020	2019	2020	2019	2020	2019	2020
Gross premiums	86'202'767	73'536'317	105'440	9'416			12'117'878	21'242'123
Reinsurers' share of gross premiums	(71'524'418)	(60'943'968)	(84'352)	(7'533)			(12'256'507)	(18'051'155)
Premiums for own account (1 + 2)	14'678'349	12'592'349	21'088	1'883			(138'629)	3'190'967
Change in unearned premium reserves	(2'938'041)	8'724'995	22'276	35'726			(2'954'355)	(5'993'883)
Reinsurers' share of change in unearned premium reserves	2'350'433	(6'979'996)	(17'821)	(28'581)			2'363'484	4'795'106
Premiums earned for own account (3 + 4 + 5)	**14'090'741**	**14'337'348**	**25'543**	**9'029**			**(729'500)**	**1'992'191**
Other income from insurance business	0	0	0	0			0	0
Total income from underwriting business (6 + 7)	**14'090'741**	**14'337'348**	**25'543**	**9'029**	**0**	**0**	**(729'500)**	**1'992'191**
Payments for insurance claims (gross)	(22'117'225)	(40'380'828)	(40'198)	(32'136)			(1'820'954)	(3'402'273)
Reinsurers' share of payments for insurance claims	17'693'780	32'304'662	32'158	25'709			1'456'763	2'721'818
Change in technical provisions	(42'807'220)	(40'501'268)	(56'459)	84'791			(8'848'317)	(7'764'380)
Reinsurers' share of change in technical provisions	33'712'424	32'968'716	44'939	(68'616)			6'898'476	6'222'244
Change in technical provisions for unit-linked life insurance	0	0	0	0			0	0
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	**(13'518'241)**	**(15'608'717)**	**(19'559)**	**9'748**	**0**	**0**	**(2'314'031)**	**(2'222'591)**
Acquisition and administration expenses	(15'352'500)	(19'115'955)	(38'244)	(12'052)			(2'562'017)	(5'031'071)
Reinsurers' share of acquisition and administration expenses	11'943'081	14'673'171	29'463	10'269			2'007'093	3'806'122
Acquisition and administration expenses for own account (15 + 16)	**(3'409'419)**	**(4'442'784)**	**(8'780)**	**(1'782)**	**0**	**0**	**(554'924)**	**(1'224'949)**
Other underwriting expenses for own account	(188'399)	(163'323)	0	0			0	(9'949)
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	**(16'927'660)**	**(20'214'824)**	**(28'339)**	**7'966**	**0**	**0**	**(2'868'955)**	**(3'447'540)**
Investment income	2'969'711	3'488'590						
Investment expenses	(2'854'468)	-769'046						
Net investment income (20 + 21)	**115'243**	**2'719'543**						
Capital and interest income from unit-linked life insurance	0	0						
Other financial income	233'365	1'774'591						
Other financial expenses	(104'699)	(7)						
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	**(2'781'410)**	**(1'383'349)**						
Interest expenses for interest-bearing liabilities	0	0						
Other income	0	0						
Other expenses	0	(5'205'475)						
Extraordinary income/expenses								
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	**(2'781'410)**	**(6'588'824)**						
Direct taxes	0	0						
Profit / loss (31 + 32)	**(2'781'410)**	**(6'588'824)**						

Continued Quantitative template “Performance Solo Reinsurance”

Currency : CHF	Total		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Gross premiums	86'202'767	73'536'317	2'221'929	902'092	27'829'677	35'844'266	6'741'673	8'489'757	37'186'171	7'048'663
Reinsurers' share of gross premiums	(71'524'418)	(60'943'968)	(1'777'544)	(721'673)	(22'263'741)	(29'732'870)	(5'393'339)	(6'791'806)	(29'748'936)	(5'638'930)
Premiums for own account (1 + 2)	14'678'349	12'592'349	444'386	180'418	5'565'935	6'111'396	1'348'335	1'697'951	7'437'234	1'409'733
Change in unearned premium reserves	(2'938'041)	8'724'995	(1'199'774)	990'255	(2'753'514)	(1'248'548)	(2'245'516)	(512'009)	6'192'841	15'453'454
Reinsurers' share of change in unearned premium reserves	2'350'433	(6'979'996)	959'819	(792'204)	2'202'811	998'838	1'796'413	409'608	(4'954'273)	(12'362'763)
Premiums earned for own account (3 + 4 + 5)	**14'090'741**	**14'337'348**	**204'431**	**378'469**	**5'015'233**	**5'861'686**	**899'232**	**1'595'549**	**8'675'802**	**4'500'423**
Other income from insurance business	0	0	0	0	0	0	0	0	0	0
Total income from underwriting business (6 + 7)	**14'090'741**	**14'337'348**	**204'431**	**378'469**	**5'015'233**	**5'861'686**	**899'232**	**1'595'549**	**8'675'802**	**4'500'423**
Payments for insurance claims (gross)	(22'117'225)	(40'380'828)	(68'030)	(486'917)	(5'892'054)	(8'714'141)	(568'091)	(1'025'485)	(13'727'900)	(26'719'876)
Reinsurers' share of payments for insurance claims	17'693'780	32'304'662	54'424	389'533	4'713'643	6'971'313	454'473	820'388	10'982'320	21'375'901
Change in technical provisions	(42'807'220)	(40'501'268)	(777'089)	(848'517)	(6'194'535)	(22'782'973)	(3'476'178)	(6'443'810)	(23'454'643)	(2'746'379)
Reinsurers' share of change in technical provisions	33'712'424	32'968'716	559'942	786'706	4'822'587	18'526'801	2'713'874	5'267'432	18'672'605	2'234'149
Change in technical provisions for unit-linked life insurance	0	0	0	0	0	0	0	0	0	0
Expenses for insurance claims for own account (9 + 10 + 11 + 12 + 13)	**(13'518'241)**	**(15'608'717)**	**(230'753)**	**(159'194)**	**(2'550'358)**	**(5'999'000)**	**(875'923)**	**(1'381'475)**	**(7'527'618)**	**(5'856'205)**
Acquisition and administration expenses	(15'352'500)	(19'115'955)	(305'112)	(438'506)	(6'318'175)	(9'126'519)	(1'432'585)	(2'435'320)	(4'696'368)	(2'072'487)
Reinsurers' share of acquisition and administration expenses	11'943'081	14'673'171	238'865	340'804	5'047'997	7'037'896	1'121'674	1'855'587	3'497'989	1'622'492
Acquisition and administration expenses for own account (15 + 16)	**(3'409'419)**	**(4'442'784)**	**(66'247)**	**(97'702)**	**(1'270'178)**	**(2'088'623)**	**(310'911)**	**(579'733)**	**(1'198'380)**	**(449'995)**
Other underwriting expenses for own account	(188'399)	(163'323)	0	0	(188'399)	(102'725)	0	(49'786)	0	(864)
Total expenses from underwriting business (14 + 17 + 18) (non-life insurance only)	**(16'927'660)**	**(20'214'824)**	**(297'000)**	**(256'896)**	**(3'820'536)**	**(8'190'348)**	**(1'186'833)**	**(1'961'208)**	**(8'725'997)**	**(6'306'200)**
Investment income	2'969'711	3'488'590								
Investment expenses	(2'854'468)	-769'046								
Net investment income (20 + 21)	**115'243**	**2'719'543**								
Capital and interest income from unit-linked life insurance	0	0								
Other financial income	233'365	1'774'591								
Other financial expenses	(104'699)	(7)								
Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)	**(2'781'410)**	**(1'383'349)**								
Interest expenses for interest-bearing liabilities	0	0								
Other income	0	0								
Other expenses	0	(5'205'475)								
Extraordinary income/expenses										
Profit / loss before taxes (26 + 27 + 28 + 29 + 30)	**(2'781'410)**	**(6'588'824)**								
Direct taxes	0	0								
Profit / loss (31 + 32)	**(2'781'410)**	**(6'588'824)**								

- Line of Business Miscellaneous includes business underwritten in Agriculture and Credit & Bonds.
- “Investment income” and “Investment expenses” are reported in lines 22 and 23 with same granularity as reported in the income statement and the notes to the Financial Statements. Line 22 “Investment income” shows the “Investment income” as reported in the income statement but before investment expenses. Line 23 “Investment expenses” includes the “Investment expenses” and “Net Unrealised Losses”.

Comments on quantitative template "Performance Solo Reinsurance"

Peak Reinsurance AG reported a net loss after taxes of CHF 6.6m for the period 1 January to 31 December 2020.

The result was mostly driven by Foreign exchange on currency translation to national currency (CHF -5.2m), while the operating result shows a loss of CHF -1.4m, mainly driven by underwriting result CHF-5.8m. This was influenced by Covid-19 losses as well as by adverse development of Indian business underwritten in 2019. The impact of the losses incurred by Indian business was partially mitigated by the Annual Aggregate Stop Loss retrocession. Should any adverse development occur in future financial periods on this book of business it will be neutralized by the Stop Loss retrocession. The negative result was mitigated by positive result in Investment income (net of value adjustment from Market Value to Amortised Cost of Fixed Income Securities which accounted for CHF 0.7m) and other financial income (that captures realized FX exchanges effects) respectively for CHF 2.7m and CHF 1.7m.

The Gross Written Premiums dropped in 2020 by CHF 12.7m to CHF 73.6m, the Net Earned Premiums after Whole Account Quota Share Retrocession and an Annual Aggregate Excess of Loss retrocession agreements decreased by CHF 2.1m to CHF 12.5m. Movement year on year in Gross Written Premiums is the result of the decrease in Miscellaneous Lines caused by the discontinuation of Indian Agriculture business (down CHF 30.1m from CHF 37.1m to CHF 7m), together with reduction in Marine for CHF 1.3m (down to CHF 0.9m from CHF 2.2m in 2019), which was due to not renewal of non-profitable business. These reductions were offset by increases in all other lines in Europe, namely Motor (CHF 9.1m), Property (CHF 8.0m), Casualty (CHF1.8m) that are central to achieve our strategy.

The company has achieved a shift of the portfolio towards Non Proportional business as outlined in the table below.

Type of Treaty	**Pct. of GWP 2020**	**Pct. of GWP 2019**
Proportional	67.7%	80.8%
Non Proportional	32.3%	19.2%

The Net Underwriting Margin dropped to a Net Technical Loss of CHF 2.8m driven by the Covid-19 Losses and the adverse development of the India business. The Net Technical Combined ratio increases to 108.5% in 2020 compared to 88.8% in 2019. Starting from the second half of 2020 most new and renewed Property reinsurance contracts exclude losses caused by communicable diseases.

The Net claims expenses incurred were at CHF 15.6m in 2020 up from CHF 13.6m in 2019 mainly driven by the increase from CHF 2.6m to CHF 6m in Property lines of business due to Covid-19.

Security Equalisation Reserve remained unchanged at (USD 1.7m - CHF 1.5m). The company policy is not to allocate any amount to the equalisation reserve if the net result before taxes is negative.

Net investment result

Investments were held mainly in a well-diversified portfolio of fixed income instruments, shares of Exchange Traded Fund (ETFs) in Bonds and in Loans and Asset Backed Securities. The cash and cash equivalents portfolio was above 10% of the Assets under Management after removing the amount held in cash as collateral under the Whole account Quota Share Agreement.

At the end of 2020 Peak Re AG held investment amounting to CHF 103.2m, down from CHF 124.3m at the end of 2019:

Asset class	2020	2019
Fixed-interest securities	16.9m	71.0m
Loans and Asset Backed Securities	1.7m	2.8m
ETF Shares	51.6m	20.1m
Cash and cash equivalents *	33.0m	30.4m

*includes CHF 19.2m of collateral under the Whole account Quota Share Agreement

Income from investments

	Income	Net unrealized gains	Net realized gains	Total	Income *	Net unrealized gains	Net realized gains	Total
CHF thousands	**2020**	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**	**2019**
Fixed-interest securities	937	-	1’180	2'117	2'424	-	-	2'424
Loans	78	-	-	78	88	-	-	88
ETF Shares	1'090	-	-	1'090	215	-	-	215
Other investments	204	-	-	204	243	-	-	243
Total	**2'309**	**-**	**1’180**	**3'489**	**2'970**	**-**	**-**	**2'970**

Expenses from investments

	Current expenses	Net unrealized losses	Net realized losses	Total	Current expenses	Net unrealized losses	Net realized losses	Total
CHF thousands	**2020**	**2020**	**2020**	**2020**	**2019**	**2019**	**2019**	**2019**
Fixed-interest securities	72	697	-	**769**	-	-	-	-
Loans	-	-	-	**-**	27	-	2'827	2'854
ETF Shares	-	-	-	**-**	-	-	-	-
Other investments	-	-	-	**-**	-	-	-	-
Total	**72**	**697**	**-**	**769**	**27**	**-**	**2'827**	**2'854**

The net investment result in 2020 was CHF 2.7m (comparing to CHF 115 thousands in 2019) which includes a negative value adjustment to amortised cost for fixed interest securities of CHF 0.7m. The net investment result is mostly driven by income from dividends for ETF shares, interest coupons, interest on cash and cash equivalents. The Company did not suffer from realised losses of our bonds portfolio as in 2019 (CHF -2.8m in total, largely driven by realised losses on underperforming bonds sold in 2019).

Other income and expenses

Other income and expenses relate to realized foreign exchange gains and losses and amounted in 2020 to a financial income of CHF 1.7m compared to CHF 0.1m in 2019.

General and Admin Expenses

General and Admin Expenses are presented as part of Acquisition costs and Admin expenses in the Local Statutory Income statement. They remained almost flat year on year with additional employee expenses offset by reduced marketing and travel expenses in light of the Covid-19 travelling restrictions worldwide.

At the end of 2020 Peak Reinsurance AG had 8 employees (7 in 2019), thereof 5 full time and 3 part time.

No profits and losses have been recognised directly in equity in financial period 2020.

3 C Corporate Governance and Risk Management

3 C 1 - Corporate Governance

The composition of the Board of Directors and the Executive Management at the end of 2020:

Board of Directors

Mr. Franz Hahn, Chairman,
Mrs. Cathy Chen, member
Mr. Ulrich Fricker, member and Independent Non-Executive Director

All three were re-elected at the AGM on 4 May 2020 for another year.

Executive management

Jacques Burri, Chief Executive Officer
Lawrence Cheng, Head of Underwriting
Gianluca Mereu, Head of Finance

No change in the Board of Directors or in Executive Management occurred during the reporting period.

3 C 2 - Risk Management

Peak Re AG's Risk Management framework is based on a strong risk culture, a robust compliance framework, a clearly articulated risk ownership by the operational units, a risk management function and internal audit. Both the Risk Management and the Internal Audit functions regularly report and advise the Board of Directors and Executive Management team on risk management matters, including ad-hoc risk analysis whenever required.

Peak Re AG has a documented Risk Management and Governance framework.

The company's Risk Policy describes Peak Re AG's risk appetite and tolerance. It provides guidance on how the risks from underwriting and investment activities are being monitored and managed and describes the roles and responsibilities of relevant functions in the Company. It defines appetite for identified risk types at company level, in line with Peak Re Group.
The Enterprise Risk Management defines the range within which risks are to stay so as to ensure that the risk appetite is respected.

3 C 2.1 Risk Management Function

The Risk Management function is independent of the business. The technical and business skills of the company risk officer positions him as business advisor on risk matters and helps foster a risk-aware culture in the business.

Risk management is performed by the operating units ("1st line of defense"), the risk manager ("2nd line of defense") and the internal auditor PWC AG, Zurich ("3rd line of defense"). There have been no substantial changes to the risk management system during the reporting period, the engagement of PWC, Switzerland as the Internal Auditor was renewed for the reporting year.

Operational risks such as those stemming from the legal and regulatory environment, bank relationships etc. did not experience any extraordinary exposures.

Some key functions of Peak Reinsurance AG are supported by an outsourcing agreement with Peak Reinsurance Company Ltd., Hong Kong and benefit from the group's scale and depth of knowledge and experience. These were carried out seamlessly throughout the year.

The Board of Director is ultimately responsible for the Risk Management process and reviews the Enterprise Risk Management (ERM) Report quarterly. The quarterly ERM Report provides a view of the overall risk situation of the Company including mitigating actions and compliance issues. Major changes to the operating environment, business development and extraordinary events are considered.

3 C 2.2 Actuarial Function

Consistent with FINMA guidelines, the Company has appointed a Responsible Actuary. As a subsidiary of an international group we have opted for an external actuarial advisor who is familiar with local Swiss requirements and who brings the necessary credentials.

Although an external appointee, the Responsible Actuary is appropriately integrated in the life of the Company. His role includes the responsibility for:

a. The validation of the appropriate amount of reserves;

b. The involvement in the Swiss Solvency Test process, including the confirmation that the SST ratio is correctly calculated, including the determination of the Target Capital ("TC") and Risk Bearing Capital ("RBC") metrics;

c. The periodic review and oversight of pricing.

The Responsible Actuary reports to the Executive Management and to the Board of Directors.

3 C 2.3 Compliance Function

The Compliance Function ensures that the major legal and regulatory obligations of the company are identified and assessed. Further it reviews and assesses the appropriateness of the guidelines, processes and controls set up by the Company in order to prevent compliance violations.

Further objectives are to protect Peak Re AG and its employees by avoiding:

- Legal and regulatory risks,

- Conflicts of interests between the Company and its employees and clients,

- Reputation risks.

The Board of Directors is responsible for compliance, the operational responsibility is delegated to the Executive Management.

The compliance reporting system is the basis for the regular reporting from the Compliance Officer to the Board of Directors and the Executive Management. It consists of quarterly reports and, if required, of an ad-hoc reporting.

3 C 2.4 Internal Audit Function

The Internal Audit function is an independent and outsourced function whose activity is guided by a philosophy of adding value to improve the operations of Peak Re AG. It assists the Board of Directors in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

The Internal Audit function reports to the Board of Directors of Peak Re AG (the "Board").

It prepares an activity report on an annual basis which describes and comments on the status of compliance with

- the internal audit plan as approved by the Board, and
- the implementation of agreed measures resulting from audit reports.

3 C 3 Internal Control System

The Internal Control System (ICS) policy defines the risks subject to control, the control process and responsibilities as per the requirements of the FINMA circular 2017/02 "Corporate Governance".

The ICS consists of automated and manual preventive and detective controls embedded in the process landscape. It applies to all business and operations areas: Underwriting, Pricing, Technical and Financial accounting and reporting, Claims, Investment Management, IT, Human Resources, Risk Management and Compliance.

The policy is reviewed and amended, if appropriate, on an annual basis by the Board of Directors of the Company (the "Board").

The ICS Policy implementation and findings are reported regularly to the Board of Directors. Findings with a substantial, immediate impact on the operations shall be reported without delay to the CEO, Head of Risk & Compliance and the Chairman of the Board.

3 D Risk profile

Peak Re AG assumes risk from reinsurance underwriting and investment activities. The Company targets a diversified portfolio in terms of lines of business and geography covering all of the Property and Casualty lines of business to add value and provide diversification at Group level.

The combination of a diverse inwards portfolio (i.e. by line and country) and a comprehensive retrocession program aims at reducing concentration of risks and volatility, as well as the aggregate risk of the Company.

3 D.1 – Risk profiles

The main risks that are monitored since considered material are:

- Insurance risk
- Market Risk
- Credit Risk

Peak Re AG has defined limits for the amount of risk the company is willing to assume in any one of its risk taking activities. Details are to be found in the following documents:

a. Corporate Underwriting Guideline and Accumulation Control – this defines the capacities and limits deployed for P&C business per line of business
b. Board Protocols on delegation of authorities.
c. Investment Policy Guidelines – this defines the strategic asset allocation and limits for cash and short term deposits, fixed income, equities, real estate and private debt/private equity, as well as the delegation of authorities to the Asset manager

Peak Re AG applies state of the art techniques to identify, quantify and manage risks. Risks from reinsurance underwriting and investment activities are identified and managed by using:

a. A limits system,

b. ORSA (Own Risk and Solvency Assessment).

Peak Re AG uses the Own Risk and Solvency Assessment (ORSA) applying the SST modelling framework.

Underwriting and Investment Policies drive the culture of risk management of the Company and define the risk taking appetite. The Board approves major decisions affecting the Company's risk profile or exposure.

Peak Re AG's risk landscape can be categorised by its sources as:

- insurance risk (premium and reserve risk),
- investment risk (market, credit, liquidity risk) and
- risks associated with the Company as such (operational, legal and compliance risk).

- <u>Insurance Risk (premium and reserve risk)</u>

Premiums should be set at a level that corresponds with the level of risks underwritten. Premium risk is monitored prospectively and retrospectively. Prospective premium risk monitoring shall be implemented at the time contracts are written. This is achieved through the use of proprietary tools which compare Peak Re AG's view on premiums following the technical rating exercise (i.e. the "technical rate") with the prevailing price available in the market (i.e. the "market rate"). Over time, the market rate will fluctuate and may be above or below the Peak Re AG's technical rate due to the market cycle.

Following the decision to bind a treaty, there is a risk that a higher level of claims is observed than was expected at the time that premium was determined. This is monitored in the quarterly reserving reports, which include a review of treaty level loss ratios.

Reserving risk arises due to unfavourable development in claims costs relative to Peak Re AG's opening reserve level. This may be due to adverse claims experience on policies written in the current financial year or due to deterioration in the ultimate claims forecast against prior financial years. Peak Re AG employs suitable methodology and assumptions to compute and make provision for its insurance liabilities. Such methodology and assumptions takes into account the business volume, claims experience, industry practice, types of reinsurance product, etc. Any reserving assumptions made is reviewed on a quarterly basis (and twice a year by the Responsible Actuary in Switzerland) together with the Reserving Actuary of Peak Re HK to ensure that due recognition has been given to changes in the composition of business portfolio, market and legal developments, etc.

Any claims reported are promptly recorded so that the relevant reserves will be provided for accordingly. The amounts of estimated and actual claims is compared from time to time to ensure adequate provisions are made for outstanding claims. The Board is notified of large claims (above USD 1m) and will take timely actions as appropriate.

The Company's retrocession policy provides for guidance such that the exposures of Peak Re AG's business portfolio to major losses owing to individual large risks and accumulations of losses are reduced. Peak Re AG also assesses the security of the participating retrocessionaires (including of external retrocessionaires of the Group) and every quarter reviews the collectability of the amounts due.

- Market Risk

Peak Re AG's investments are exposed to market risk, the risk of a price change in the capital market which can come from equities, interest rates, currency, and credit risk, the risk of a change in the financial situation of a counterparty.

Peak Re AG's investment risk monitoring process includes diversification and exposure limits, traditional asset/liability management practices, assessing the minimum weighted average credit quality of the bond portfolio and regularly monitoring currency mismatch risk and duration/interest rate risks. Peak Re AG also uses a traffic light system (by mean of monthly report to the Head of Finance and CEO) to facilitate the monitoring and communication of investment risk levels at country, currency and industry sector levels.

As of end of 2020 there were no assets invested in equity securities.

For its fixed income portfolio (including fixed income ETFs), Peak Re AG is exposed to interest rate movements and changes in spread reflecting counterparty risk. Peak Re AG tracks risks on a name, country and industry basis and considers cross balance sheet exposures from its credit and bond portfolios. If the Company becomes overexposed to any one country, rating level, name or industry, the portfolio shall be rebalanced or hedged.

The Company's Investment Policy also ensures that cash inflows from invested assets are regularly reviewed so that it is adequate to meet the cash outflows due for settling liabilities under different economic conditions. Timely actions is be taken to identify any significant investment losses so that provisions will be made for them. During 2020 cash and cash equivalents were above 10% of Asset Under Management (AUM)

- Credit Risk

Credit risk represents the loss that Peak Re AG would incur if a counterparty (including a borrower if any) or an issuer of securities or other instruments Peak Re AG holds fails to perform under its contractual obligations to it, or upon deterioration in the credit quality of borrowers or other third parties whose securities or other instruments the Company holds. Peak Re AG's exposure to credit risk principally arises through its investing, credit and bond and reinsurance ceding activities, receivables and deposits to cedents.

Peak Re AG's credit risk management objectives are to maintain its high asset quality and minimize its concentration risk through a diversified, balanced and risk-weighted product portfolio. The Company continually monitors and seeks to improve its credit risk-related policies and guidelines to reflect changing risks in its business. To measure and manage its credit exposures, Peak Re AG uses a variety of tools on a daily basis, including assessment of counterparty risk. In addition, the Company's credit management system monitors credit exposure to individual counterparties. In the ordinary course of business, the Company may be subject to a concentration of credit risk to a particular counterparty, which Peak Re AG manages through credit risk management policies setting exposure limits. Its only intra-group retrocessionaire is Peak Reinsurance Company Ltd. Hong Kong which itself employs retrocession and other risk mitigating techniques.

- Operational Risk

Peak Re AG defines operational risk as the risk of loss arising from people, processes, systems and external events. The Company tracks these risks using risk registers, which identify the risk owner, describe the risk, define mitigating actions and quantify the residual risk.

To help mitigate against these risks, Peak Re AG adopted proper delegated authorities for underwriting and securities trading.

The Company has defined and uses policy/procedures to identify, prevent, detect and mitigate cyber security threats arising from network, e-mail and/or devices and robust measures to deal with cyber security threats timely and effectively. In addition, the Company runs a "Disaster Recovery Process" at least once a year to test the resilience of its information technology systems and access to critical business information in case of a network disruption, loss of data or security breach.

Peak Re AG has a business continuity plan (BCP) in place to identify viable measures and actions that the Company can take to continue and restore its position or business activities under different stressed conditions or in advance as precautionary measures.

The Company provides training to staff on how to respond to unforeseen external events such as a fire in the office or inaccessibility of office premises (in accordance with the BCP).

- Other material risks

- Liquidity Risk

Liquidity risk refers to the risk of loss that may arise as a result of insufficient funds due to an unexpected sudden change in cash flow. In case of a major loss, the Company needs to have sufficient liquidity to pay claims in a timely manner to retain its main value proposition to ceding insurance companies. Peak Re AG monitors its liquidity position and as a precautionary protection keeps at least 5% of its shareholder and policyholder funds in cash. Peak Re AG's equity and fixed income instruments are mostly traded in public exchanges and company ensures that its portfolio of fixed income securities is made of liquid instruments.

- Legal and Compliance Risk

The Head of Risk Management and Compliance and legal counsel of the Company is responsible for ensuring that the Company is in compliance with applicable laws and regulations, guidance notes, guidelines and codes issued by relevant regulators (including FINMA) and standards and codes issued by industry bodies (if and as applicable).

The Anti Money Laundering /Counter Financing Terrorism (AML/CFT) policy of the Company establishes procedures for identifying any potential suspicious transactions and for reporting to the senior management, the Board and/or law enforcement authorities as appropriate.

- Internal Controls

The monitoring of risk controls and the effective reporting are subject to Internal Audit.
The Internal Auditor exercises independent assessment of risk management and report to the Board on a regular basis and as necessary. The Board is responsible for oversight of all aspects of Peak Re AG's risk management systems and measures. The internal audit function is outsourced to PWC.

During the reporting period the Company was exposed to the risk outlined above, during the year the insurance risk exposure decreased due to the discontinuing of Indian business portfolio.

There was not exposure to off-balance-sheet positions and risks transferred to special purpose vehicles (SPVs).

The Company maintained the systems for assessing the risks to which is exposed as described above.

3 D.2 - Risk Concentration and Accumulation

a. Assets

Relevant Concentrations

Peak Re AG's key retrocessionaire is the Parent Company (with AM Best and Moody's rating of A-) through an intragroup Quota Share and additional Non Proportional retrocession protections. This credit risk is monitored closely, and should it become excessive mitigation via collateral or a letter of credit may be put in place.

Default Probabilities of the Relevant Exposures

There are no extraordinary exposures.

b. Liabilities

Peak Re AG writes a diversified portfolio of business and have limited risk accumulations on the liability side.

With regards to the quantitative aspects, the SST Report 2021 as of 1 January 2021 showed the following risk posture:

The insurance risk comprised 63.4% of the Target Capital of USD 32.2m (as calculated at April 2021) This compares to 48.3% of Target Capital of USD 34.8m as of April 2020. The increase in the proportion of Target Capital was driven by two factors: i) the increased significance of diversification due to various changes outlined below; and ii) reserve risk increased in importance due to growth in the portfolio.

The market risk 14.0% of Target Capital of USD 32.2m as calculated at April 2021 which compares to 15.5% of the Target Capital of USD 34.8m as of April 2020 was mainly driven by the increase of the diversified fixed income bonds with the addition of EFTs in the portfolio and foreign exchange risk mainly between the CHF, Euro and USD.

The credit risk 54%% of Target Capital of USD 32.2m as calculated as at April 2021 which compares to 32.5% of the Target Capital of USD 34.8m as of April 2020. The new methodology of calculating the credit risk was the driver of the change as outlined below in section G Solvency, where quantitative aspect are discussed in further detail.

3 D.3. - Reinsurance and risk mitigation techniques

Peak Re AG uses retrocession to manage overall risk limits for underwriting risk and hedging for foreign exchange or asset volatility management Risk Exposures.

The intra group and outward retrocession programs adequately protect the capital base of the company against large per risk and per event losses.

3 E Valuation

All values are presented in the company reporting currency USD which is also the currency we calculate and present our solvency ratio.
In order to derive the CHF amounts the following Exchange rates reported in our Financial Statements are to be used:

Currency	Balance Sheet		Income Statement		Equity (avg. historical rate)	
	2020	2019	2020	2019	2020	2019
USD to CHF	0.881422	0.9688	0.939956	0.9911	0.9912	0.9912

Additionally the tables that show comparison between Statutory Balance Sheet and Market Consistent Balance Sheet - MVBS have been adjusted to refer to the year-end date (i.e. 31 December) although for solvency calculation purposes the reference date is the opening date of the following reporting period (i.e. 1 January).

The Market Consistent Balance Sheet (MVBS) contains all business written or “bound” as at 31 December 2020. Bound business is assumed to be all business incepting 1 January 2020 or prior.

The SST balance sheet comparison with the audited financial statements provides insights into the main valuations and differences between treatment under local GAAP (as reported in the Notes to the Financial Statements in point 3B.1 Financial Statements point 2 lett. a) to f) and SST.

We comment below on items that are valued differently under these regimes.

The difference between the Statutory Balance Sheet and MVBS is due to:
on the Asset side:

- adjustment to market value for investments on the assets side,
- adjustment of ceded Unearned Premium Reserve to reflect the Market Consistent ceded Premium Liability,
- exclusion of the deferred acquisition cost, and
- exclusion of the deferred tax asset if any;.

and on the Liabilities side:

- exclusion of Equalisation Reserves. discounting of Best Estimate ceded Loss Reserves,
- addition of liabilities for bound-but-not-incepted business as at 1 January 2020,
- discounting of Best Estimate Loss Reserves,
- adjustment of Unearned Premium Reserve to Market Consistent Premium Liability,
- exclusion of the deferred tax liabilities if any.

3 E.1 - Assets

The following table shows the breakdown of the Statutory and MVBS assets as at 31 December 2020 and as at 31 December 2019, respectively

	Statutory				MVBS	MVBS
ASSETS: amounts in millions	**CHF 2020**	**CHF 2019**	**USD 2020**	**USD 2019**	**USD 2020**	**USD 2019**
Investments	70.2	93.9	79.6	97.0	80.0	97.9
Fixed-interest securities	*16.9*	71.0	*19.2*	73.3	*19.5*	74.3
Loans	*1.7*	2.8	*1.9*	2.9	*1.9*	2.9
Shares	*51.6*	20.1	*58.5*	20.7	*58.5*	20.7
Cash and cash equivalents	33.0	30.4	37.5	31.4	37.5	31.4
Reinsurers' share of technical provisions	106.9	89.4	121.3	92.2	118.9	*86.1*
Property and equipment	0.0	0.0	0.0	0.0	0.0	0.0
Deferred acquisition costs, Net	1.1	1.0	1.2	1.1	-	-
Insurance receivables	128.5	116.6	145.8	120.4	145.8	120.4
Other receivables	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.2	0.8	0.2	0.8	0.2	0.8
Prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL ASSETS	**339.9**	**332.2**	**385.6**	**343.0**	**382.4**	**336.7**

Investments:

Under SST, their valuation is “mark to market”, based on quoted prices in active markets or observable fair values. Under local GAAP, fixed interest securities are valued at lower of market value or amortised cost less required impairments. The annual amortisation amount is recognised within the investment result, difference is presented in table above.

Shares and ETF shares and other investments are valued at the lower of cost or market

Deferred acquisition costs:

Under local GAAP, acquisition costs that are directly attributable to reinsurance contracts are capitalised and amortised over the lifetime of the contract in proportion to the premium income earned. These costs are regularly tested for impairment using a liability adequacy test.
Under SST, this position is fully depreciated.

For all other assets the statutory value has been taken and valued at the market value.

3 E.2 - Liabilities

The following table shows the breakdown of the statutory and MVBS liabilities as at 31 December 2020 and as at 31 December 2019, respectively.

LIABILITIES: amounts in millions	Statutory CHF 2020	CHF 2019	USD 2020	USD 2019	MVBS USD 2020	MVBS USD 2019
Technical provisions	135.7	114.6	153.9	118.2	148.7	108.1
Unearned Premium Reserve	*25.3*	*36.7*	*28.7*	*37.9*	*23.6*	*30.1*
Outstanding Loss Reserve	*108.9*	*76.2*	*123.6*	*78.6*	*125.1*	*78.0*
Equalisation reserve (SER)	*1.5*	*1.6*	*1.7*	*1.7*	*-*	*-*
Insurance payables	112.7	118.9	127.9	122.7	127.8	122.7
Other liabilities	23.2	23.0	26.3	23.8	24.3	23.8
TOTAL LIABILITIES	**271.6**	**256.5**	**308.1**	**264.7**	**300.8**	**254.6**

Under local GAAP, liabilities from Non-life business are valued on an undiscounted basis and contain equalization reserves SER, which are presented on an individual line item.

Provisions for insurance obligations

Following two tables shows provisions for insurance obligations under the Statutory Balance sheet and Market Consistent Balance Sheet (i.e. market value):

Statutory Balance Sheet

Gross and net value of provisions for insurance obligations USD millions	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	Technical provisions written (net) 31.12.2020	Technical provisions (gross) 31.12.2019	Reinsurers' share 31.12.2019	Technical provisions written (net) 31.12.2019
Unearned premium reserve	28.7	22.9	**5.7**	37.9	30.3	**7.6**
Loss reserves	123.6	98.3	**25.3**	78.6	61.9	**16.7**
Equalisation Reserve	1.7	-	**1.7**	1.7	-	**1.7**
Total	**153.9**	**121.3**	**32.7**	**118.2**	**92.2**	**26.0**

Market Consistent Balance Sheet

Gross and net value of provisions for insurance obligations USD millions	Technical provisions (gross) 31.12.2020	Reinsurers' share 31.12.2020	Technical provisions written (net) 31.12.2020	Technical provisions (gross) 31.12.2019	Reinsurers' share 31.12.2019	Technical provisions written (net) 31.12.2019
Unearned premium reserve	23.6	18.9	**4.7**	30.1	23.9	**6.2**
Loss reserves	125.1	100.1	**25.0**	78.0	62.2	**15.8**
Equalisation Reserve	-	-	**-**	-	-	**-**

Outstanding claims reserves

The outstanding claims reserves value in the MVBS has been estimated by discounting the statutory values. The growth in the total gross written premiums following our expansion of business activities in India and in Europe resulted in the increase in the gross reinsurance reserves from USD 78m up to USD 125.1m, spread across all lines of business with prevalence in Property, USD 25.9m, Motor, USD 8.7m, General Liability, USD 5.3m, Miscellaneous (Agriculture), USD 3.2m, line of business.

At the end of 2020 Europe represents 67% of gross claim reserves of the portfolio. Indian business represents USD 40.9m (33%) of the gross claim reserves, including USD 36.6m related to Miscellaneous - Financial Loss (Agriculture).

Unearned premium reserves

Several adjustments are needed to move from the UPR position in the statutory balance sheet to the market consistent basis. In particular, a best estimate view is needed. As such the premium deficiency reserve is removed.

For Underwriting Years 2019 and Prior

The total gross market-consistent UPR for policies incepted in 2019 and prior years is calculated as the difference between the expected gross discounted claim and the gross future premiums.
The gross future premiums are the difference between the gross ultimate unearned premiums and the gross UPR. The maintenance expense ratio assumptions are based on assumptions from Peak Re AG.

Underwriting Year 2020

The total gross market consistent UPR arising from bound-but-not-incepted business (i.e. treaties with inception date 1 January 2020) is calculated as the difference between the gross expected discounted claims and the gross signed premiums for 1 January 2020. Bound but not incepted exposures need to be included in the calculation in order to align with the contract boundary requirements of the SST calculation.
For the avoidance of doubt, we note that the 1 January 2020 bound-but-not-incepted exposure arises only from European treaties.

Retrocessionaire's Outstanding Loss Reserves

The market value of the retrocessionaire's outstanding loss reserves has been calculated as the difference between the market value of gross outstanding claims reserves and the market value of the net outstanding claims reserves. The market value of the net outstanding claims reserves has been estimated using the same approach as for the market value of the gross claims reserves. The same discount factors have been used for gross and net claims reserves.

Retrocessionaire Share of Unearned Premiums Reserve (UPR)

For SST calculation purposes two adjustments are needed from Statutory Balance sheet position.

Firstly, companies need to allow for their best estimate view in respect of unexpired risks. For this reason, treaty level pricing loss ratios, expense load and commission assumptions are used to generate a view of the unexpired risk reserve. As there is embedded profit within the UPR this is a downward driver when comparing market consistent views with Statutory Balance Sheet views. Secondly, and in line with SST guidelines, an allowance for bound-but-not incepted exposures as at 1 January 2021 is needed. This is an upward-driver when comparing market consistent and statutory bases.

When applied together, the first of these factors is more significant than the second, and this is why the UPR is lower on a market consistent basis.

3 E.3 - Market Value Margin

The Market Value Margin ("MVM") has been calculated as defined in the Standard Model approach suggested in the FINMA Technical Document on the Swiss Solvency Test, latest changed on 31 October 2020.

The table below presents the evolution of the market value margin (MVM).

In USD million	SST 2021	SST 2020	SST 2019
MVM	4.5	3.1	4.5

The MVM increases from USD 3.1m in SST 2020 to 4.5m in SST 2021. This follows the increase of prior year and current year risks.

The three main components for the MVM calculation are Underwriting Risk for outstanding exposures as at 31 December 2020, Reserve Risk arising from the run-off of liabilities as at 31 December 2020, and Credit Risk arising from the run-off of ceded reserves.

The Underwriting Risk capital charge as at 31 December 2020 is equal to the diversified Attritional Event Premium (AEP), Individual Event 1 (large losses, IE1) and Nat Cat Events (NE) capital charge as at 1 January 2020 scaled in proportion to unearned premium as at 31 December 2020 divided by 2020 earned premium. The unexpired risk at 31 December 2020 is assumed to be fully earned during 2021.

The Reserve Risk capital charge as at 31 December 2020 has been estimated by rescaling the Reserve Risk capital requirement as at 31 December 2019 by the ratio “Expected reserves as at 31 December 2020 / Reserves as at 31 December 2019”. Reserve Risk is then decayed over time in line with projected net loss reserves.

The Credit Risk capital charge as at 31 December 2020 has been estimated using the Standard Model approach based on the expected ceded reserves as at 31 December 2020. It is assumed that all expected ceded reserves relate to the quota share treaty (QS) with the parent company. Credit Risk is then decayed over time in line with projected net loss reserves.

3 E.4 - Provisions for Other liabilities

The Other liabilities position includes amounts due to parent company as collateral received under the Whole Account Quota Share Retrocession Agreement (USD 23.4m), amount due to various suppliers at year end (e.g. other payables) (USD 0.8m). Please note these have no different valuation under Statutory and Market Values. Differences between Swiss Statutory accounting principles and MVBS are due to Deferred tax liabilities (USD 0.4m), which are not considered under Local GAAP, and the difference of USD 1.7m is due to the elimination of the provision for unrealised gains.

Provisions for other liabilities USD million	Statutory Balance Sheet 31.12.2020	Adjustment	Market Value Balance Sheet 31.12.2020
Other liabilities	26.3	1.7	24.6

3 F Capital Management

Peak Re aims at year-on-year capital growth through retained earnings. Its long term investors are not primarily looking for dividends during the company's early years of establishment and as a result, Peak Re AG as well is not subject to dividend pressure. Capital management is the core of company strategy of being customer centric in that we co-operate with clients and intermediaries to develop risk and capital solutions to assist our clients to grow profitably, and we look at long term positive outcomes for both our cedents and ourselves.

We have a capital planning process based on the Own Risk and Solvency Assessment (ORSA) process based on the SST modelling framework. The capital planning process targets:

- to identify, assess, monitor, manage and report the short and long term risks that Peak Re AG faces or may face; and
- to determine the own funds necessary to ensure that the solvency needs are met all the time.

The ORSA requires Peak Re AG to assess own risks and associated economic and regulatory capital needs.

In the process we consider following factors:

- Strategic objectives
- Current and future risk profile
- Any capital buffers required

The ORSA at Peak Re AG is forward-looking across the business planning horizon, i.e. 3 years, it encompasses all material risks, including those which are not captured in the SCR of the SST, such as reputational risks.

We do hold a very simple capital structure all made up of Tier 1 capital that includes common stock or equity capital which was composed of a fully paid in share capital of USD 9.8m (or CHF 10.0m), and reserves which included: a capital surplus reserves ("Kapitaleinlagereserven") of USD 70.0m (CHF 70.4m) and an Organisation Fund of USD 8.8m (CHF 9.0m). Equity and solvency capital are managed with the ORSA process with a time horizon of three years.

Shareholders' equity on MVBS decreased in 2020 by USD 1.6m (CHF 1.58m) in light of the deduction of the net loss after taxes.

No hybrid, conditional or mezzanine capital instruments were used.

In USD thousands	Share capital	Statutory capital reserves	Voluntary retained earnings	Currency Translation reserve	Total equity
As of 31 Dec 2019	**9'837**	**78'835**	**-12'425**	-	**76'247**
(Loss) for the period			-1'611		-1'611
As of 31 Dec 2020	**9'837**	**78'835**	**-14'036**	-	**74'636**

Valuation differences between the shareholders' equity as per statutory annual report of CHF 68.2m (USD 68.8m) and the shareholders' equity as per Market Value Balance Sheet (MVBS) of USD 74.6m or CHF 73.9m of the Market Value Balance sheet (MVBS) other than for the reasons explained in detail above in chapter 3 E Valuation is due to the adjustment for Foreign exchange on currency translation to national currency.

3 G Solvency

The company uses the official version of the Standard Model of the Swiss Solvency Test SST for reinsurers published by FINMA (StandRe) for all risks excluding Natural Catastrophe (CAT), and an internal model for CAT risk which was approved by FINMA in October 2020. The Company's capital and retrocession posture was managed by means of the ORSA process which at Peak Reinsurance AG also banks upon the Swiss Solvency Test methodology.

The results of the SST 2021 report and a comparison with the previous SST report as submitted to FINMA are as follows:

SST Model Component	SST 2021	SST 2020	Variance in amount	Variance in percentage
Premium Risk - Attritional (AEP) - netgross discounted	10.5	7.2	3.3	46%
Premium Risk - Individual (IE1) - netgross discounted	20.1	8.7	11.4	131.7%
Premium Risk - Nat Cat (NE) - netgross discounted	36.7	18.4	18.3	99.4%
Diversification	*(27.5)*	*(14.9)*	*(12.6)*	*84.8%*
Premium Risk - Total - netgross discounted	39.7	19.3	20.4	105.4%
Premium Risk - Total - net discounted	14.3	6.0	8.3	138.0%
Reserve Risk - Attritional (AER) net discounted	10.5	5.9	4.6	78.3%
Reserve Risk - Individual (IE2) net discounted	10.2	15.0	(4.9)	-32.5%
Diversification	*(7.6)*	*(5.4)*	*(2.1)*	*39.2%*
Reserve Risk - Total net discounted	13.1	15.5	(2.4)	-15.6%
Diversification	*(7.3)*	*(4.7)*	*(2.6)*	*54.9%*
Insurance Risk - Total net discounted	20.4	16.8	3.6	21.3%
Market Risk	*4.5*	5.4	(0.9)	-16.7%
Credit Risk	17.4	11.3	6.2	54.7%
Scenarios	0.0	0.0	0.0	0.0%
Diversification	*(13.3)*	*(4.1)*	*(9.3)*	*228.2%*
Insurance, Credit & Market Risk & Scenarios	29.0	29.4	10.8	59.7%
Expected Insurance Result	(0.8)	2.7	(3.5)	-131.2%
Expected Financial Performance Over 1 Year Risk Free	(0.5)	(0.4)	(0.1)	14.5%
Insurance & Market & Credit including expected result	**27.7**	**31.7**	**(4.0)**	**-12.7%**
Market Value Margin	4.5	3.1	1.4	46.1%
Target Capital	32.2	34.8	(2.6)	-7.4%
Risk Bearing Capital (RBC) - pre capital injection	81.6	82.0	(0.4)	-0.5%
SST Ratio	**278%**	**249%**	**29%**	**12%**

The SST ratio increases by 29 percentage points from 249% in 2020 to 278% in 2021. Increases in the Insurance Risk and Credit Risk effects are reduced by reduction of Market Risk and increased diversification effect. The largest component of the Target Capital remained the Natural Catastrophe risk (NE) which makes up USD 36.7 million (undiversified basis).

Further details on components of Risk Bearing Capital are detailed here below.

Breakdown of risk-bearing capital into its main components

The table below presents the evolution and the breakdown of our risk based capital RBC and changes over the previous year:

Note	USD millions	SST 2021	SST 2020	Difference in amount	Difference in percentage
1	Market Value assets	382.4	336.7	45.8	14%
1a	Including ceded market value of claims reserves	118.9	86.1	32.8	38%
2	Market Value liabilities	300.8	254.6	46.2	18%
2a	Including gross market value claims reserves	148.8	108.2	40.6	38%
3 = (1) – (2)	Based Capital before deductions	81.6	82.0	-0.4	-1%
4	Deductions	0.0	0.0	0.0	0%
5 = (3) – (4)	Base capital	81.6	82.0	-0.4	-1%
6	Additional capital	0.0	0.0	0.0	0%
7 = (5) + (6)	Risk-bearing capital	81.6	82.0	-0.4	-1%

The RBC decreases by USD 0.4m from USD 82.0m in 2020 to USD 81.6m in 2021.

This small decrease is attributable to the careful asset-liability management and by the almost neutral impact of profit/loss after tax.

There are no RBC deductions in the SST balance sheet. There is no additional capital.

Breakdown of market risk and insurance risk into its main components

The table below presents the evolution and the breakdown of the market risk between 2021 and 2020 (in USD millions):

Note	Risk factors	SST 2021	SST2020	Variance
1	Standalone interest rate risk	3.2	3.1	0.1
2	standalone EUR rate risk	0.3	0.4	-0.1
3	standalone USD rate risk	3.5	3.2	0.3
4	standalone JPY rate risk	0.0	0.3	-0.3
(5) = (2) + (3) + (4)	non-diversified interest rate	3.8	3.9	-0.1
(6) = (1) - (5)	Diversification interest rate	-0.6	-0.8	0.1
7	Standalone spread risk	4.5	4.0	0.6
8	Standalone currency risk	2.2	3.6	-1.4
9	Equity	0.0	0.0	0.0
(10) = (11) - (1) -(7) - (8) - (9)	Diversification market risk	-5.4	-5.2	-0.2
11	Total market risk	4.5	5.4	-0.9

The market risk decreases by USD 0.9m from USD 5.4m in 2020 to USD 4.5m in 2021, driven by currency risk.

Currency risk decreased following the increase in percentage of the USD positions.

(Re)Insurance risk

The table below presents the evolution of the reinsurance risk in USD million net of retrocession calculated under StandRe:

SST Model Component	SST 2021	SST 2020
Premium Risk - Attritional (AEP) - netgross discounted	10.5	7.2
Premium Risk - Individual (IE1) - netgross discounted	20.1	8.7
Premium Risk - Nat Cat (NE) - netgross discounted	36.7	18.4
Diversification	(27.5)	(14.9)
Premium Risk - Total - netgross discounted	39.7	19.3
Premium Risk - Total - net discounted	14.3	6.0
Reserve Risk - Attritional (AER) net discounted	10.5	5.9
Reserve Risk - Individual (IE2) net discounted	10.2	15.0
Diversification	(7.6)	(5.4)
Reserve Risk - Total net discounted	13.1	15.5
Diversification	*(7.3)*	*(4.7)*
Insurance Risk - Total net discounted	**20.4**	**16.8**

The Insurance risk increases from USD 16.8m to USD 20.4m.
This evolution is driven by two opposite effect:

a) decrease of the reserve risk from USD 15.5m to USD 13.1m due to the new methodology for the calculation of credit risk which provides a larger allowance for diversification.

b) increase of the premium risk from USD 6.0m to USD 14.3m mainly driven by the change of the retrocession program which increases the net retention.

The Solvency Ratio, as calculated under the Swiss Solvency Test and submitted to FINMA, was above the minimum threshold required by law and kept at a comfortable level – i.e. above 200%.

No extraordinary events occurred requiring a recalculation of the Solvency as per the SST.

Peak Reinsurance AG did not use an internal solvency model for the SST 2019 and 2020 For the first time the partial internal model CAT as approved by FINMA applies to SST 2021..

Peak Reinsurance AG points out that in the report the current information on solvency (risk-bearing capital, target capital) is the same as that which it has submitted to FINMA and that, if necessary, is subject to a supervisory audit.

Appendixes

1 Quantitative Template "Market Consistent Balance Sheet - Peak Reinsurance AG"

2 Quantitative Template "Solvency Solo – Peak Reinsurance AG"

3 External auditor's report

Appendix 1

Quantitative template "Market-consistent Balance Sheet Solo"

Currency	USD (as per SST reporting)	31.12.2019	Adjustments previous period	31.12.2020
Market-consistent value of investments	Real estate	-		-
	Shareholdings	-		-
	Fixed-income securities	74.3		19.5
	Loans	2.9		1.9
	Mortgages			
	Equities	20.7		58.5
	Other investments	-		
	Collective investment schemes	-		
	Alternative investments	-		
	Other investments	-		
	Total investments	**97.9**		**80.0**
	Financial investments from unit-linked life insurance	-		
	Receivables from derivative financial instruments	-		
Market-consistent value of other assets	Cash and cash equivalents	31.4		37.5
	Receivables from insurance business	206.5		264.6
	Other receivables			
	Other assets	0.9		0.4
	Total other assets	**238.8**		**302.5**
Total market-consistent value of assets	**Total market-consistent value of assets**	**336.7**		**382.4**
Best estimate liabilities (BEL)	Best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)	-		
	Direct insurance: non-life insurance business	-		
	Direct insurance: health insurance business	-		
	Direct insurance: unit-linked life insurance business	-		
	Direct insurance: other business	-		
	Outward reinsurance: life insurance business (excluding ALV)	-		
	Outward reinsurance: non-life insurance business	**78.0**		**125.1**
	Outward reinsurance: health insurance business	-		
	Outward reinsurance: unit-linked life insurance business	-		
	Outward reinsurance: other business	-		
	Reinsurers' share of best estimate of provisions for insurance liabilities			
	Direct insurance: life insurance business (excluding ALV)	-		
	Direct insurance: non-life insurance business	-		
	Direct insurance: health insurance business	-		
	Direct insurance: unit-linked life insurance business	-		
	Direct insurance: other business	-		
	Outward reinsurance: life insurance business (excluding ALV)	-		
	Outward reinsurance: non-life insurance business	**137.5**		**126.6**
	Outward reinsurance: health insurance business	-		
	Outward reinsurance: unit-linked life insurance business	-		
	Outward reinsurance: other business	-		
Market-consistent value of other liabilities	Non-technical provisions	-		
	Interest-bearing liabilities	-		
	Liabilities from derivative financial instruments	-		
	Deposits retained on ceded reinsurance	-		
	Liabilities from insurance business	-		
	Other liabilities	**39.1**		**49.1**
Total BEL plus market-consistent value of other liabilities	**Total BEL plus market-consistent value of other liabilities**	**254.6**		**300.8**
	Market-consistent value of assets minus total from BEL plus market-consistent value of other liabilities	**82.1**		**81.6**

Appendix 2

Quantitative Template "Solvency Solo – Peak Reinsurance AG"

		31.12.2019	Adjustments previous period	31.12.2020
		in USD millions	in USD millions	in USD millions
Derivation of RBC	Market-consistent value of assets minus total from best estimate liabilities plus market-consistent value of other liabilities	82.0		81.6
	Deductions	-		-
	Core capital	82.0		81.6
	Supplementary capital	-		-
	RBC	82.0		81.6

		31.12.2019	Adjustments previous period	31.12.2020
		in USD millions	in USD millions	in USD millions
Derivation of target capital	Underwriting risk	16.8		20.4
	Market risk	5.4		4.5
	Diversification effects	-4.1		-13.3
	Credit risk	11.3		17.4
	Risk margin and other effects on target capital	5.4		3.2
	Target capital	34.8		34.8

	31.12.2019	Adjustments previous period	31.12.2020
	in %	in %	in %
SST ratio	249	-	278

Appendix 3

External auditor’s report

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Peak Reinsurance AG, Zurich

Zurich, 28 April 2021

Report of the statutory auditor on the financial statements

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

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

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

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

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Licensed audit expert (Auditor in charge)	US Certified Public Accountant (CPA)

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