

**Financial Condition Report**

of

**Peak Reinsurance Company AG**

Fortunagasse 21

8001 Zürich

**For the business year ended in 2017  
(covers period from 26.9.2016 until 31.12.2017)**



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## 1. Overview 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”).

Peak Re AG started writing non-life reinsurance business on 1 January 2017. The Company reinsures various non-life risks arising from European cedants and has renewed part of the European business previously written through Peak Re Hong Kong.

With shareholder’s equity of CHF 49.6 million, an AM Best rating of A- (stable outlook), PRAG is a well-capitalized company. The Company reports a solvency ratio of 226% according to the Swiss Solvency Test (SST).

2017 was the first year of operations. The current report covers an extended period as from 26 September 2016 the date of incorporation of the Company.

In terms of our financial performance, we reported on a Swiss statutory basis a net loss after taxes of CHF 7m (CHF 4.8 million in Swiss national currency, USD 4.7 million, net losses in reporting currency, CHF 2.2 million relate to foreign currency translation in Swiss national currency) for the period from date of incorporation until 31 December 2017.

The result is mainly driven by losses incurred adding up to CHF 3.5 million mostly due Agriculture business in Italy and from natural catastrophe hurricane Maria, and CHF 3.7 million of expenses mainly consisting of set up costs of CHF 1.3 million. Gross written premium were at CHF 13.0 million, net investment income at CHF 0.6 million.

As this was the first year of operations no comparative figures for a previous year are available.

## 2. Introduction

The report presents information following the structure provided in FINMA’s circular 2016/2 Disclosure-insurers (Public Disclosure) dated 3 December 2016.

It gives 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 Appendix 1).

The risk profile section presents information for the 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.

Valuation section presents the market-consistent balance sheet (MCBS) of the Peak Reinsurance AG following the Swiss Solvency Test (SST) principles. The SST MCBS is compared with the market value balance sheet (MVBS) of the Peak Reinsurance AG as of December 31, 2017.

Finally, the solvency section shows the regulatory capital adequacy of the Company based on SST.

### **3. Financial condition report**

#### **3 A Business Activities**

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

The assumed underwriting business focus is on selected reinsurance and insurance risks, mostly mainstream risks covered in P&C.

Peak Re AG is targeting a diversified portfolio in terms 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 in European markets.

The company underwrites non-life proportional and non-proportional treaties ceded by companies headquartered in the EU, EEA or EFTA and India (as from 1. January 2018) covering various lines of business such as Property, Property Cat, Motor, Credit and Surety, Casualty, Engineering, Marine, Agriculture and Personal Accident.

The portfolio of assumed reinsurance business as of 1 January 2018 is increasing as part of renewing additional part of the European business previously written through Peak Re Hong Kong it is expected premium volume will grow significantly with time.

Peak Re's objective is to pursue international expansion in to Europe, emphasize its presence and foster a long term commitment in the European market.



Peak Reinsurance AG is a privately owned limited company domiciled in Zurich, Switzerland. All shares are held by Peak Reinsurance Company Ltd., Hong Kong which is ultimately owned by the Fosun Group, Shanghai, People's Republic of China (87% indirect shareholding in Peak Reinsurance AG) and the Prudential Insurance Company of America, New Jersey, USA (13% indirect shareholding). Peak Reinsurance AG has no subsidiary or branch offices.

The Company is licensed to operate as reinsurer as from 1.1.2017 by FINMA.

Peak Reinsurance AG benefits from a Whole Account Quota Share Retrocession Agreement underwritten by Peak Reinsurance Company Ltd., Hong Kong.

The annual financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations (CO).

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

In 2017 other than the beginning of company's activities there were no extraordinary events.

### **3 B Performance**

#### Technical Result

Peak Reinsurance AG reported a net loss after taxes of CHF 7 million for the period September 26, 2016 until December 31, 2017 in its first extended accounting period.

This result was mainly affected by losses incurred adding up to CHF 3.5 million mainly driven by Agriculture in Italy and from natural catastrophe hurricane Maria, and CHF 3.7 million of expenses mainly consisting of set up costs CHF 1.3 million, personal expenses and office costs were to sustain fully operating of the company.

Investment income contributed CHF 0.6 million obtaining the license in late December 2016 gave to rise to a lower than planned premium flows during of the reinsurance business given the inception date of most of the business covered.

The company's main markets in its first year of operations were Switzerland, Italy and Netherlands accounting for 92% of the gross written premiums. The composition of the reinsurance portfolio on a gross written premium basis saw a prevalence of the lines of business property (52%), engineering (24%) and agricultural insurance (20%), allocated between proportional (60%) and non-proportional treaties (40%).



Please refer to Appendix 1 for detailed split by line of business of the technical result.

In 2018, the economic outlook of Peak Reinsurance AG is expected to improve following the group strategy to continue to expand its presence in Europe and to build up the reinsurance business in India. Clearly there remain challenges given the regional market conditions in Europe that remain still soft.

#### Net investment result

Investments were held mainly in a well-diversified portfolio of fixed income instruments; the cash and short term debt portfolio was above 10% of the Assets under Management. The equity investments were minimal.

The net investment result stood at CHF 583 thousands, mainly due to interest income on bonds in our portfolio mostly denominated in USD, foreign exchange gains on the invested assets accounted for CHF 105 thousands. The valuation is further explained in the Financial Statement attached.

CHF 000	Income * 31.12.2017	Net unrealized gains 31.12.2017	Net realized gains 31.12.2017	Total 31.12.2017
Fixed-interest securities	259		7	266
Loans	19			19
Shares	20			20
Other investments	278			278
<b>Total</b>	<b>576</b>	<b>-</b>	<b>7</b>	<b>583</b>

\* Income relates to dividends for shares (incl. from associates we have none of them), interest coupons, interest on cash and cash equivalents and rental income (we had none in 2017).



CHF 000	Current expenses 31.12.2017	Net unrealized losses 31.12.2017	Net realized losses 31.12.2017	Total
Fixed-interest securities	9		7	<b>31.12.2017</b>
<b>Total</b>	<b>9</b>	<b>-</b>	<b>7</b>	<b>16</b>

The losses that were directly recognized in equity, are the ones deriving by the translation of the company reporting currency, USD, in the national currency CHF. Their amount was CHF 2.2 million at year end.

Other income and expenses

Other income and expenses include realized foreign exchange gains, capital tax and increase or decrease in bad debt provisions.

Total amount as in 2017 to CHF 103 thousands and relate to the capital tax amount.

At the end of 2017 Peak Reinsurance AG had 6 employees (5 full time and one part time).

### 3 C Corporate Governance and Risk Management

#### 3 C 1 Corporate Governance

The Board of Directors and the Executive Management are composed as of end of 2017 as follows:

#### *Board of Directors*

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

All three were re-elected at the AGM on April 23, 2018 for another year until end of 2018



### *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.

### C 2 Risk Management

Peak Re's Risk Management framework comprises a strong risk culture, a robust compliance framework and a clearly articulated risk ownership with the operational units, a risk management function and internal audit. Both the risk management function and the internal audit regularly report and advise the Board of Directors and Executive Management team on risk management matters through ad-hoc risk analysis.

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. It describes roles and responsibilities of relevant functions in the Company; identifies risk types and defines appetite for risks at company level that is in line with the one for the Peak Re Group.

The Enterprise Risk Management provides the range within which risks are to stay to ensure 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 first performed by the operating units ("1st line of defense"), the risk manager ("2nd line of defense") and the internal auditor PWC AG, Zürich ("3rd line of defense"). There have been no substantial changes to the risk management system during the reporting period except the engagement of PWC, Switzerland as the Internal Auditor.

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.

The risk management process is in the ultimate responsibility of the Board of Directors which reviews the Enterprise Risk Management Report quarterly.

The Board of Directors assesses the Risk Management process in the ERM Report, this provides the overall risk situation of the Company including mitigating actions and compliance issues. Major changes to the operating environment, business development, acquisitions or events are also included in the ERM report.

### 3 C 2.2 Actuarial Function

Consistent with FINMA guidelines, the Company has appointed a Responsible Actuary. As a new subsidiary, of an international group, we have opted to appoint an external actuarial advisor to support us in this role, one who is familiar with local Swiss requirements and who meets the necessary experience credentials.

Although an external appointee, the Responsible Actuary is appropriately integral to the running of the Company, and his/her role includes (among other things) responsibility for:

- validation that an appropriate amount of reserves has been set;
- management of the Swiss Solvency Test process, including determination of the Target Capital ("TC") and Risk Bearing Capital ("RBC") metrics; and
- 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 shall ensure that the major legal and regulatory obligations of the company are identified and assessed; 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

- Risks of employees or Board members personally exposing themselves to prosecution



- Official sanctions and risks of proceedings
- Conflicts of interests between the company and its employees and clients
- Reputation risks

The Board of Directors is responsible for compliance. As in the case with most other operational tasks, the operational responsibility for compliance is delegated to the Executive Management.

The compliance reporting system is the basis for the regular reporting between the Compliance Officer and the Board of Directors and the Executive Management. It consists of a quarterly and of an ad-hoc reporting.

### 3 C 2.4 Internal Audit Function

Internal Audit function is an independent and objective assurance and consulting 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, internal control.

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

The internal audit function of Peak Re prepares an activity report to the attention of the Board on an annual basis which summarizes the current status of compliance with the

- internal audit plan as approved by the Board.
- implementation of agreed measures remediation of findings .

### 3 C 3 Internal Control System

Processes with relevance for the reliability of financial reporting are identified within the Internal Control System and adequate and appropriate key controls are defined to mitigate financial reporting risk.

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

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



ICS Policy is reported regularly to the Executive Management Committee and at least once a year 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 of Directors.

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

### **3 D Risk profile**

Peak Re assumes risk from reinsurance underwriting and investment activities. Peak Re has no appetite for operational risk and reputational risk. The company targets a diversified portfolio in terms of lines of business and geography covering all of the Property and Casualty lines of business in Europe and, as from 1.1.2018, India to add value and provide diversification at Group level.

The diversification aims at reducing concentration of risks and volatility, as well as the aggregate risk of the Company.

The main risks that are monitored since considered material are:

- Insurance risk
- Market Risk
- Credit Risk

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

- Corporate Underwriting Guideline and Accumulation Control – this defines the capacities and limits deployed for P & C business per line of business
- Board Protocols on delegation of authorities.
- Investment Operational Manual – 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 Chief Investment Officer (CIO).



Risks are being evaluated and assumed as part of the daily operations of Peak Re. The company has developed a strong risk culture and implemented processes to assure that only those risks, which fall within its appetite and limits are being accepted.

Peak Re 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) Economic Capital Modelling

In addition to a model based approach, which has the major benefit of imposing a consistent measure to risk, Peak Re has developed an Own Risk and Solvency Assessment (ORSA). As models never replicate the real world (and may create risks of their own) and not all risks are quantifiable, scenario analysis and stress testing are useful ways to provide the full picture of the Company's risk profile.

Underwriting and Investment policies set the tone and influence the culture of risk management within the Company, define the limits of the Company's capacity for taking risk. The Board approves major decisions affecting the Company's risk profile or exposure.

Peak Re's risk landscape can be categorised by their source as:

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

While limits, economic capital modelling and scenario building/stress testing describe the techniques for identifying, tracking and managing of these risks, additional risk specific processes have been implemented:

- Premium and Reserve Risk

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'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'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 shall be picked up in the quarterly reserving effort, which includes a review of treaty level loss ratios.

Reserving risk arises due to unfavourable development in claims costs relative to Peak Re'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 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 periodically reviewed (once a year by the Responsible Actuary in Switzerland) 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 should be compared from time to time to ensure adequate provisions are made for outstanding claims. The Board is notified of large claims (above USD 1 million) and will take timely actions as appropriate.

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

- Market Risk

Peak Re'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'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 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.

In 2017 the assets invested in equity were minimal.

For its fixed income portfolio, Peak Re is exposed to interest rate movements and changes in spread reflecting counterparty risk. Peak Re tracks risks on a name, country and industry



basis and considers cross balance sheet exposures from its credit and bond portfolios. If Peak Re 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 is regularly reviewed so that it is adequate to meet the cash outflows due for settling liabilities under different economic conditions. Timely actions should also be taken to identify any significant investment losses so that provisions will be made for them. During 2017 cash and cash equivalents were above 10% of Asset Under Management (AUM).

- Credit Risk

Credit risk represents the loss that Peak Re would incur if a counterparty (including a borrower if any) or an issuer of securities or other instruments Peak Re 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 Peak Re holds. Peak Re's exposure to credit risk principally arises through its investing, credit and bond and reinsurance ceding activities, receivables and deposits from cedents.

Peak Re'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 uses a variety of tools on a daily basis, including assessment of counterparty risk. In addition, Peak Re'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 shall consider to manage through credit risk management policies setting exposure limits. Its sole retrocessionaire is Peak Re Company Limited Hong Kong who herself employs retrocession and other risk mitigating techniques.

- 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, Peak Re needs to have sufficient liquidity to pay claims in a timely manner to retain its main value proposition to ceding insurance companies. Peak Re 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 her portfolio of fixed income securities is made of securities that can be easily liquidated.

- Operational Risk



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

To help mitigate against these risks, Peak Re 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 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 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.

Peak Re 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).

- 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 code 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 Control

The monitoring of risk controls and the effective reporting are subject to Internal Audit. The Internal Auditor exercise 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’ s risk management systems and measures and ensure proper implementation of this Policy. The internal audit function is outsourced to PWC.



- Risk Concentration and Accumulation

- a. *Assets*

- Relevant Concentrations*

Peak Re AG's key retrocessionaire is the Parent Company (with AM Best rating of A-) through an intragroup Quota Share. 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 expects to write a diversified portfolio of business and have limited risk accumulations on the liability side.

With regards to the quantitative aspects the SST Report 2018 as of 1.1.2018 showed the following risk posture:

The insurance risk (52.7% of Target Capital as calculated as per April 2018) was mainly driven by the property reinsurance portfolio and its inherent exposure to Natural Catastrophe (Windstorm events in Northern Europe and earthquake risks in Switzerland) - the main risk concentrations.

The market risk (22.9% of the Target Capital) was mainly driven by the diversified fixed income portfolio and foreign exchange risk mainly between the CHF, Euro and USD.

The credit risk (23.0% of the Target Capital) was driven by the fixed income portfolio and retrocession.

For a discussion of quantitative aspects refer to section G Solvency

- Reinsurance and risk mitigation techniques

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

The reinsurance program protects the company from large losses; company is protected both on per risk basis and per event basis. Peak Re AG is adequately protected against adverse development of its capital base due to the occurrence of one or multiple catastrophic losses.





### 3 E Valuation

Following table provides the Market consistent value of assets and liabilities in USD millions

The following table shows the statutory and market value balance sheets (“MVBS”) as at 1 January 2018 and as at 1 January 2017, respectively:

Component	SST 2018		SST 2017	
	Statutory	Market Value	Statutory	Market Value
	Balance Sheet 01.01.2018	Balance Sheet 01.01.2018	Balance Sheet 01.01.2017	Balance Sheet 01.01.2017
Assets	74.5	73.4	54.8	54.8
Liabilities	26.2	24.0	2.9	2.9
<b>Equity/RBC</b>	<b>48.3</b>	<b>49.4</b>	<b>51.9</b>	<b>51.9</b>

The Market Value Balance Sheet contains all business written or “bound” as at 31 December 2017. Bound business is assumed to be all business incepting 1 January 2018. The difference between Statutory Balance Sheet and MVBS is due to:

- adjustment to market value for investments on the assets side,
- addition of liabilities for bound-but-not-incepted business as at 1 January 2018,
- discounting of Best Estimate Loss Reserves,
- adjustment of Unearned Premium Reserve to Market Consistent Premium Liability, and
- exclusion of Equalisation Reserves.

Further details are given below.

#### Assets

The following table shows the breakdown of the statutory and MVBS assets as at 1 January 2018 and as at 1 January 2017, respectively:



## - Assets

Component	SST 2018		SST 2017	
	Statutory	Market Value	Statutory	Market Value
	Balance Sheet 01.01.2018	Balance Sheet 01.01.2018	Balance Sheet 01.01.2017	Balance Sheet 01.01.2017
Retrocessionaire share of UPR	2.7	1.6	0.0	0.0
Cash and cash equivalents	11.2	11.2	54.8	54.8
Bonds	45.6	45.8	0.0	0.0
Equities	0.4	0.4	0.0	0.0
Other Assets	6.5	6.5	0.0	0.0
Retrocessionaire outstanding loss reserves	7.9	7.8	0.0	0.0
<b>Total assets</b>	<b>74.5</b>	<b>73.4</b>	<b>54.8</b>	<b>54.8</b>

As at 1 January 2017, the assets were 100% invested in one bank account with Post Finance, rated AA+. Later in January 2017 the portfolio was diversified following the Company's set up and currently the portfolio is mostly invested in a diversified basket of corporate bonds.

The Other Assets position includes: fixed assets, investment income receivable, other receivables, amounts due from the immediate holding company, other prepayments, deposits, and dues from ceding companies.

There are observable market prices for all financial assets and these have been revalued at market value in the MVBS.

Bond market values are different from the Statutory Balance Sheet value because Peak Re AG accounts for them in the Statutory Balance Sheet at amortised cost less required impairments as per the Swiss Code of Obligations (OR).

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

For all other assets the statutory value has been taken and valued as the Market Value.

The converted USD value of assets held in different SST currencies is shown in the table below:



Original Currency	Market Value	
	SST 2018	SST 2017
USD	49.4	1.6
EUR	12.7	0.0
CHF	10.8	53.1
GBP	0.5	0.0
JPY	0.0	0.0
<b>Total</b>	<b>73.4</b>	<b>54.8</b>

The ceded IBNR reserves have been allocated to currencies based on premium currency split as estimated by using the Initial Expected Loss Ratio Method. Approximately USD 200 thousands of assets are in non-SST currencies which have been mapped to the above currencies according to the FINMA Market Risk guideline.

### Bonds

The distribution of fixed income instruments by S&P rating is as follows:

Bonds by Rating Class	Market Value	
	SST 2018	SST 2017
<i>Corporate Bonds</i>	45.8	0.0
AAA	0.0	0.0
AA	0.0	0.0
A	33.1	0.0
BBB	5.6	0.0
BB	7.1	0.0
Not rated	0.0	0.0
<b>Total</b>	<b>45.8</b>	<b>0.0</b>

The split of bonds by modified duration is shown in the below table.



Bonds by Modified Duration (years)	Market Value	
	SST 2018	SST 2017
0	0.0	0.0
1	0.0	0.0
2	2.5	0.0
3	9.8	0.0
4	13.8	0.0
5	13.3	0.0
6	3.2	0.0
7	3.1	0.0
<b>Average duration</b>	<b>4.31</b>	<b>0.0</b>

The following table shows the split of bonds by SST Parameter currency.

Bonds by Currency	Market Value	
	SST 2018	SST 2017
USD	40.8	0.0
EUR	4.9	0.0
CHF	0.0	0.0
GBP	0.0	0.0
JPY	0.0	0.0
<b>Total</b>	<b>45.8</b>	<b>0.0</b>

### Equities

The split of equities by geography is as follows:

Equity by geographic allocation	Market Value	
	SST 2018	SST 2017
USA	0.4	0.0
<b>Total</b>	<b>0.4</b>	<b>0.0</b>

### Provisions for insurance obligations

#### *Retrocessionaire Outstanding Loss Reserves*

The market value of the retrocessionaire 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)*

In calculating the ceded UPR we need to reflect the different pricing loss ratios for each contract and underwriting year. We therefore calculate the 2017 incepted business and 2018 bound-but-not-incepted business (i.e. treaties with inception date 1 January 2018) separately.

#### *2017*

The total ceded market-consistent UPR for policies incepted in 2017 is calculated as the difference between total gross market-consistent UPR and the total net market-consistent UPR.

#### *2018*

The total ceded market consistent UPR for policies incepting on 1 January 2018 is calculated as the difference between total gross market-consistent UPR and the total net market-consistent UPR.

#### Liabilities

The following table compares the MVBS Liabilities against the Statutory Balance Sheet Liabilities as at 1 January 2018 and as at 1 January 2017.

Component	SST 2018		SST 2017	
	Statutory Balance Sheet 01.01.2018	Market Value Balance Sheet 01.01.2018	Statutory Balance Sheet 01.01.2017	Market Value Balance Sheet 01.01.2017
Unearned premiums reserves	3.4	2.8	0.0	0.0
Due to ceding companies	1.1	1.1	0.0	0.0
Outstanding claims reserves	10.0	10.0	0.0	0.0
Other Liabilities	10.2	10.2	2.9	2.9
Equalisation reserve	1.5	0.0	0.0	0.0
<b>Total liabilities</b>	<b>26.2</b>	<b>24.0</b>	<b>2.9</b>	<b>2.9</b>

The outstanding claims reserves value in the MVBS has been estimated by discounting the statutory values. The UPR has been revalued to the market value and includes bound-but-not-incepted business. Equalisation reserves have been set to zero in the MVBS. For all other positions the statutory value has been taken as the market value.



The Other Assets position includes amounts due to holding company, and other payables.

The converted USD value of liabilities held in different SST currencies is shown in the table below:

Original Currency	Market Value	
	SST 2018	SST 2017
USD	9.6	1.9
EUR	6.1	0.0
CHF	8.3	0.9
GBP	0.0	0.0
JPY	0.0	0.0
<b>Total</b>	<b>24.0</b>	<b>2.9</b>

The gross IBNR reserves have been allocated to currencies based on premium currency split as estimated by using the Initial Expected Loss Ratio Method. Approximately USD 220 thousands of liabilities are in non-SST currencies, which have been mapped to the above SST parameter currencies according to the FINMA market risk guideline.

#### *Outstanding claims reserves*

The market consistent value of the gross case reserves and IBNR is calculated by discounting the best estimate case reserves and IBNR. The discount factors are constructed from the sum of the yield curve given by the 2018 SST standard template, multiplied pair-wise with the paid payment pattern for each line of business.

#### *Unearned premium reserves*

In calculating the gross Unearned Premium Reserve we need to reflect the different pricing loss ratios for each contract and underwriting year. We therefore calculate the 2017 incepted business and 2018 bound-but-not-incepted (i.e. treaties with inception date 1 January 2018) business separately.

#### *2017*

The total gross market-consistent UPR for policies incepted in 2017 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.



2018

The total gross market consistent UPR arising from bound-but-not-incepted business (i.e. treaties with inception date 1 January 2018) is calculated as the difference between the gross expected discounted claims and the gross signed premiums for 1 January 2018.

The 1 January 2018 bound but not incepted exposure arises only from European treaties.

#### *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, which is dated 2 October 2006.

The three main components for the MVM calculation are Underwriting Risk for outstanding exposures as at 31 December 2018, Reserve Risk arising from the run-off of liabilities as at 31 December 2018, and Credit Risk arising from the run-off of ceded reserves.

The Underwriting Risk capital requirement as at 31 December 2018 is equal to the diversified Attritional Event Premium (AEP), Individual Event 1 (large losses, IE1) and Nat Cat Events (NE) capital requirements as at 1 January 2018 scaled in proportion to unearned premium as at 31 December 2018 divided by 2018 earned premium. The unexpired risk at 31 December 2018 is assumed to be fully earned during 2019.

The Reserve Risk capital requirement as at 31 December 2018 has been estimated by rescaling the Reserve Risk capital requirement as at 31 December 2017 by the ratio "Expected reserves as at 31 December 2018 / Reserves as at 31 December 2017". Reserve Risk is then decayed over time in line with projected net loss reserves.

The Credit Risk capital requirement as at 31 December 2018 has been estimated using the Standard Model approach based on the expected ceded reserves as at 31 December 2018. 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.



<b>SST 2018</b>		
Cost of capital	6%	
Millions USD	31.12.2017	31.12.2018
<b>Non Life</b>		
Underwriting Risk	<b>11.7</b>	<b>10</b>
Reserve Risk	7	17.8
Diversification	-5.9	-7.4
<b>Required Risk capital</b>	<b>18.4</b>	<b>23.5</b>
Non-Life Risk	12.8	20.4
Credit risk	5.6	3.2
<b>Cost of Capital</b>		<b>1.4</b>
Non-Life Risk		1.2
Credit risk		0.2
<b>Discount Factor</b>		<b>98.43%</b>
<b>Discounted cost of capital</b>		<b>1.4</b>
Non-Life Risk		1.2
Credit risk		0.2
<b>MVM</b>	<b>4.2</b>	

The MVM for SST 2018 amounts to USD 4.2 million.

The increase from SST 2017 is largely driven by an increase in Underwriting Risk and Reserve Risk due to increased premium and reserve volumes. Both have subsequently had an impact on the expected ceded reserves and claims and hence on the Credit Risk portion used for the MVM calculation.

### 3 F Capital Management

Peak Re aims at Year-on-Year capital growth through retained dividend. 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 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 which is structured around the Own Risk and Solvency Assessment (ORSA) process which targets:

- to identify, assess, monitor, manage and report the short and long term risks that PRAG 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 capital needs. This may differ from the regulatory capital requirement (as per SST) which provides a minimum capital threshold.

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.

Shareholder's equity decreased by CHF 7.0 million (CHF 4.8 million net losses, CHF 2.2 million of foreign currency translation in Swiss national currency) from CHF 54.1 million to CHF 47.1 million as per 31. December 2017.

The decrease reflects the net loss after taxes. The equity capital was composed of a fully paid in share capital of CHF 10.0 m, a capital surplus reserves ("Kapitaleinlage-reserven") of CHF 35.1 million and an Organization Fund of CHF 9.0 million.

No hybrid, conditional or mezzanine capital instruments were used.



CHF 000	Share capital	Statutory capital reserves	Statutory retained earnings	Voluntary retained earnings	Currency Translation reserve	Total equity
Reserves from capital contributions	10'000	35'055				45'055
Organization fund		9'000				9'000
Currency Translation reserve						0
Profit (Loss) for the period				-7'004		-7'004
<b>As of 31 Dec 2017</b>	<b>10'000</b>	<b>44'055</b>	<b>0</b>	<b>-7'004</b>	<b>0</b>	<b>47'051</b>

Valuation differences between the shareholder's equity position of USD 48.2 million or CHF 47.1 million and the Economic Balance sheet are explained in detail above in chapter 3 E Valuation.

### 3 G Solvency

The company uses the official version of the Standard Model (v6.1) for reinsurers published by FINMA in January 2018 (StandRe) for all risks excluding Natural Catastrophe (CAT), and an internal model for CAT risk (this at the time of publishing this report is still under evaluation from FINMA). The Company's capital and retrocession posture was managed by means of the ORSA process which at Peak Reinsurance AG banks upon the Swiss Solvency Test methodology.

The results of the SST 2018 exercise and a comparison with the previous SST results as submitted to FINMA, are as follows:



SST Model Component	SST 2018	SST 2017
Attritional Events Premium Risk (AEP)	3.7	1.8
Individual Events 1 (IE1)	6.3	5.3
Natural Catastrophe Events (NE)	10.7	6.3
Diversification (Premium Risk)	-9.1	-6.4
<i>Underwriting Risk</i>	<i>11.7</i>	<i>7.0</i>
Attritional Events Reserve Risk (AER)	1.0	0.0
Individual Events 2 (IE2)	7.0	0.0
Diversification (Reserving Risk)	-0.9	0.0
<i>Reserving Risk</i>	<i>7.0</i>	<i>0.0</i>
Diversification (Insurance)	-5.9	0.0
<b>Expected Shortfall Insurance</b>	<b>12.8</b>	<b>7.0</b>
Market Risk	5.5	16.8
Concentration Scenario	0.0	2.2
Diversification (Insurance   Market   Scenarios)	-4.8	-7.1
<b>Expected Shortfall Insurance, Market Risk and Scenarios</b>	<b>13.5</b>	<b>18.8</b>
Expected Insurance Result	2.8	3.7
Expected Financial Performance over 1 year risk free	-1.8	-1.6
<b>ES[Insurance &amp; Market] including expected result</b>	<b>14.5</b>	<b>20.9</b>
Credit Risk	5.6	1.6
<b>Insurance &amp; Market &amp; Credit risks = Target Capital</b>	<b>20.1</b>	<b>22.5</b>
Risk Margin	4.2	0.9
<b>Target Capital</b>	<b>24.4</b>	<b>23.5</b>
<b>Risk Bearing Capital</b>	<b>49.4</b>	<b>51.9</b>
<b>Risk Bearing Capital / Target Capital</b>	<b>224%</b>	<b>226%</b>

Peak Re AG's solvency ratio amounts to 224% for SST 2018 and is broadly unchanged from SST 2017. The largest component of the Target Capital is Natural Catastrophe risk (NE) which makes up USD 10.7 million of the USD 24.4 million Target Capital on an undiversified basis.

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 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 under the SST 2017.



#### 4. Balance Sheet on a statutory basis

As of December 31, 2017  
(Expressed in thousands of CHF)

<b>Assets</b>		
<b>CHF 000</b>	<b>Note</b>	<b>31.12.2017</b>
Investments		44'850
Fixed-interest securities		40'128
Loans	2	4'301
Shares		421
Cash and cash equivalents		10'946
Reinsurers' share of technical provisions		10'406
Property and equipment		33
Insurance receivables	3,7	4'707
Other receivables	7	1'187
Other assets		423
Share capital not paid in		-
Prepaid expenses	4	10
<b>TOTAL ASSETS</b>		<b>72'562</b>
<b>Liabilities and equity</b>		
<b>CHF 000</b>	<b>Note</b>	<b>31.12.2017</b>
Technical provisions	5	14'516
Insurance payables	6, 7	10'426
Other liabilities	7	569
<b>TOTAL LIABILITIES</b>		<b>25'511</b>
Share capital		10'000
Legal capital reserves		44'055
<i>Reserves from capital contributions</i>		35'055
<i>Organization fund</i>		9'000
Currency Translation reserve		-
Voluntary retained earnings		-7'004
Profit / loss carried forward		-
<i>Profit / loss</i>		-7'004
<b>Total equity</b>	<b>8</b>	<b>47'051</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>72'562</b>

See accompanying notes to financial statements



## 5. Profit and Loss Statement of a statutory basis

For the Period September 26, 2016 to December 31, 2017

(Expressed in thousands of CHF)

CHF 000	Note	31.12.2017
Gross premium written		12'438
Premiums ceded to reinsurers		-10'088
<b>Net premiums written</b>		<b>2'350</b>
Change in unearned premium reserves		-3'357
Change in reinsurers' share of unearned premium reserves		2'686
<b>Net premiums earned</b>		<b>1'679</b>
Other insurance income		-
<b>Total technical income</b>		<b>1'679</b>
Gross claims and claim expenses paid		473
Reinsurer's share of claims and claim expenses		-379
Change in technical provisions	9	-11'210
Change in reinsurers' share of technical provisions	9	7'776
<b>Net claims and claim expenses incurred</b>		<b>-3'340</b>
Acquisition costs and administrative expenses		-5'972
Reinsurers' share of acquisition costs and administrative expenses		2'205
<b>Net acquisition costs and administrative expenses</b>		<b>-3'767</b>
Other technical expenses own business		-52
<b>Total technical expenses</b>		<b>-7'159</b>
Income from investments	11	583
Expenses from investments	12	-16
<b>Net income from investments</b>		<b>567</b>
Other financial income		227
Other financial expenses		-
<b>Operating result</b>		<b>-4'686</b>
Interest expenses from interest-bearing liabilities		-
Other income		-
Foreign exchange on currency translation to national currency		-2'215
Other expenses	16	-103
Extraordinary income/expenses		-
<b>Profit/loss ** before tax</b>		<b>-7'004</b>
Income tax expense		-
<b>LOSS</b>		<b>-7'004</b>

See accompanying notes to financial statements

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## 6. Cash flow statement of a statutory basis

in Thousands CHF	Note	31.12.2017
<b>Profit/loss</b>		-7'004
<b>Depreciation, amortization and write-downs on ...</b>		
Property and equipment		31
Investments*		
Net realized gains/losses on investments fixed-interest securities		1'089
Net realized gains/losses on investments loans		41
Net realized gains/losses on investments shares		20
Net unrealized gains/losses on investments shares		-540
Net unrealized gains/losses on other investments		
<b>Increase/decrease in</b>		
Unearned premium reserves		668
Technical provisions		11'151
<b>Increase/decrease in assets and liabilities</b>		
Purchase/Proceeds from sale of fixed-interest securities		-35'163
Purchase/Proceeds from sale of loans		-4'301
Purchase/Proceeds from sale of shares		-489
Reinsurance share of technical provisions		-7'735
Insurance receivables		-4'707
Other receivables		0
Other assets		-45
Foreign exchange gains and losses Reinsurance activities		63
Prepaid expenses		45
Liabilities from deposits retained on ceded business		
Insurance payables		1'042
Other liabilities		565
Changes in other operating assets and liabilities		2'193
<b>Cash flow from operating activities</b>		<b>-43'076</b>
Purchase of property and equipment		-33
Dividends from participations in associates		
<b>Cash flow from investing activities</b>		<b>-33</b>
Issuance of shares		54'055
Currency Translation reserve		
<b>Cash flow from financing activities</b>		<b>54'055</b>
<b>Change in cash and cash equivalents</b>		<b>10'946</b>
<b>Statement:</b>		
Cash and cash equivalents as of 1 January		-
Effects of exchange rate changes on cash and cash equivalents		278
Cash and cash equivalents as of 31 December		11'225
<b>Change in cash and cash equivalents</b>		<b>10'946</b>

## 7. Notes to the Financial Statements

### Notes to Financial Statements

December 31, 2017

(Expressed in thousands of CHF)

#### 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 January 1, 2013). Apart from the CO, the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies (Art. 5-6a AVO-FINMA, applicable as of December 15, 2015) have been applied.

The company was founded on 26<sup>th</sup> September 2016.

The Board of Directors has decided to an extended business year from 26.9.2016 till 31.12.2017.

#### 2. Accounting principles

The Company's accounting principles are in line with those prescribed by the CO and AVO-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 amortised cost less required impairments, the annual amortization amount is recognised as current income.

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

Acquisition costs, mainly commission and brokerage, related to unearned premiums are not deferred and amortised to income over the periods in which the premiums are earned but expensed in the year.

##### (d) Reinsurance receivable

Reinsurance receivable are recognised 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.



## Notes to Financial Statements

December 31, 2017

(Expressed in thousands of CHF)

### (e) **Technical provisions**

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

Unearned premium reserves are earned 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 assumed together with industry data.

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

### (f) **Foreign Currencies remeasurement and translation**

The company's functional currency is USD and the annual financial statements prepared in USD is 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. For the purposes of the balance sheet, translations are made into USD at year-end exchange rates. The resulting exchange-rates differences are recognised in the income statement. Net non-realised gains derived from foreign-currency translation are reserved.

The main exchange rates used for year end 2017 are presented below:

Avg. Rate	Year End Rate	Historical rate (Equity)
0.9797	0.9745	1.0166





## Notes to Financial Statements

December 31, 2017

(Expressed in thousands of CHF)

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### Disclosures, breakdowns and explanations on balance sheet items

#### 1. Participations: none

#### 2. Other investments

CHF 000	31.12.2017
Investments in senior secured loans	4'301
<b>Total</b>	<b><u>4'301</u></b>

Senior secured loans are valued at amortised costs.

#### 3. Insurance receivables

CHF 000	31.12.2017
Receivables from insurance companies	<u>4'707</u>
<b>Total</b>	<b><u>4'707</u></b>

#### 4. Prepaid expenses

CHF 000	31.12.2017
Other deferrals	<u>10</u>
<b>Total</b>	<b><u>10</u></b>



## Notes to Financial Statements

### 5. Technical provisions

	Technical provisions (gross)	Reinsurers' share	Technical provisions written (net)
CHF 000	31.12.2017	31.12.2017	31.12.2017
Unearned premium reserve	3'339	2'671	668
Outstanding loss reserves	9'715	7'735	1'980
Equalisation reserve	1'462		1'462
<b>Total</b>	<b>14'516</b>	<b>10'406</b>	<b>4'110</b>

Changes in technical provisions, included as part of net claims and claim expenses incurred in the income statement, for year 2017 were related to changes in outstanding losses and loss expense reserves.

### 6. Insurance payables

CHF 000	31.12.2017
Liabilities to insurance companies	10'426
<b>Total</b>	<b>10'426</b>



## Notes to Financial Statements

### 7. Receivables from and liabilities to related parties

CHF 000	Third-party	Participants	Total 31.12.2017
Insurance receivables	4'707		<b>4'707</b>
Other receivables	-	1'187	<b>1'187</b>
Insurance payables	1'038	9'388	<b>10'426</b>
Other liabilities	569		<b>569</b>

### 8. Statement of changes in equity

CHF 000	Share capital	Statutory capital reserves	Statutory retained earnings	Voluntary retained earnings	Currency Translation reserve	Total equity
Reserves from capital contributions	10'000	35'055				45'055
Organization fund		9'000				9'000
Currency Translation reserve					0	0
Profit (Loss) for the period				-7'004		-7'004
<b>As of 31 Dec 2017</b>	<b>10'000</b>	<b>44'055</b>	<b>0</b>	<b>-7'004</b>	<b>0</b>	<b>47'051</b>



## Disclosures, breakdowns and explanations on income statement items

### 9. Change in technical provisions

	Technical provisions (gross)	Reinsurer s' share	Technical provision s written (net)
CHF 000	31.12.2017	31.12.2017	31.12.2017
		7	7
Change in loss reserves	11'210	7'776	3'434
Change in other technical provisions			-
Change in actuarial reserves			
<b>Total</b>	<b>11'210</b>	<b>7'776</b>	<b>3'434</b>

Includes CHF 1.462m of Equalisation reserve in Change in Loss reserves gross

### 10. Audit fees

CHF 000	31.12.2017
Audit services	109
<b>Total</b>	<b>109</b>

The fees exclude outlays and include VAT.

The audit fees include fees for engagements with a direct or indirect connection to a current or future audit engagement and fees for audit-related activities.



## Notes to Financial Statements

### 11. Income from investments

	Income *	Net unrealized gains	Net realized gains	Total
CHF 000	31.12.2017	31.12.2017	31.12.2017	31.12.2017
Fixed-interest securities	259		7	266
Loans	19			19
Shares	20			20
Other investments	278			278
<b>Total</b>	<b>576</b>	<b>-</b>	<b>7</b>	<b>583</b>

\* Income relates to dividends for shares (incl. from associates), interest coupons, interest on cash and cash equivalents and rental income.

### 12. Expenses from investments

	Current expenses	Net unrealized losses	Net realized losses	Total
CHF 000	31.12.2017	31.12.2017	31.12.2017	31.12.2017
Fixed-interest securities	9		7	16
<b>Total</b>	<b>9</b>	<b>-</b>	<b>7</b>	<b>16</b>

### 13. Personnel expenses

Personnel expenses for fiscal year 2017 amount to CHF 1'484 thousands and are included in the line item acquisition costs and administrative expenses.



## Notes to Financial Statements

### 14. Depreciation of real estate and equipment and amortization of intangible assets

The depreciation expense on property and equipment and amortisation expense on intangible assets, as included in other expenses in the income statement, are as follows:

CHF 000	31.12.2017
Property and equipment	<u>5</u>
<b>Total</b>	<b><u>5</u></b>

### Other notes to the financial statements

#### 15. Contingent liabilities: none

#### 16. Other Expenses

CHF 000	31.12.2017
	<u>7</u>
Capital tax expense	<u>-103</u>
<b>Total</b>	<b><u>103</u></b>

#### 17. Full-time equivalents

The annual average number of full-time equivalents for the reporting year was 4

#### 18. Restricted assets

As at December 31, 2017 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 December 31, 2017, 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 47 thousands was held with Zurich Kantonal Bank.



## Notes to Financial Statements

### 19. Commitments

At December 31, 2017, we had no letters of credit in favour of ceding companies or a letter of credit facility with any Bank.

### 20. Further points subject to mandatory disclosure

- Set up costs for the amount of 1'034K extraordinary and non-recurring were reported in the income statement under administrative expenses for professional consulting and public offices fees.
- No significant event affecting the amounts reported in the balance sheet occurred after the balance sheet date
- No bonds were issued by the company
- No hidden reserves have been recorded by the company



## 8. Proposed appropriation of retained earnings

### Proposed appropriation of retained earnings

CHF 000	31.12.2017
Retained earnings carried forward	0
Loss for the year	(7'004)
Loss to be carried forward	(7'004)

The Board of Directors proposes to appropriate the retained earnings as follows:

Distributable Earnings (deficit)	(7'004)
Transfer to Organisation Fund	0
Amount carried forward	(7'004)

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

Further allocations have been waived.





## 9. External auditor's report

See Appendix 2

Note: This Management Report with the Financial Statement in the attachment is in compliance with the requirements of the FINMA Circular 2016-02 on Public Disclosure. As Peak Reinsurance AG does not have an internet website this Management Report is available upon request for all interested parties within 20 days after such request. Upon request the most recent Annual Report of Peak Reinsurance Company Ltd., Hong Kong is available too.

## Appendix 1

### Financial Condition Report: Quantitative Template

#### "Income Statement Peak Reinsurance AG"

Currency: CHF

	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
	2016 <sup>2</sup>	2017	2016 <sup>2</sup>	2017	2016 <sup>2</sup>	2017	2016 <sup>2</sup>	2017	2016 <sup>2</sup>	2017	2016 <sup>2</sup>	2017	2016 <sup>2</sup>	2017	2016 <sup>2</sup>	2017
1 Gross written premiums and policy fees		12'437'799		156'999				356'408		37'154		9'427'494				2'459'744
2 Premiums ceded to reinsurers		(10'087'848)		(125'599)				(285'127)		(29'723)		(7'679'604)				(1'967'795)
3 Net written premiums and policy fees (1 + 2)		2'349'951		31'400		-		71'281		7'431		1'747'890		-		491'949
4 Change in reserves for unearned premiums, gross		(3'357'109)						(13'090)				(2'063'186)				(1'280'833)
5 Change in reserves for unearned premiums, ceded		2'685'687						10'471				1'650'549				1'024'667
6 Net earned premiums and policy fees (3+4+5)		1'678'529		31'400		-		68'662		7'431		1'335'253		-		235'783
7 Other income <sup>1</sup>		-														
8 Total technical income (6+7)		1'678'529		31'400		-		68'662		7'431		1'335'253		-		235'783
9 Claims paid and loss adjustment expenses, gross		473'732										963'377				(489'645)
10 Claims paid and loss adjustment expenses, ceded		(378'985)										(770'702)				391'717
11 Change in reinsurance reserves, gross		(11'210'320)		(155'039)				(460'786)		(34'370)		(6'467'893)				(2'092'230)
12 Change in reinsurance reserves, ceded		7'775'897		108'055				321'149		23'955		5'864'548				1'458'190
13 Change in actuarial provisions for unit-linked contracts		-														
14 Insurance benefit and losses, net of reinsurance (8+10+11+12+13)		(3'339'676)		(46'984)		-		(139'639)		(10'415)		(2'410'670)		-		(731'968)
15 Underwriting & policy acquisition costs, gross		(2'445'445)		(10'985)				(35'641)		(4'645)		(1'980'879)				(413'296)
16 Underwriting & policy acquisition costs, ceded		2'205'112		9'945				32'266		4'205		1'784'514				374'180
17 Underwriting & policy acquisition costs, net or reinsurance (15 + 16)		(240'333)		(1'040)		-		(3'375)		(440)		(196'365)		-		(39'116)
18 Administrative and other expense <sup>1</sup>		(3'578'776)		(45'174)				(102'551)		(10'691)		(2'712'609)				(707'751)
19 Total technical expenses (14 + 17 + 18) (non-life reinsurance only)		(7'156'785)		(93'198)		-		(245'563)		(21'546)		(5'319'644)		-		(1'478'935)
20 Investment income		583'325														
21 Investment expenses		(16'406)														
22 Net investment result (20 + 21)		566'919														
23 Net investment result on unit-linked investments																
24 Other financial income		226'854														
25 Other financial expense																
26 Operating result (8 + 14 + 17 + 18 + 22 + 23 + 24 + 25)		(4'686'483)														
27 Interest expense on debt or other interest expense																
28 Other income																
29 Other expense		(2'317'706)														
30 Extraordinary income/expense																
31 Net income before taxes (26 + 27 + 28 + 29 + 30)		(7'004'189)														
32 Direct tax expenses																
33 Net income after taxes (31 + 32)		(7'004'189)														

<sup>1</sup> Line item 7 and 18 LoB allocated according to GWP.

<sup>2</sup> 2016 no prior year activity, only expenses were incurred and included in 2017

## APPENDIX 2

### **Report of the statutory auditor**

with financial statements as of 31 December 2017 of

**Peak Reinsurance AG, Zurich**

To the General Meeting of  
**Peak Reinsurance AG, Zurich**

Zurich, 30 April 2018

## 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 and notes, for the period from 26 September 2016 to 31 December 2017.



### 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 period from 26 September 2016 to 31 December 2017 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



Stefan Schmid  
Licensed audit expert  
(Auditor in charge)



Kerry Herholdt  
CA (SA)

### **Enclosures**

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