

Deutsche Rückversicherung Switzerland Ltd

2021

ANNUAL REPORT



Deutsche Rückversicherung Switzerland Ltd

REPORT ON THE 21ST FINANCIAL YEAR

The invaluable alternative. Based in Zurich, Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a company within the Deutsche Rück Group. Deutsche Rückversicherung AG in Düsseldorf is the main shareholder in DR Swiss, with a holding of 71.25 %. VHV Holding AG in Hanover owns 23.75 % and Oberösterreichische Versicherung AG in Linz holds 5 % of the share capital. An invaluable alternative on the market, DR Swiss offers its client partners stable and lasting reinsurance cover. With made-to-measure solutions and a high level of flexibility, DR Swiss meets clients' specific needs through its highly experienced team and its profound, long-standing knowledge of the market.

DR Swiss Key Figures

in CHF thousand	2021	2020	Change in %
Gross premiums written	316,710	246,813	+28.3
Premiums earned for own account	310,764	243,836	+27.4
Net investment income	25,072	19,045	+31.6
Acquisition and operating expenses for own account	7,356	6,656	+10.5
Result after tax	6,502	-2,551	
Financial investments incl. cash deposits	991,847	932,031	+6.4
Technical provisions for own account	653,796	642,689	+1.7
Shareholders' equity incl. subordinated liabilities	260,552	256,876	+1.4
Loss ratio in % of net premiums earned	81.5	75.3	+8.2
Administrative expense ratio incl. amortisation in % of net premiums earned	2.37	2.73	-13.2
Employee headcount	26	20	

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Our Philosophy

CONTINUITY

- Reliable and long-lasting partnership approach
- Close cooperation leading to sustainable success for both parties

COMPETENCE

- Credible team with a high level of technical expertise and many years of professional experience
- Profound market knowledge

CONSISTENCY

- Reinsurance arrangements according to specific customer needs
- Strong financial security (“A+” rating from Standard & Poor’s; stable group of shareholders)

CLIENT FOCUS

- Tailor-made solutions with great flexibility
- Excellent administration, fast service and prompt claims payment
- Direct negotiations with the authorised managers

DR Swiss Organisation

BOARD OF DIRECTORS

Dr Frank Walthes, Chairman
Peter Rainer, Deputy Chairman
Dr Chérif Chentir
Dr Andreas Jahn
Dr Alena Kouba
Othmar Nagl
Ulrich-Bernd Wolff von der Sahl

SHAREHOLDERS

71.25 % Deutsche Rückversicherung AG, Düsseldorf
23.75 % VHV Holding AG, Hanover
5.00 % Oberösterreichische Versicherung AG, Linz

STATUTORY AUDITOR

PricewaterhouseCoopers AG, Zurich

EXECUTIVE MANAGEMENT

Frank Schaar (Managing Director)
Achim Bosch

SENIOR MANAGEMENT

Andreas Aemisegger
Pietro Lodigiani
Heinz Lussi
Peter Lusti
Urs Meier
Dr Stefan Ostermeier (from 1 January 2021)
Juan Serra
Frank Versluis
Dr Edward Vliegen (from 1 January 2021)

RATING

A+, Standard & Poor's

Management Report

GENERAL BUSINESS PERFORMANCE

Gross premiums written grew by 28.3 % to CHF 316.7 million in the 2021 financial year, compared with CHF 246.8 million in the previous year. This increase in premiums was mainly due to strong growth in market business.

In original currency, i.e. at constant exchange rates, premiums would have risen by 26.5 %. The mean exchange rate of the euro against the Swiss franc, which is authoritative in determining liquid items, rose from 1.0705 to 1.0811 (+1.0 %) compared with the previous year. The euro exchange rate at the end of the year, which is used to calculate provisions, was down 4.4 % at 1.0331, compared with 1.0802 in the previous year.

Premiums earned for own account increased by 27.4 % to CHF 310.8 million (previous year CHF 243.8 million). This lower growth compared with gross premiums was due to higher premium reserves (+53.8 %) and a rise in retrocession costs (+68.7 %).

Retrocession premiums rose by 68.7 % to CHF 2.3 million (previous year CHF 1.3 million) as a result of growth in the protected portfolio and the raising of the liability limit under the “Kat-XL” retrocession programme.

Original claims expenditure increased by 66.5 % year on year in gross terms to CHF 267.5 million (previous year CHF 160.6 million) and by 65.0 % in net terms to CHF 265.0 million (previous year CHF 160.6 million). This sharp rise was due to portfolio growth and a higher loss burden from major claims.

Claims paid came to CHF 227.9 million and were thus up 59.5 % compared with the previous year's figure of CHF 142.9 million.

Western European insurance markets also recorded a significant loss burden from natural catastrophes in 2021. The low-pressure weather system Bernd, which lasted from 13 to 18 July, caused many rivers to burst their banks and dams to break, leading to severe floods. This particularly affected parts of Belgium, the Netherlands, Austria, Switzerland, Germany and other neighbouring countries and resulted in record claims, especially in Belgium and Germany.

Reported claims came to CHF 22.2 million in gross terms as at 31 December 2021, of which CHF 5.5 million related to Belgian cedants and CHF 11.7 million to Swiss cedants. With regard to the Swiss cedants, it should be noted that their foreign subsidiaries are also reinsured under the contracts. After retrocession, claims expenditure drops to CHF 19.4 million in net terms.

Total costs (excluding own administrative expenses) were down 11.4 % in both gross and net terms at CHF 65.4 million (previous year CHF 73.9 million). The expense ratio thus fell to 21.1 % of premiums

earned for own account (previous year 30.3 %). External costs paid (i.e. without any change in provisions for profit shares) declined by 7.3 % to CHF 66.1 million (previous year CHF 71.3 million).

Administrative expenses for 2021 totalled CHF 7.4 million, a year-on-year increase of 10.5 %, which was due to a rise in the employee headcount. CHF 5.8 million of this sum related to personnel expenses.

In total, the net technical loss came to CHF 8.1 million or 2.6 % of premiums earned for own account. The previous year's technical loss had amounted to CHF 13.7 million or 5.6 %.

The ongoing COVID-19 pandemic and the fresh waves of infection that it brought continued to dominate social life in 2021 and once again had a massive impact on the global economy and international financial markets. After protective measures were relaxed in the summer months, the emergence of the delta and omicron variants of the virus caused restrictions to be reimposed in most European countries towards the end of the year. Our loss burden from related claims grew over the course of the year from CHF 20.6 million to CHF 22.7 million.

The global economy is still in the process of catching up. Bottlenecks persisted in production and supply chains, leading to a significant rise in inflation, which climbed to 7.0 % in the USA and 5.0 % in the euro zone. The global economy is expected to gradually return to its long-term growth trajectory over the next few quarters. However, inflation could continue for slightly longer. One of the main factors driving this is the sharp rise in energy costs.

While the US central bank has announced plans to begin tapering (scaling back bond purchases), the European Central Bank intends to maintain its expansionary monetary policy for the time being. A dramatic rise in interest rates is therefore unlikely. The three-month money market rates for USD remained at around 0.2 % and those for corresponding EUR investments at approximately -0.55 %, while 10-year USD interest rates rose by 0.65 % to 1.6 % and the equivalent EUR rates increased by 55 basis points to 0.3 %. The 10-year CHF swap rate was only just positive, at 0.09 %.

Prices on the main stock markets rose over the course of the year. Various indices such as the SPI, DAX and S&P 500 closed the year more or less at all-time highs. Returns were correspondingly positive (SPI: 23.4 %; DAX: 15.8 %; S&P 500: 27.7 %).

The impact on commodities was also clearly visible. While gold, which is used to hedge portfolios, lost around 3.5 %, energy prices soared. The price of crude oil climbed about 50 % to almost USD 78 per barrel. Natural gas prices increased disproportionately, not least because of tensions between Russia and Ukraine. After the euro had edged higher, especially in the first half of the year, it recorded a substantial drop in the last quarter, losing about 4 % against the Swiss franc. The US dollar and British pound have gained around 3 % and 2 % respectively against the Swiss franc in the last 12 months.

Investment income came to CHF 25.1 million, which was not only above the previous year's figure of CHF 19.0 million, but also significantly higher than the target. Alongside higher current income, the return on our mark-to-market investments increased year on year. Our fund holdings in the areas of real estate in CHF and bonds performed very positively, and the performance of the equities that we hold was once again excellent. The Other Investments portfolio, which we further expanded last year, also

generated substantial income. The private equity investment portfolio, which is also still fairly new, delivered a return, with price gains of around CHF 2.2 million.

Net income for the year after tax amounted to CHF 6.5 million in 2021, a significant improvement on the previous year's figure of CHF –2.6 million. This will enable us to pay an appropriate dividend.

ASSETS

Thanks to a very high cash inflow from underwriting, the value of investments – at their carrying amounts – grew by around CHF 61.8 million to CHF 931.5 million over the course of the year. Liquidity, on the other hand, fell slightly by CHF 2.0 million to CHF 60.3 million. We expanded our direct holdings of fixed-interest securities slightly. The share of equities in the portfolio increased, owing to small additional purchases and in particular to performance. Repayments and capital calls in the area of infrastructure energy were more or less balanced. We further expanded our investments in private equity as planned.

ANNUAL AVERAGE NUMBER OF FULL-TIME EQUIVALENTS

The average number of full-time equivalents at DR Swiss in 2021 was 19.3.

RATING: A+

The rating agency Standard & Poor's once again confirmed its rating of "A+" and maintained its outlook of "stable" for Deutsche Rück and thus for DR Swiss as well. Thanks to Deutsche Rück's solid, "AAA"-level capitalisation, its efficient retrocession structure and extensive loss provisions, the rating agency does not foresee any significant negative effects on the Group's results or capitalisation.

SUSTAINABLE INVESTMENT

At DR Swiss, we are aware of our responsibility to the environment and society and integrate sustainability criteria into our investment processes. That is why, as part of the Deutsche Rück Group, we signed up to the investors' initiative PRI (Principles for Responsible Investment) on 17 September 2019. PRI is a globally recognised financial initiative for responsible investment created as a spin-off from the UN partner organisations Global Compact and UNEPFI. The objective of the principles is to facilitate a better understanding of the impact that investment decisions have on environmental aspects, social issues and factors relating to good corporate governance.

EVENTS AFTER THE BALANCE SHEET DATE

At the present time and taking into account current business performance, there are no discernible developments that could have a significant and lasting negative impact on DR Swiss' assets, financial position or earnings.

RISK ASSESSMENT

Risk management: Strategic framework

The risk strategy, which is derived from the business strategy, defines the risks that must be accepted in the course of normal business activities and documents the level of risk tolerance stipulated by the Board of Directors and reviewed annually. This is based on the company's risk-bearing resources and on basic strategic considerations.

The Board of Directors and first-tier management are included on an ongoing basis in regular discussions of strategic risks.

Identification of risks and risk management organisation

All risks affecting DR Swiss are categorised in a risk map. Responsibility for each identified risk is clearly defined. Identified risks with regard to currentness, completeness and relevance are evaluated once a year in a controlled process.

Measurement and evaluation of risks

The annual assessment is recorded in a report and the results are presented to the Board of Directors. As well as key risk indicators at the level of the company as a whole, material risks relating to underwriting and investment are managed through additional processes. Investment risk monitoring is essentially based on regular meetings of the investment committee and related reporting. Ad hoc reporting is carried out for extraordinary developments relating to major and accumulated losses in the property insurance divisions. Major losses above the reporting threshold of EUR 250,000 are also consolidated and reported to the Board of Directors.

Investment strategy

The strategic asset allocation is determined as part of an annual process involving the investment committee and the Board of Directors.

Risk control functions within the risk management process

The Board of Directors' responsibility for the organisation of the company, strategic management, supervision of the executive management and the organisation of accounting and financial control as established in Art. 716a of the Swiss Code of Obligations (CO) means that the Board of Directors bears overall responsibility for dealing with risks affecting the company. The Board of Directors receives regular updates regarding developments in the risk strategy, which is to be defined annually.

Significant risks

Risks can in principle arise in all areas, functions and processes. We structure risks in accordance with three different risk categories:

1. Reinsurance risks
2. Investment and credit risks
3. Operational risks

1. Reinsurance risks

The premium/claims risk is the risk that costs or benefits due could turn out to be higher than was assumed when the premiums were calculated.

The reserve risk describes the risk that emerges when the provision for outstanding claims is not adequate, as losses incurred are not yet known or insufficient reserves have been set up to cover known losses. Reserves may have been calculated with insufficient allowance or no allowance at all for extraordinary events resulting in exceptionally high loss frequencies or amounts.

Natural hazard/accumulation risks, such as windstorms, floods, earthquakes or hail, pose the biggest risks to DR Swiss. Risk exposure in this area is therefore actively managed as part of the underwriting process.

Tools for limiting risks

DR Swiss uses various tools to control and limit risks in reinsurance. The most important tools are outlined below.

Underwriting guidelines and limits: Underwriting guidelines set out detailed rules on which reinsurance treaties can be underwritten and up to what amount. The underwriting guidelines also stipulate that the double-checking principle must be applied throughout. Limits of indemnity are also specified and monitored regularly. Moreover, ongoing profitability measurements and accumulation checks ensure that risks remain manageable.

Monitoring technical provisions: Provisions for uncertain liabilities stemming from obligations assumed are regularly checked by Actuarial Services using recognised and established actuarial methods. The run-off is monitored on an ongoing basis.

2. Investment and credit risks

Investment activities give rise to the following investment and credit risks:

Market price risks: These can arise from potential losses due to unfavourable changes in market prices, particularly on the equity, real estate and interest rate markets. In economic terms, changes in interest rates affect not only the assets side but also the liabilities side of the balance sheet. Any mismatch between the maturity structures of assets and liabilities gives rise to an economic risk.

Credit and creditworthiness risks: The value of existing receivables may go down as a result of changes in the assessment of the creditworthiness of issuers or contractual partners.

Liquidity risks: Untimely inflows and outflows of liquidity may make unscheduled disposals of investments necessary. Depending on how tradable the various investments are, this can lead to opportunity costs of varying magnitude and/or to losses, due to reductions in price.

Currency risks: Changes in exchange rates may lead to losses due to a mismatch between investments and technical obligations with respect to underwriting. Even if an investment strategy based on matching maturities is followed, risks may still exist as a result of misjudgements with regard to the level of claims provisions.

Tools for controlling and monitoring investment and credit risks

Our investment management is based on the principles of adequate profitability combined with a high level of security. Along with the necessary distribution of risk, adequate liquidity of investments must be maintained at all times. These principles are monitored by means of ongoing reporting with regular valuation of portfolios. Our portfolio manager works in accordance with investment guidelines that are regularly reviewed and adjusted to the changing environment.

Stress tests and value-at-risk analyses for assessing market risks

We measure market price risks for portfolios of fixed-income securities and equities using stress tests that simulate the effects of unexpected fluctuations in the market. As well as stress tests that are prescribed by the regulator, DR Swiss analyses historic events and maps their development on its current investment portfolio. In addition, market risks for all assets and all liabilities that are subject to market risks are assessed and managed by means of value-at-risk analyses based on an economic scenario generator.

Minimum rating for the containment of credit risks

For fixed-income investments, the company carries out a credit assessment of the issuers/issues – based on ratings from recognised rating agencies, for example – and its own additional assessment of their creditworthiness. If no external rating information is available, the company calculates its own internal rating based on suitable documents.

The minimum limit for new direct investments is generally a rating of “BBB-”. Issuer risks are also widely spread. At the same time, we take into account upper limits for each issuer, which we monitor and adjust on an ongoing basis.

Liquidity planning

We counter risks arising from unforeseeable liquidity requirements by ensuring a balanced maturity structure for our investments. Anticipated inflows and outflows of liquidity are reflected in ongoing investment planning.

Investment policy

Falling interest rates lead to increases in the market value of fixed-income securities, while rising interest rates lead to a decline in their market value. The high proportion of fixed-income securities in its portfolio means that DR Swiss is in principle exposed to this risk. By adjusting the management of investment maturities to liabilities, we can hold securities until they mature and thereby avoid balance sheet losses.

Foreign currency items on the liabilities side are matched on the assets side of the balance sheet.

3. Operational risks

Operational risks are risks in business systems or processes that are caused by human conduct or technical failure or that are due to external influences. Compliance risks are risks resulting from non-compliance with contractual agreements or general legal conditions.

Instruments for controlling operational risks

Operational risks are controlled and managed using an internal control system and through specific reports that form part of the overall risk report. Internal Auditing carries out independent investigations to supplement internal risk analyses of the organisation and processes.

IT security concepts and emergency plans

Employees responsible for security in data processing ensure that a comprehensive security concept is in place. Modern hardware and software helps to ensure the availability and integrity of all systems and programs. Regular checks on network security, constant refinement of the security concept and emergency plans ensure data security and make sure that the systems used are available at all times. A crisis communications concept ensures efficient communication in an emergency.

OPPORTUNITIES REPORT

As a subsidiary of Deutsche Rückversicherung AG and an independent company within the Deutsche Rück Group, we are an invaluable alternative on the market and offer our client partners stable and lasting reinsurance cover. This means that opportunities and risks for our business are correspondingly diverse. In the section “Outlook for 2022”, we provide an assessment of opportunities and a forecast for the development of our business, based on realistic assumptions about general conditions.

Developments on financial markets and hedge transactions in conjunction with natural catastrophes remain fraught with uncertainty. Moreover, inadequate original premiums in European property insurance business limit potential earnings from our proportional reinsurance business.

OUTLOOK FOR 2022

Following strong economic growth in 2021, the gap between actual and potential growth is expected to close gradually. Thanks to the progress made with the worldwide COVID-19 vaccination campaign and in view of high infection rates, we could soon enter an endemic phase, potentially bringing the return to normality that everyone is longing for.

The monetary environment is likely to remain expansionary for a while. Although the US central bank has announced that it will begin tapering, interest rates are not expected to increase significantly. Inflation has returned and could prove to be more persistent than was initially anticipated. A shortage of skilled workers, coupled with rising energy and raw material prices, could keep price increases high. Interest rate hikes could occur as early as the second half of this year, particularly in the USA.

As equity prices have already factored in a large amount of profit growth and the markets could experience possible interest rate rises, this is likely to be the end of the “Goldilocks scenario” on the capital markets. Markets could therefore be very susceptible to disappointments, leading to a correction. Growing political uncertainty, such as the conflict between Russia and Ukraine, could also rapidly bring back significant volatility to the markets.

DR Swiss has not suffered any major losses due to large claims at the time of writing this report. However, the property insurance portfolio assumed from our cedants remains particularly exposed to risks associated with natural hazards. Our conservative underwriting policy, which is designed for such catastrophes, allows us to provide an accurate estimate of our result for own account. Provided that claims remain within the anticipated range and within our budget for major claims, we expect to achieve a balanced result in underwriting business once again. We expect income on investments to be balanced, in line with interest rates.

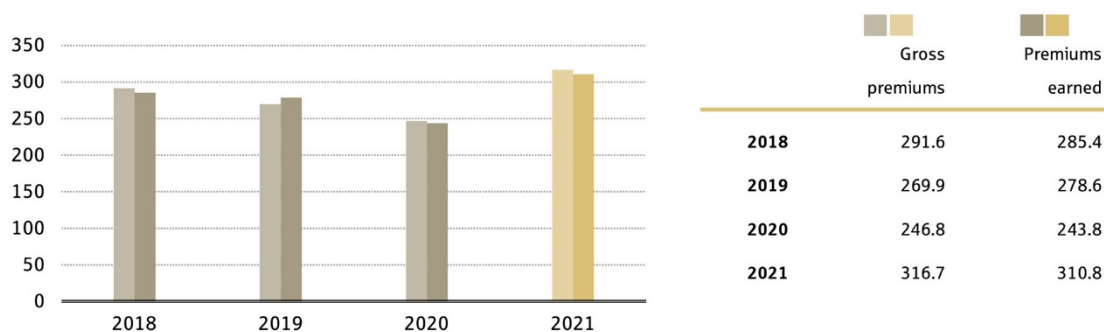
Overall, we expect to achieve a balance sheet profit once again, enabling us to pay a dividend, among other things.

No significant changes are anticipated in net assets or earnings. However, these assumptions remain tentative in view of continuing uncertainty over the future development of the global economy.

Multi-Year Financial Summary

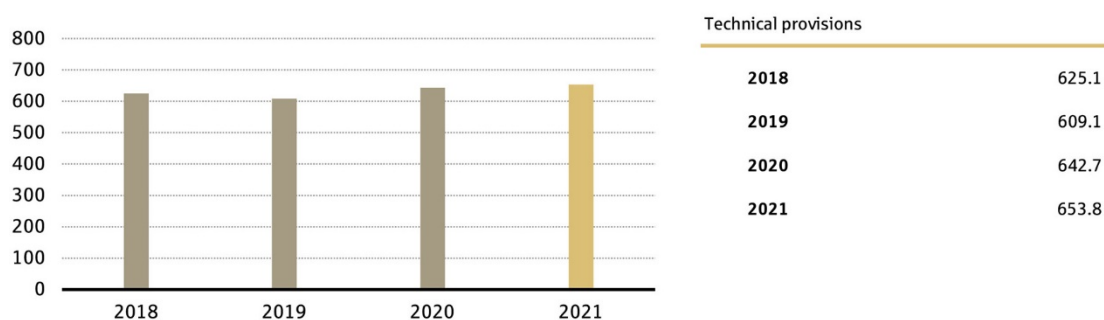
PREMIUMS

in CHF million



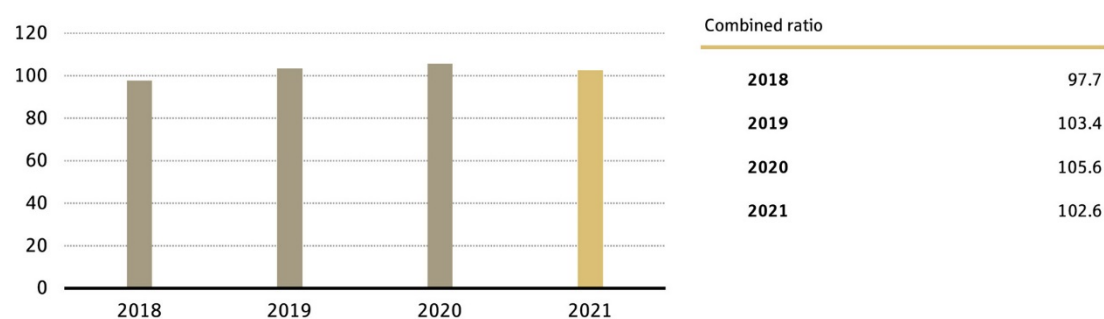
TECHNICAL PROVISIONS

in CHF million

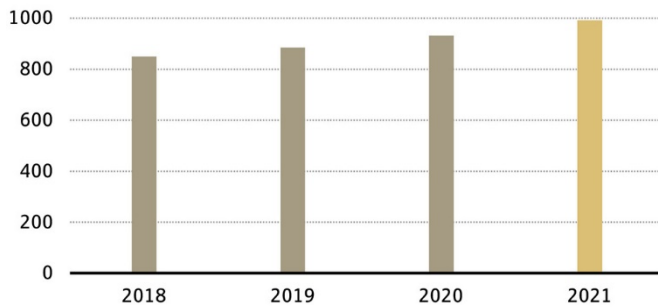


COMBINED RATIO (ON EARNED PREMIUMS)

in %, excl. own administrative expenses



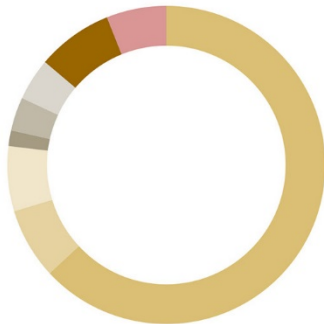
FINANCIAL INVESTMENTS INCL. CASH DEPOSITS
in CHF million



Financial investments

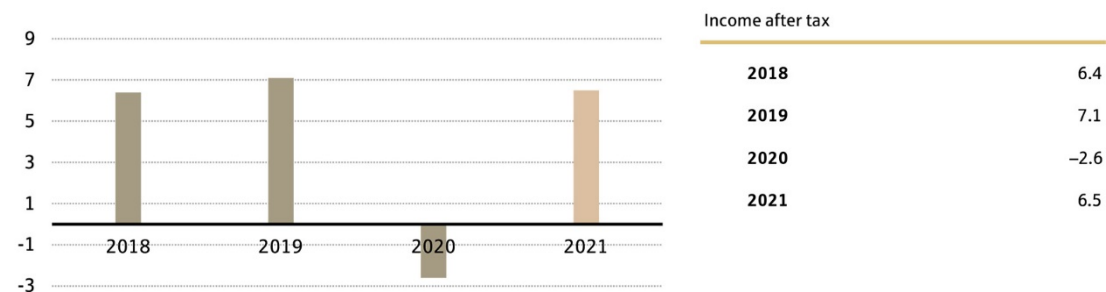
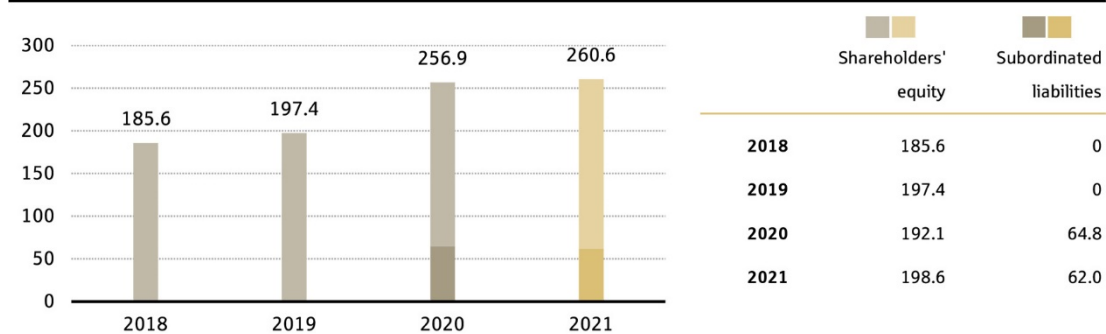
2018	849.7
2019	884.6
2020	932.0
2021	991.8

ASSET ALLOCATION AS AT 31 DECEMBER 2021
in %



Asset allocation

63.1 %	Fixed-income securities
7.2 %	Real estate funds
6.6 %	Equity funds
1.6 %	Commodities funds
3.4 %	Infrastructure energy funds
4.3 %	Private equity
7.7 %	Sundry investments
6.1 %	Cash and cash equivalents

INCOME AFTER TAX
 in CHF million

SHAREHOLDERS' EQUITY INCL. SUBORDINATED LIABILITIES
 in CHF million


Annual Financial Statements

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Balance Sheet as at 31 December 2021

ASSETS		
in CHF thousand	2021	2020
Investments	931,542	869,694
Fixed-income securities	625,543	603,795
Other investments	305,999	265,899
Real estate funds	71,230	58,736
Equity funds	65,717	51,095
Commodities funds	16,079	16,945
Infrastructure energy funds	34,100	34,118
Private equity	42,581	35,441
Sundry investments	76,292	69,564
Deposits from reinsurance assumed	30,570	38,155
Cash and cash equivalents	60,305	62,337
Other assets	508	439
Intangible assets	26	32
Reinsurance receivables	12,218	7,469
Receivables from shareholders	292	0
Receivables from third parties	11,926	7,469
Other receivables	207	0
Accrued income and prepaid expenses	2,552	4,729
Total ASSETS	1,037,928	982,855

LIABILITIES AND SHAREHOLDERS' EQUITY		
in CHF thousand	2021	2020
Technical provisions	653,796	642,689
Reserves for unearned premiums for own account	10,704	6,961
Gross unearned premiums	10,704	6,961
Reinsurance share	0	0
Reserves for outstanding claims for own account	595,085	586,631
Gross reserves for outstanding claims	597,568	586,631
Reinsurance share	-2,483	0
Provisions for profit commissions	48,007	49,097
Gross provisions for profit commissions	48,007	49,097
Reinsurance share	0	0
Non-technical provisions	13,750	13,500
Fluctuation reserves for financial investments	12,500	12,500
Provisions for currency fluctuations	1,250	1,000
Payables to insurance and reinsurance companies	108,167	68,839
Payables to shareholders	8,694	7,916
Payables to third parties	99,473	60,923
Other liabilities	400	374
Accrued expenses and deferred income	1,263	577
Subordinated liabilities	61,986	64,812
Total liabilities	839,362	790,791
Share capital	157,900	157,900
Legal capital reserves	11,203	11,203
Legal retained earnings	21,358	21,358
Voluntary profit reserves	1,223	1,223
Profit carried forward from previous year	380	2,931
Net income for the year	6,502	-2,551
Total shareholders' equity	198,566	192,064
Total LIABILITIES AND SHAREHOLDERS' EQUITY	1,037,928	982,855

Income Statement

For the period 1 January to 31 December 2021

TECHNICAL ACCOUNT		
in CHF thousand	2021	2020
Gross premiums written	316,710	246,813
Reinsurers' share of gross premiums written	-2,259	-1,339
Premiums for own account	314,451	245,474
Change in unearned premiums	-3,687	-1,638
Reinsurers' share of change in unearned premiums	0	0
Premiums earned for own account	310,764	243,836
Other income from insurance business	190	66
Total income from underwriting business	310,954	243,902
Gross payments for insurance claims	-227,939	-142,949
Reinsurers' share of payments for insurance claims	0	0
Change in technical provisions	-27,949	-40,777
Reinsurers' share of change in technical provisions	2,483	0
Claims incurred for own account	-253,405	-183,726
Acquisition and operating expenses	-7,136	-6,462
Depreciation of tangible assets	-220	-194
Reinsurers' share of acquisition and operating expenses	0	0
Acquisition and operating expenses for own account	-7,356	-6,656
Commissions and profit shares paid	-66,071	-71,253
Reinsurers' share of commissions and profit shares paid	0	0
Change in provisions for contractual surplus participations	655	-2,598
Other technical expenses for own account	-65,416	-73,851
Total expenses from underwriting business	-326,177	-264,233
Underwriting result	-15,223	-20,331

NON-TECHNICAL ACCOUNT		
in CHF thousand	2021	2020
Underwriting result (carried forward)	-15,223	-20,331
Current income	14,840	13,752
Price gains on investments	13,955	12,258
Realised gains on investments	1,393	423
Unrealised gains on investments	12,562	11,835
Reversals of impairments on fixed-income securities	269	261
Investment income	29,064	26,271
Investment administration	-485	-368
Price losses on investments	-3,284	-4,185
Realised losses on investments	-460	-1,591
Unrealised losses on investments	-2,824	-2,594
Impairments on fixed-income securities	-223	-173
Fluctuation reserves for financial investments	0	-2,500
Expenses for investments	-3,992	-7,226
Investment income	25,072	19,045
Income from differences in exchange rates	518	-904
Other financial income	518	-904
Other financial expenses	-1,606	-105
Profit/loss before taxes	8,761	-2,295
Direct taxes	-2,259	-256
Profit/loss	6,502	-2,551

Cash Flow Statement

CASH FLOW STATEMENT		
in CHF thousand	2021	2020
Cash flow from operating activities		
Net income for the year	6,502	-2,551
Change in reserves for unearned premiums	3,687	1,637
Change in outstanding claims reserves	25,466	40,777
Change in provisions for profit commissions	-655	2,599
Change in fluctuation reserves for financial investments	0	2,500
Change in provisions for currency fluctuations	250	500
Realised gains/losses on sale of investments	-1,470	2,554
Depreciation and amortisation	220	194
Change in funds held with reinsured companies/reinsurance liabilities	7,204	9,978
Change in other assets and liabilities	41,385	-14,816
Other non-cash expenses and income	-17,507	-15,956
Total cash flow from operating activities	65,082	27,416
Cash flow from investing activities (net change)		
Fixed-income securities	-34,552	8,586
Real estate funds	-12,401	342
Equity funds	-4,290	9,294
Commodities funds	1,390	0
Infrastructure energy funds	-67	3,683
Private equity	-7,554	-8,012
Sundry investments	-9,456	-12,819
Increase/decrease in tangible and intangible assets	-283	-298
Total cash flow from investing activities	-67,213	776
Cash flow from financing activities		
Contributions from subordinated liabilities	0	64,829
Interest-bearing liabilities	99	-43,317
Payments of dividends	0	-2,763
Total cash flow from financing activities	99	18,749
Total cash inflow/outflow	-2,032	46,941
Cash and cash equivalents at start of period	62,337	15,396
Cash and cash equivalents at end of period	60,305	62,337
Cash inflow/outflow	-2,032	46,941

Notes to the Financial Statements

PRINCIPLES UNDERLYING THE ANNUAL FINANCIAL STATEMENTS

General

Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a public limited company established in accordance with the Swiss Code of Obligations, with its registered office in Zurich, Switzerland.

On average, during the year the number of full-time equivalent employees at DR Swiss did not exceed 50.

The 2021 annual financial statements have been prepared in accordance with the provisions of the Swiss accounting law (Title 32 of the Swiss Code of Obligations). The balance sheet and income statement comply with the classification rules prescribed by the FINMA (Swiss Financial Market Supervisory Authority) Insurance Supervision Ordinance (AVO-FINMA).

The accounting requires the Board of Directors to make estimates and assessments that could affect the value of the reported assets and liabilities as well as contingent liabilities at the time of preparing the accounts, and which may also have an effect on expenses and earnings for the reporting period. The Board of Directors is free to decide at its own discretion the extent to which it will make use of existing options permitted by law in its accounting and valuation policies. Within the scope permitted by the principle of prudence, depreciation, amortisation, write-downs and provisions may be recognised above and beyond the extent required for financial and accounting purposes, if this serves the well-being of the company.

Accounting and valuation policies

Direct bond investments are valued at acquisition cost on the balance sheet date, using the effective interest method.

Funds (fixed income, real estate in CHF, equities and commodities) are valued at market value on the balance sheet date. The exceptions to this are real estate funds in foreign currencies, infrastructure energy funds, illiquid bond funds, other investments and private equity, which are valued at the lower of cost or market.

Intangible and tangible assets are valued at purchase cost less scheduled amortisation and depreciation.

Receivables are recognised in the balance sheet at their nominal amount. If necessary, the risk of payment default is accounted for by means of specific provisions.

Original unearned premiums and original reserves for outstanding claims are recognised in the balance sheet in accordance with the disclosures of the ceding companies. Actuarial estimates are made for the statements of account not yet received from ceding companies as at the balance sheet date.

Liabilities are included in the balance sheet at their settlement value.

Foreign currency items in the balance sheet are translated at the exchange rate on the balance sheet date. Transactions in the non-technical account are translated at current rates; transactions in the technical account are translated at annual average rates. Unrealised gains and losses on foreign exchange are recognised in income. Any surplus will be deferred. The relevant exchange rates are shown in the table below.

EXCHANGE RATES ON THE BALANCE SHEET DATE	31 Dec. 2021	31 Dec. 2020
EUR/CHF	1.03310	1.08020
USD/CHF	0.91215	0.88029
GBP/CHF	1.22947	1.20152

AVERAGE EXCHANGE RATES	31 Dec. 2021	31 Dec. 2020
EUR/CHF	1.08110	1.07050
USD/CHF	0.91409	0.93723
GBP/CHF	1.25768	1.20321

INFORMATION, BREAKDOWNS AND NOTES ON ITEMS IN THE BALANCE SHEET AND INCOME STATEMENT

NET RELEASE OF HIDDEN RESERVES IN ACCORDANCE WITH SWISS COMPANY LAW	2021	2020
in CHF thousand		
Net release of hidden reserves	0	0

Subordinated liabilities

Subordinated liabilities (due to mature on 30 November 2040) in the amount of EUR 60.0 million were recognised in the balance sheet at CHF 62.0 million at the end of the year (previous year CHF 64.8 million).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Share capital	Legal capital reserves	Legal retained earnings	Voluntary reserves	Disposable profit	Total
in CHF thousand						
As at 31 Dec. 2019	157,900	11,203	19,938	1,223	7,115	197,379
Dividends					-2,764	-2,764
Allocation to legal reserves			1,420		-1,420	0
Net income for the year					-2,551	-2,551
As at 31 Dec. 2020	157,900	11,203	21,358	1,223	380	192,064
Dividends						0
Allocation to legal reserves						0
Net income for the year					6,502	6,502
As at 31 Dec. 2021	157,900	11,203	21,358	1,223	6,882	198,566

Estimates of technical account items with an effect on liquidity

Technical account items with an effect on liquidity are recorded on the basis of the amounts disclosed in statements of account from ceding companies as well as estimates. The estimated figures are reported net. In other words, the opening values as at 1 January 2021 are offset against the closing values as at 31 December 2021. These estimates affected the income statement items in the 2021 financial year as follows:

ITEM	Disclosed	Estimated	Total recognised
in CHF thousand			
Premiums for own account	287,943	26,508	314,451
Claim payments	125,547	102,391	227,938
Commissions/profit shares	72,931	-6,860	66,071
Change in provisions for profit shares	-655	0	-655
Commissions and profit shares	72,276	-6,860	65,416

ACQUISITION AND OPERATING EXPENSES FOR OWN ACCOUNT

in CHF thousand	2021	2020
Personnel expenses	5,791	5,314
Material expenses	1,345	1,148
Depreciation of tangible assets	220	194
Total acquisition and operating expenses for own account	7,356	6,656

INCOME AND EXPENDITURE ON INVESTMENTS**INCOME**

in CHF thousand	2021	2020
Fixed-income securities	6,814	7,136
Real estate funds	1,500	1,482
Equity funds	118	47
Commodities funds	0	0
Infrastructure energy funds	1,275	1,912
Private equity	1,449	119
Sundry investments	3,180	2,598
Other current income	504	458
Total income	14,840	13,752

APPRECIATION

in CHF thousand	2021	2020
Fixed-income securities	1,161	1,065
Real estate funds	1,245	2,248
Equity funds	9,853	5,474
Commodities funds	172	2,728
Infrastructure energy funds	177	16
Private equity	223	498
Sundry investments	0	67
Total appreciation	12,831	12,096

REALISED GAINS		
in CHF thousand	2021	2020
Fixed-income securities	578	151
Real estate funds	0	62
Equity funds	0	94
Commodities funds	0	0
Infrastructure energy funds	84	83
Private equity	731	24
Sundry investments	0	9
Total realised gains	1,393	423

DEPRECIATION, AMORTISATION AND WRITE-DOWNS		
in CHF thousand	2021	2020
Fixed-income securities	-421	-252
Real estate funds	-13	-838
Equity funds	-780	-563
Commodities funds	-695	0
Infrastructure energy funds	-918	-851
Private equity	-33	-263
Sundry investments	-187	0
Total depreciation, amortisation and write-downs	-3,047	-2,767

REALISED LOSSES		
in CHF thousand	2021	2020
Fixed-income securities	-267	0
Real estate funds	-115	-2
Equity funds	0	-1,247
Commodities funds	0	0
Infrastructure energy funds	-74	-323
Private equity	-2	-19
Sundry investments	-2	0
Total realised losses	-460	-1,591

Security for commitments

A rent deposit in the amount of CHF 195,015 (previous year CHF 191,446) was lodged with our bankers as security for our rental commitments for business premises.

BNP Paribas holds securities that serve as cover for our technical provisions. As at the balance sheet date of 31 December 2021, these amounted to CHF 1,099,549 (EUR 1,064,320, previous year CHF 39,162/EUR 36,254).

CONTINGENT LIABILITIES		
in CHF million	2021	2020
Commitments entered into for the future acquisition of real estate funds	7.1	12.3
Commitments entered into for the future acquisition of infrastructure energy funds	19.8	22.7
Commitments entered into for the future acquisition of fixed-income securities	4.3	3
Commitments entered into for the future acquisition of private equity investments	47.0	43.3

Rental and leasing commitments

Rental commitments amount to CHF 2,486,721 as at 31 December 2021 (previous year CHF 558,490). There are no leasing commitments.

Total auditor's fees

FEE ITEM		
in CHF	2021	2020
Audit services	152,396	91,582
Other services	106,721	0
Total fees	259,117	91,582

Significant events after the balance sheet date

On 24 February 2022, Russia launched a broad-based attack on Ukraine on the orders of President Vladimir Putin. Switzerland adopted the EU sanctions agreed on 23 and 25 February 2022 in full on 28 February 2022.

Despite significant uncertainty on the capital markets, we intend to maintain the conservative positioning of our investments in future. This applies in particular to potential new investments. To stabilise our net income for the year, we have the option of utilising the fluctuation reserves for financial investments that we have set aside for this purpose.

The parties affected by the war are not part of our market. We do not therefore expect the sanctions that have been ordered to have any impact on our underwriting business.

Proposal for the Appropriation of Profit

The following net result for the year will be available to the General Meeting on 4 April 2022 in Zurich:

PROPOSAL FOR THE APPROPRIATION OF PROFIT AS AT 31 DECEMBER 2021		
in CHF thousand	2021	2020
Profit carried forward from previous year	380	2,931
Net income for the year	6,502	-2,551
Disposable profit	6,882	380
The Board of Directors proposes to the General Meeting that the disposable profit be distributed as follows:		
Dividends	5,527	0
Allocation to legal reserves	1,300	0
Balance carried forward	55	380

Report of the Statutory Auditor

To the General Meeting of Deutsche Rückversicherung Switzerland Ltd, Zurich

Report of the statutory auditor on the annual financial statements

As the statutory auditor, we have audited the enclosed financial statements of Deutsche Rückversicherung Switzerland Ltd, which comprise the balance sheet, income statement, cash flow statement and notes (pages 24 to 34), for the financial year ended 31 December 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of 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 to ensure that the financial statements that are prepared are free from material misstatement due to either fraud or error. The Board of Directors is also responsible for selecting and applying appropriate accounting policies and making reasonable accounting estimates.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with Swiss law and Swiss auditing standards. These standards require that we plan and perform the audit in such a way as to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence concerning the carrying amounts and other disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement in the financial statements due to either fraud or error. In assessing these risks, the auditor takes account of the internal control system where it is relevant to the entity's preparation of 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 an assessment of the appropriateness of the accounting policies used and the plausibility of the estimates made, as well as an evaluation of the overall presentation of the financial statements. We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Report based on other legal requirements

We confirm that we meet the statutory requirements on licensing in accordance with the Swiss law on audit supervision (RAG) and on independence (Art. 728 CO and Art. 11 RAG) and that there are no circumstances that are incompatible with our independence.

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

We also confirm that the proposed appropriation of available earnings (page 35) complies with Swiss law and the company's articles of incorporation and recommend that the financial statements be approved as submitted.

PricewaterhouseCoopers AG

Martin Schwörer
Audit expert
Auditor in charge

Magali Zimmermann
Audit expert

Zurich, 4 April 2022

COMPANY DETAILS

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