

To the General Meeting of
The Toa 21st Century Reinsurance Company Ltd., Zurich

Zurich, 18 March 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of The Toa 21st Century Reinsurance Company Ltd., which comprise the balance sheet, income statement, cashflow statement and notes, for the year ended 31 December 2019.



Board of Directors' responsibility

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



Auditor's responsibility

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

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



Opinion

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Other matter

The financial statements of The Toa 21st Century Reinsurance Company Ltd. for the year ended 31 December 2018 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 20 March 2019.



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 further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Licensed audit expert
(Auditor in charge)

ACCA (UK)

Enclosures

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

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

1. Balance sheet as of December 31, (in Swiss Francs)

	Notes	2019	2018
Assets			
Investments	1	260,830,962	297,131,546
Fixed-income securities		260,830,962	297,131,546
Receivables from derivative financial instruments	2	300,511	45,593
Deposits on reinsurance business	18	765,079	0
Cash and cash equivalents	3	155,399,283	112,789,227
Fixed assets	4	195,951	56,095
Reinsurer's share in technical reserves	7	1,394,591	0
Provision for unearned premiums		467,043	0
Claims outstanding & IBNR		927,548	0
Deferred acquisition costs		11,942,595	5,517,682
Receivables from insurance business	5	32,396,822	19,230,999
Other Receivables	6	4,604,588	4,570,704
Other Assets		12,078,764	1,440,313
Reinstatement premium reserve		9,703,640	0
Accrued interest income		2,153,369	1,420,353
Prepayments		221,755	19,960
Total assets		479,909,145	440,782,159
Liabilities			
Technical provisions	7	208,033,493	131,546,970
Provision for unearned premiums		46,373,462	19,500,032
Claims outstanding & IBNR		161,660,031	98,674,555
Equalisation provision		0	12,975,695
Additional unexpired risk reserve (AURR)		0	396,688
Non-technical provisions		451,038	113,065
Provisions for taxation	8	451,038	113,065
Liabilities from derivative financial instruments	9	1,364,242	0
Payables to insurance business	10	9,671,580	9,167,993
Payables from outward business		1,422,752	0
Deferred acquisition costs		102,810	0
Other liabilities		2,738,749	796,763
Other payables		446,665	332,644
Accrued expenses		2,292,083	464,119
Total liabilities		223,784,663	141,624,790
Shareholders' equity			
Share capital	11	243,000,000	243,000,000
Legal capital reserves		2,000,000	2,000,000
Organisation Fund		2,000,000	2,000,000
Legal retained earnings		38,650,228	38,650,228
Voluntary retained earnings		-27,525,746	15,507,141
Result carried forward		15,507,141	74,916,462
Result for the period		-43,032,887	-59,409,320
Total shareholders' equity		256,124,482	299,157,369
Total liabilities and shareholders' equity		479,909,145	440,782,159

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

2. Income statement for the year ended December 31, (in Swiss Francs)

	Notes	2019	2018
Gross premiums written		110,331,930	37,496,759
Outward premiums		-2,833,822	-3,460
Net premiums written		107,498,107	37,493,300
Gross change in unearned premium		-27,046,087	1,205,110
Outward change in unearned premium		467,043	-291,994
Net premiums earned		80,919,064	38,406,416
Total income from insurance business		80,919,064	38,406,416
Gross claims paid		-61,113,329	-16,699,486
Outward claims paid		94,926	34,948
Gross change in technical provisions	12	-50,193,673	-68,745,361
Gross change in claims reserves		-63,566,056	-75,341,276
Change in AURR		396,688	-396,688
Change in the equalization provision		12,975,695	6,992,604
Outward change in technical provisions	12	928,944	-46,782
Outward change in claims reserves		928,944	-46,782
Net claims incurred		-110,283,131	-85,456,681
Acquisition costs		-13,333,173	-9,386,044
Administrative expenses		-2,788,789	-1,429,206
Personnel expenses	13	-4,620,403	-1,183,072
Net acquisition cost and administrative expenses		-20,742,365	-11,998,323
Total depreciation		-108,027	-31,531
Other technical expenses		-86,942	-160,884
Other expenses from insurance business		-86,942	-160,884
Total expenses from insurance business		-131,220,466	-97,647,418
Investment income	14	8,747,353	5,847,944
Income from derivative financial instruments		3,866,913	1,630,941
Other investment income		4,880,440	4,217,003
Investment expenses	15	-1,361,404	-5,780,769
Expenses from derivative financial instruments		-1,468,114	-2,087,447
Other investment expenses		106,710	-3,693,322
Net investment result		7,385,950	67,175
Exchange gains and losses		-3,116,996	-132,627
Gain on acquisition		3,088,741	
Other financial expenses		-28,255	-132,627
Operating result		-42,943,708	-59,306,454
Result before taxes		-42,943,708	-59,306,454
Direct taxes		-89,179	-102,866
Result after taxes		-43,032,887	-59,409,320

**The TOA 21st Century
Reinsurance Company Ltd.**

CASH FLOW STATEMENT

	31/12/2019	31/12/2018
CASH FLOW FROM OPERATING ACTIVITIES		
NET INCOME	-43,032,887	-59,409,320
ADJUSTMENTS FOR	-254,918	1,136,675
Unrealized gain provision	-254,918	1,136,675
CHANGES IN OPERATIONAL ASSETS AND LIABILITIES	49,597,278	67,945,344
Unearned premium reserve (retrocession)	-467,043	291,994
Claims outstanding (retrocession)	-927,548	46,782
Reinsurance premium receivables	-13,930,902	287,674
Other technical reserves	-9,703,640	0
Receivables from outward business	0	729,068
Other receivables	-33,883	-4,302,189
Accrued interest	-733,017	754,813
Deferred policy acquisition costs	-6,322,102	354,768
Prepayments	-201,795	-19,960
Unearned premium reserve	26,873,430	-1,205,110
Claims outstanding	49,613,094	68,745,361
Local taxes payable	337,972	113,065
Reinsurance losses payable	1,926,339	1,768,740
Other payables	1,478,263	330,275
Accrued liabilities	1,827,965	106,158
Fixed assets	-139,856	-56,095
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	6,309,472	9,672,699
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of fixed maturities	76,555,998	124,297,726
Purchases of fixed maturities available-for-sale	-40,255,414	-83,080,667
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	36,300,584	41,217,059
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends to shareholder	0	-1,900,000
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	0	-1,900,000
CHANGE IN CASH AND CASH EQUIVALENTS	42,610,056	48,989,758
Cash and cash equivalents at beginning of period	112,789,227	63,799,470
CASH AND CASH EQUIVALENTS AT END OF PERIOD	155,399,283	112,789,227

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

4. Notes

(in Swiss Francs)

The Toa 21st Century Reinsurance Company Ltd. (hereinafter "TTFC") was incorporated on 23 January 2002 in Chur and moved to Zurich on 23 January 2017. Since 27 November 2019 the registered office is at Kreuzplatz 16, CH – 8008 Zurich.

General

These financial statements were prepared according to the provisions on commercial accounting of the Swiss Code of Obligations (Art.957-963b, applicable as of 1 January 2015), as well as according to the provisions of the Swiss Ordinance on the Supervision of Private Insurance Companies, applicable as of 15 December 2015.

Due to rounding errors, there may be difference of CHF 1.

Key accounting and valuation principles

The main accounting and valuation principles used, which are not already specified by the Code of Obligations, are described as follows.

Foreign currency items and translation for presentation purposes

The currency in which TTFC operates is CHF (functional currency). Transactions in other currencies are converted into the functional currency at the exchange rate on the date the transaction takes place.

Monetary assets and liabilities in other currencies are converted into the functional currency at the exchange rate as of the balance sheet date. Any profits or losses resulting from the exchange are recorded in the income statement.

Non-monetary assets and liabilities are converted to the functional currency at the historical foreign exchange rate at the time of the original transaction. In case the foreign exchange rate as of the balance sheet date is lower than the historical foreign exchange rate, a foreign exchange loss is recorded in the income statement.

Fixed-income securities

Comprise out of bonds and evaluated at lower of amortized cost or market value.

Technical reserves

The technical reserves of TTFC are calculated in line with the TTFC's reserving policy.

Deferred commissions

The revised reserving policy of TTFC explicitly states that the deferred commissions will be shown as an asset on the balance sheet.

The deferred commissions shown in the balance sheet as at December 31, 2019 and 2018 are related only to non-life business.

1 Investments

	2019	2018
Government Bonds	20,943,798	19,971,274
Corporate Bonds	239,887,164	277,160,271
	<u>260,830,962</u>	<u>297,131,546</u>
Bond credit rating (Moody's, if available, otherwise S&P)	2019	2018
Bonds, rating AAA	82,529,580	111,412,330
Bonds, rating AA	53,032,745	67,959,479
Bonds, rating A	60,380,628	69,051,906
Bonds, rating BBB	40,010,921	25,787,796
Bonds, unrated	24,877,087	22,920,035
	<u>260,830,962</u>	<u>297,131,546</u>

2 Receivables from derivative financial instruments

	Nominal value		Market value at 31.12	
Provision for unrealised gains FX Forward contract				
open date 06.12.2019	EUR	-34,700,000	CHF	-37,828,938
expiry 10.07.2020	CHF	37,958,330	CHF	38,129,450
				<u>300,511</u>
				300,511

3 Cash and cash equivalents

	2019	2018
Cash and cash equivalents held in CHF	60,719,745	75,751,181
Cash and cash equivalents held in JPY	70,293,513	36,976,913
Cash and cash equivalents held in other currencies	24,386,025	61,133
	<u>155,399,283</u>	<u>112,789,227</u>

4 Fixed assets

With the activation of TTFC in 2018, the company has its own office and therefore fixed assets. The fixed assets of the company consist of furniture, hardware and software. Furniture is depreciated at a rate of 25% and hardware and software at a rate of 40%. The fixed assets will be depreciated down to a value of zero.

5 Receivables from insurance business

	2019	2018
Due from insurance business	32,396,822	19,230,999
from related parties	11,380,663	19,068,532
from third parties	21,016,159	162,467

6 Other Receivables

	2019	2018
Federal tax	1,654,151	1,654,151
State tax	2,462,027	2,556,828
Withholding tax	421,535	353,775
Rental deposit	66,875	5,950
	4,604,588	4,570,704

There is an overpayment of the 2018 state tax, due to the fact that TTFC is showing a loss, so no income tax will be due, and a prepayment had already been made. The federal tax for 2017 was paid once to the federal tax office and once to the state tax office, leading to an overpayment of these taxes as well.

In 2018 the rental deposit for the office premises was held under Cash and Cash Equivalents. The rental deposit for the new office premises has been presented in 2019 as a receivable.

7 Technical provisions

	Gross technical reserves		Reinsurers share of Technical reserves		Net technical reserves	
	2019	2018	2019	2018	2019	2018
Unearned premiums	46,373,462	19,500,032	-467,043	0	45,906,419	19,500,032
Outstanding claims reserves	70,186,659	40,615,689	-42,034	0	70,144,625	40,615,689
IBNR reserves	91,381,850	58,058,866	-885,513	0	90,496,337	58,058,866
Unallocated loss adjustment expenses reserve	91,522	0	0	0	91,522	0
Equalization provisions	0	12,975,695	0	0	0	12,975,695
AURR	0	396,688	0	0	0	396,688
Total	208,033,493	131,546,970	-1,394,591	0	206,638,902	131,546,970

8 Provisions for taxation

	2019	2018
Federal tax	0	0
State tax	429,756	102,768
VAT	21,281	10,297
	451,038	113,065

9 Liabilities from derivative financial instruments

	Nominal value	Market value at 31.12
Provision for unrealised losses FX Forward contract		
open date 29.10.2019	CHF -54,797,023	CHF -54,848,075
expiry 07.02.2020	JPY 6,000,000,000	CHF 53,483,832
		-1,364,242

10 Payables to insurance business

	2019	2018
Due to insurance companies	9,671,580	9,167,993
to related parties	9,652,764	9,167,993
to third parties	18,816	0
Due to outward business	1,422,752	0
to related parties	0	0
to third parties	1,422,752	0

11 Statement of changes in Equity

	Share capital	Organisation Fund	Legal retained earnings	Voluntary retained earnings	Shareholders' equity
Balance 01.01.2018	243,000,000	2,000,000	34,758,103	80,708,587	360,466,690
Approp. of prior period result			3,892,125	-3,892,125	0
Dividend payment				-1,900,000	-1,900,000
Result for the period				-59,409,320	-59,409,320
Balance 31.12.2018	243,000,000	2,000,000	38,650,228	15,507,141	299,157,369
Balance 01.01.2019	243,000,000	2,000,000	38,650,228	15,507,141	299,157,369
Approp. of prior period result			0	0	0
Dividend payment				0	0
Result for the period				-43,032,887	-43,032,887
Balance 31.12.2019	243,000,000	2,000,000	38,650,228	-27,525,747	256,124,483

Information related to items on the income statement

12 Changes in technical provisions

	Gross technical provisions		Reinsurers share of technical provisions		Net technical provisions	
	2019	2018	2019	2018	2019	2018
Change in outstanding claims reserves	-30,107,058	-24,237,026	43,431	-33,957	-30,063,627	-24,270,984
Change in IBNR reserves	-33,367,476	-51,104,250	885,513	-12,825	-32,481,962	-51,117,075
Change in ULAE reserves	-91,522	0	0	0	-91,522	0
Change in AURR	396,688	-396,688	0	0	396,688	-396,688
Change in the equalization provision	12,975,695	6,992,604	0	0	12,975,695	6,992,604
Total	-50,193,673	-68,745,361	928,944	-46,782	-49,264,729	-68,792,143

13 Personnel expenses

With the activation of TTFC in 2018, the company has its own employees. Personnel expenses consist of salaries and bonus paid to employees, as well as expenses for social insurances (AHV, UVG, KTG, BVG). Accruals for personnel expenses are included in the balance sheet under "Accrued expenses."

14 Investment income

	Earnings		Appreciation		Realized gains	
	2019	2018	2019	2018	2019	2018
Bonds	3,538,238	4,129,924	85,423	-149,730	1,256,780	236,326
Forward contracts	0	0	0	0	3,866,913	1,630,941
Other interest	0	483	0	0	0	0
Total Investment income					8,747,353	5,847,944

15 Investment expenses

	Investment related costs		Depreciation		Realized losses	
	2019	2018	2019	2018	2019	2018
Bonds	-441,544	-468,361	569,854	0	-21,600	-3,224,961
Forward contracts	0	0	0	0	-1,468,114	-2,087,447
Total Investment expenses					-1,361,404	-5,780,769

16 Fees for audit services

	2019	2018
External Audit Fees	105,988	91,495
Internal Audit Fees	17,232	14,281
Total Fees for audit services	123,220	105,776

Other information

17 Liabilities to pension schemes

	2019	2018
Profond Vorsorgeeinrichtung	185	54,776
Total Liabilities to pension schemes	185	54,776

18 Deposits on reinsurance business

	2019	2018
Other collateral assignments	765,079	0
Total Deposits on reinsurance business	765,079	0

19 Full-time equivalents

The TTFC has an annual average of less than 50 full-time positions (previous year: less than 10 full-time positions).

20 Extraordinary events

There was a capital injection of CHF 150'000'000 as an À-Fonds-Perdu Contribution, approved by the Extraordinary Shareholders Meeting on 25 February 2020. The funds were received to the bank on 5 March 2020 and booked into the Company's equity.

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

5. Proposal of the Board of Directors' for the appropriation of available earnings (in Swiss Francs)

	2019	2018
Movements of retained earnings		
Result brought forward	15,507,141	74,916,462
Profit / Loss for the business period	-43,032,887	-59,409,320
Available earnings	-27,525,747	15,507,141
Allocation to general legal reserve	0	0
Dividend payment	0	0
Retained earnings to be carried forward	-27,525,747	15,507,141