

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

Zurich, 24 March 2023

Report of the statutory auditor

Report on the audit of the financial statements



Opinion

We have audited the financial statements of The Toa 21st Century Reinsurance Company Ltd. (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.



Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements



In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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)

Licensed audit expert

Enclosures

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

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

Financial Reporting per 31/12/2022

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THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

1. Balance sheet (in Swiss Francs)

	Notes	31/12/2022	31/12/2021
Assets			
Investments	1	517,505,108	470,515,789
Fixed-income securities		398,889,924	308,325,931
Funds		110,028,975	153,718,250
Insurance linked securities		8,586,147	8,471,608
Margin accounts		62	0
Receivables from derivative financial instruments		735,881	0
Deposits on reinsurance business	16	9,097,873	12,315,982
Cash and cash equivalents	2	86,928,103	115,089,887
Fixed assets	3	174,703	204,060
Reinsurer's share in technical reserves	6	45,635,355	57,199,903
Provision for unearned premiums		902,134	1,209,454
Claims outstanding & IBNR		44,733,221	55,990,449
Deferred acquisition costs		41,028,905	26,470,285
Receivables from insurance business	4	133,865,291	95,230,683
Receivables from outward business	4	10,473,867	10,929,607
Other Receivables	5	1,501,837	2,335,593
Other Assets		5,925,221	4,468,438
Reinstatement premium reserve		178,089	48,018
Accrued interest income		2,783,923	1,425,287
Prepayments		2,963,209	2,995,133
Total assets		852,872,144	794,760,228
Liabilities			
Technical provisions	6	485,917,619	409,217,600
Provision for unearned premiums		155,558,979	104,158,521
Claims outstanding & IBNR		313,037,887	298,067,894
Mathematical reserve		17,320,753	6,991,184
Non-technical provisions		435,103	2,011,245
Provisions for taxation	7	435,103	1,379,225
Provisions for unrealised gains		0	632,020
Liabilities from derivative financial instruments		895,083	0
Payables to insurance business	8	11,286,302	11,782,555
Payables from outward business	8	10,724,749	12,365,815
Deferred acquisition costs		55,549	387,374
Reinstatement premium reserve		0	164
Other liabilities		1,811,165	1,138,726
Other payables		587,484	358,772
Accrued expenses		1,223,681	779,954
Total liabilities		511,125,570	436,903,479
Shareholders' equity	9		
Share capital		243,000,000	243,000,000
Legal capital reserves		152,000,000	152,000,000
Organisation Fund		2,000,000	2,000,000
Reserves from capital contribution		150,000,000	150,000,000
Legal retained earnings		38,650,228	38,650,228
Voluntary retained earnings		-91,903,654	-75,793,478
Result carried forward		-75,793,478	-34,455,026
Result for the period		-16,110,176	-41,338,453
Total shareholders' equity		341,746,574	357,856,749
Total liabilities and shareholders' equity		852,872,144	794,760,228

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

2. Income statement (in Swiss Francs)

	Notes	2022	2021
Gross premiums written		283,913,662	243,883,542
Outward premiums		-23,469,410	-30,098,147
Net premiums written		260,444,252	213,785,396
Gross change in unearned premium		-58,958,716	-39,830,293
Outward change in unearned premium		71,079	1,338,292
Net premiums earned		201,556,615	175,293,395
Total income from insurance business		201,556,615	175,293,395
Gross claims paid		-126,037,102	-69,101,487
Outward claims paid		28,897,596	258,911
Gross change in technical provisions	10	-43,787,479	-163,131,629
Gross change in claims reserves		-32,942,661	-155,750,667
Change in mathematical reserve		-10,844,818	-7,380,962
Outward change in technical provisions	10	-8,616,323	52,946,150
Outward change in claims reserves		-8,616,323	52,946,150
Net claims incurred		-149,543,308	-179,028,056
Acquisition costs		-34,862,379	-28,785,429
Administrative expenses		-3,191,220	-3,269,900
Personnel expenses	11	-5,848,222	-4,930,774
Net acquisition cost and administrative expenses		-43,901,821	-36,986,103
Total depreciation		-78,413	-96,674
Other technical expenses		-4,503,492	-528,220
Other expenses from insurance business		-4,503,492	-528,220
Total expenses from insurance business		-198,027,034	-216,639,053
Investment income	12	30,799,803	4,389,107
Income from derivative financial instruments		15,881,741	0
Other investment income		14,918,062	4,389,107
Investment expenses	13	-38,042,133	-3,799,869
Expenses from derivative financial instruments		-10,269,223	-250,578
Expenses from derivative related to insurance business		-590,604	-313,089
Other investment expenses		-27,182,306	-3,236,202
Net investment result		-7,242,330	589,238
Exchange gains and losses		-12,444,209	-609,502
Provisions for unrealised gains		632,020	601,979
Other financial expenses		-11,812,189	-7,523
Operating result		-15,524,938	-40,763,943
Result before taxes		-15,524,938	-40,763,943
Direct taxes		-585,238	-574,510
Result after taxes		-16,110,176	-41,338,453

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

CASH FLOW STATEMENT

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
NET INCOME	-16,110,176	-41,338,453
ADJUSTMENTS FOR	-850,419	0
Unrealized gain provision (derivatives)	-735,881	0
Forex on Insurance Linked Securities	-114,538	0
CHANGES IN OPERATIONAL ASSETS AND LIABILITIES	35,673,592	86,731,463
Unearned premium reserve (retrocession)	307,320	-649,696
Claims outstanding (retrocession)	11,257,228	-51,559,627
Reinsurance premium receivables	-35,416,498	-49,505,456
Other technical reserves	-130,235	3,281,364
Receivables from outward business	455,740	-6,038,057
Other receivables	833,756	2,121,561
Accrued interest	-1,358,636	-477,178
Deferred policy acquisition costs	-14,890,445	-9,144,974
Prepayments	31,924	-2,316,081
Unearned premium reserve	51,400,458	35,304,811
Claims outstanding	25,299,562	154,939,273
Local taxes payable	-944,122	-197,911
Reinsurance losses payable	-2,137,319	12,388,772
Other payables	1,123,795	-1,103,167
Accrued liabilities	443,727	278,091
Fixed assets	29,357	11,718
Unrealized gain provision	-632,020	-601,979
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	18,712,997	45,393,010
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of fixed maturities	543,250,265	58,793,009
Purchases of fixed maturities available-for-sale	-633,814,258	-93,686,887
Purchase/sale of funds	43,689,274	-66,174,306
Purchase of insurance linked securities	0	-8,471,608
Margin account	-62	
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	-46,874,781	-109,539,792
CASH FLOW FROM FINANCING ACTIVITIES		
Capital contribution	0	0
Dividends to shareholder	0	0
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	0	0
CHANGE IN CASH AND CASH EQUIVALENTS	-28,161,784	-64,146,781
Cash and cash equivalents at beginning of period	115,089,887	179,236,669
CASH AND CASH EQUIVALENTS AT END OF PERIOD	86,928,103	115,089,887

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, 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. Foreign exchange gains arising from the revaluation of the opening balance sheet as well as from the adjustments from application of balance sheet date rates are deferred and booked under provision for currency fluctuation. Foreign exchange losses are directly recognised 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 are evaluated at amortized cost. These securities were previously held at lower of amortized cost or market value.

Funds

Funds are evaluated at market value.

Insurance Linked Securities

Insurance linked securities are evaluated at acquisition value and monitored against the market value. Should there be a significant decrease in market value, an impairment process would be initiated.

Technical reserves

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

Deferred commissions

The unearned premium reserves are shown gross of deferred acquisition costs. Therefore deferred commissions will be shown separately as an asset on the balance sheet.

Deferred commissions related to both life and non-life business.

1 Investments

	31/12/2022	31/12/2021
Government Bonds	184,220,746	85,268,423
Corporate Bonds	214,669,178	223,057,508
	<u>398,889,924</u>	<u>308,325,931</u>
Bond credit rating (Moody's, if available, otherwise S&P)		
Bonds, rating AAA	109,255,007	84,680,925
Bonds, rating AA	72,663,970	58,960,734
Bonds, rating A	81,055,749	74,269,126
Bonds, rating BBB	87,246,589	45,021,969
Bonds, unrated	48,668,609	45,393,176
	<u>398,889,924</u>	<u>308,325,931</u>
Swisscanto fund		
UBS fund	-	56,792,725
Aberdeen liquidity fund EUR	2,272,052	37,993,203
Schroders liquidity fund EUR	83,572,688	-
Aberdeen liquidity fund USD	6,839,621	-
Schroders liquidity fund EUR	3,739,896	-
Aberdeen liquidity fund GBP	13,605,018	28,994,658
	<u>110,029,275</u>	<u>153,718,250</u>
Insurance linked securities		
	<u>8,586,147</u>	<u>8,471,608</u>
	8,586,147	8,471,608
Margin accounts		
	<u>62</u>	<u>-</u>
	62	-

2 Cash and cash equivalents

	31/12/2022	31/12/2021
Cash and cash equivalents held in CHF	43,786,459	70,390,991
Cash and cash equivalents held in JPY	2,222,611	33,019,418
Cash and cash equivalents held in EUR	15,084,954	2,225,693
Cash and cash equivalents held in GBP	12,467,290	4,844,810
Cash and cash equivalents held in other currencies	13,366,789	4,608,975
	<u>86,928,103</u>	<u>115,089,887</u>

3 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, software, and from 2021, a company car. Furniture is depreciated at a rate of 25%. Hardware, software and the company car are depreciated at a rate of 40%. In the final year, the residual balance will be depreciated down to a value of zero.

4 Receivables from insurance business

	31/12/2022	31/12/2021
Due from insurance business	133,865,291	95,230,683
from related parties	-15,755	1,480,701
from third parties	133,881,046	93,749,982
Due from outward business	10,473,867	10,929,607
from related parties	752,349	6,392,418
from third parties	9,721,518	4,537,189

5 Other Receivables

	31/12/2022	31/12/2021
State tax	708,005	1,393,998
Withholding tax	705,117	837,825
Rental deposit	88,715	88,715
Reimbursed costs from related parties	-	15,055
	<u>1,501,837</u>	<u>2,335,593</u>

There is an overpayment of the 2017 and 2018 state taxes. A prepayment for 2017 taxes was paid in 2017 for the sum of both state and federal tax. An additional payment to settle the invoiced federal tax was made in 2018, leading to an overpayment for state tax being booked at the Zurich tax office for tax year 2017.

In 2018, a prepayment was paid for tax year 2018 based on the prior year's results. Due to the fact that TTFC had a loss in 2018, and therefore no income tax would be due, an overpayment for state tax was booked at the Zurich tax office for tax year 2018.

In 2021, the tax office reimbursed the overpayments for all tax years up to and including 2019. The receivable balance is made up of the residual balance allocated to tax years 2020 and 2021.

6 Technical provisions

	Gross technical reserves		Reinsurers share of Technical reserves		Net technical reserves	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Unearned premiums	155,558,979	104,158,521	-902,134	-1,209,454	154,656,845	102,949,067
Outstanding claims reserves	147,820,934	126,038,385	-25,569,503	-26,070,274	122,251,431	99,968,111
IBNR reserves	164,110,456	170,970,727	-19,163,718	-29,920,175	144,946,738	141,050,553
Unallocated loss adjustment expenses reserve	1,106,497	1,058,782	-	-	1,106,497	1,058,782
Mathematical reserve	17,320,753	6,991,184	-	-	17,320,753	6,991,184
Total	<u>485,917,619</u>	<u>409,217,600</u>	<u>-45,635,355</u>	<u>-57,199,903</u>	<u>440,282,264</u>	<u>352,017,697</u>

7 Provisions for taxation

	31/12/2022	31/12/2021
State tax	410,080	1,301,340
VAT	25,023	77,885
	<u>435,103</u>	<u>1,379,225</u>

8 Payables to insurance business

	31/12/2022	31/12/2021
Due to insurance companies	11,286,302	11,782,555
to related parties	2,730,771	7,177,665
to third parties	8,555,531	4,604,890
Due to outward business	10,724,749	12,365,815
to related parties	-6,946,348	1,479
to third parties	17,671,097	12,364,337

9 Statement of changes in Equity

	Share capital	Legal capital reserves	Legal retained earnings	Voluntary retained earnings	Shareholders' equity
Balance 01/01/2021	243,000,000	152,000,000	38,650,228	-34,455,026	399,195,202
Approp. of prior period result	-	-	-	-	-
Dividend payment	-	-	-	-	-
Capital injection	-	-	-	-	-
Result for the period	-	-	-	-41,338,453	-41,338,453
Balance 31/12/2021	<u>243,000,000</u>	<u>152,000,000</u>	<u>38,650,228</u>	<u>-75,793,478</u>	<u>357,856,749</u>
Balance 01/01/2022	243,000,000	152,000,000	38,650,228	-75,793,478	357,856,750
Approp. of prior period result	-	-	-	-	-
Dividend payment	-	-	-	-	-
Capital injection	-	-	-	-	-
Result for the period	-	-	-	-16,110,176	-16,110,176
Balance 31/12/2022	<u>243,000,000</u>	<u>152,000,000</u>	<u>38,650,228</u>	<u>-91,903,654</u>	<u>341,746,574</u>

Information related to items on the income statement

10 Changes in technical provisions

	Gross technical provisions		Reinsurers share of technical provisions		Net technical provisions	
	2022	2021	2022	2021	2022	2021
Change in outstanding claims reserves	-30,183,800	-52,826,257	682,699	25,108,699	-29,501,101	-27,717,557
Change in IBNR reserves	-2,655,400	-102,197,339	-9,299,022	27,837,450	-11,954,422	-74,359,889
Change in ULAE reserves	-103,461	-727,071	-	-	-103,461	-727,071
Change in mathematical reserve	-10,844,818	-7,380,962	-	-	-10,844,818	-7,380,962
Total	-43,787,479	-163,131,629	-8,616,323	52,946,150	-52,403,802	-110,185,479

11 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

12 Investment income

	Earnings		Unrealized gains		Realized gains	
	2022	2021	2022	2021	2022	2021
Bonds	7,349,468	2,428,304	-	-19,292	1,888,754	881,968
Forward contracts	-	-	-	-	21,261,079	-
Funds	252,215	1,093,966	-	-	-	-
fx transactions	44,928	1,007	-	-	-	-
Other interest	3,359	3,154	-	-	-	-
Total Investment income					<u>30,799,803</u>	<u>4,389,107</u>

13 Investment expenses

	Investment related costs		Unrealized losses		Realized losses	
	2022	2021	2022	2021	2022	2021
Bonds	-4,202,583	-944,288	-986,674	-62,789	-2,353,107	-25,264
Forward contracts	-3,052	-	-	-	-16,500,970	-250,578
Funds	-5,944,222	-13,475	-6,986,935	-1,541,398	-	-
fx transactions	-32,886	-3,912	-	-	-	-
Other interest	-434,846	-645,074	-	-	-	-
Other costs	-6,254	-	-	-	-	-
Derivatives related to insurance business	-590,604	-313,089	-	-	-	-
Total Investment expenses					<u>-38,042,133</u>	<u>-3,799,869</u>

14 Fees for audit services

	2022	2021
External Audit Fees	177,230	135,532
Internal Audit Fees	17,232	18,309
Total Fees for audit services	<u>194,462</u>	<u>153,841</u>

Other information

15 Liabilities to pension schemes

	31/12/2022	31/12/2021
Profond Vorsorgeeinrichtung	-198,242	-4,987
Total Liabilities to pension schemes	<u>-198,242</u>	<u>-4,987</u>

16 Deposits on reinsurance business

	31/12/2022	31/12/2021
Other collateral assignments	9,097,873	12,315,982
Total Deposits on reinsurance business	<u>9,097,873</u>	<u>12,315,982</u>

17 Letters of Credit

At December 31, 2022 there were 14 Letters of Credit in place acting as collaterals for the benefit of cedents, meeting associated reinsurance agreements requirements. They are summed by bank and expiration date:

	2022	Expiration date
The Bank of Nova Scotia	233,513	November 1, 2023
The Bank of Nova Scotia	22,139	January 20, 2024
The Bank of Nova Scotia	3,428,445	January 20, 2024
UBS AG, Stamford Branch	144,657	November 1, 2023
UBS AG, Stamford Branch	205,179	December 1, 2023
UBS AG, Stamford Branch	3,772,149	December 19, 2023
UBS AG, Stamford Branch	11,114,112	December 31, 2023
UBS AG, Stamford Branch	2,202,647	December 31, 2023
Total Letters of Credit	<u>21,122,841</u>	

18 Full-time equivalents

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

19 Subsequent events

At 01:17 a.m. UTC (04:17 a.m. local time) on Monday February 6, a strong earthquake occurred in Kahramanmaraş province of Turkey. This first shock with a magnitude between 7.7 – 7.9 (Mw) and occurring relatively close to the surface, had been followed by a series of partially equally fierce after-shocks. The area affected is densely populated and industrialized, with 15 large cities which are home to 17 million people in central-south Turkey. As the region is not too far from the Syrian border, this neighbouring country was also affected. Suffice it to add that on the 20 February, another earthquake with a magnitude of 6.3 Mw has occurred further south. As TTFC underwrites exposure in Turkey, we expect losses to be reported from this event.

On March 19, 2023, it was announced that UBS plans to acquire Credit Suisse in an all shares transaction. The Swiss Federal Council, the Swiss Financial Market Supervisory Authority FINMA and the Swiss National Bank expressed their support for the transaction. The transaction is expected to close in Q2/23 following approvals by relevant authorities. AT1 capital instruments issued by Credit Suisse of appr. CHF 16 billion in aggregate have been written-down in full. Although TTFC has an active relationship with Credit Suisse, the financial exposure to this event is not significant.

THE TOA 21ST CENTURY REINSURANCE COMPANY LTD

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

	31/12/2022	31/12/2021
Movements of retained earnings		
Result brought forward	-75,793,478	-34,455,026
Profit / Loss for the business period	-16,110,176	-41,338,453
Available earnings	-91,903,654	-75,793,478
Allocation to general legal reserve	0	0
Dividend payment	0	0
Retained earnings to be carried forward	-91,903,654	-75,793,478