Solvency and Financial Condition Report (SFCR)
Business Year 2020

Credit Suisse Life & Pensions AG, Vaduz

06-April-2021

Abbreviations

AC	Audit Committee
AF	Actuarial Function
AMSB	Administration, Management or Supervisory Board
BoD	Board of Directors of CSLP
BoP	Beginning of Period
CRO	Chief Risk Office(r)
CSG	Credit Suisse Group AG
CSLP	Credit Suisse Life & Pensions AG, Vaduz
CSLPIB	Credit Suisse Life & Pensions AG (Italian Branch), Milano
EC	Eligible Capital
EM	Executive Management of CSLP
EoP	End of Period
FMA	Financial Market Authority Liechtenstein
FLDS	First Line of Defense Support (formerly BRM)
GAAP	Generally Accepted Accounting Rules
IR	Interest Rate
LAA	Local Appointed Actuary
LGD	Loss Given Default
MCR	Minimum Capital Requirement
OF	Own Funds
ORSA	Own Risk and Solvency Assessment
PVFP	Present Value Future Profits
q-o-q	quarter-on-quarter
RAF	Risk Appetite Framework
RC	Risk Committee
RMM	Risk Management Manual
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SH EQ	Shareholder Equity
SoG	System of Governance
VersAG	Versicherungsaufsichtsgesetz
VersAV	Versicherungsaufsichtsverordnung
WTW	WillisTowersWatson AG
y-o-y	year-on-year

Conventions

Dec-18	as per month end December 2018
Dec18	during the month December 2018
4Q18	as per quarter end Q4 2018
YE18	as per year end 2018
m	millions
bn	billions

Content

1 Executive Summary

This Solvency and Financial Condition Report (SFCR) has been prepared to satisfy the public disclosure requirements in accordance with and pursuant to the national supervisory law "Gesetz vom 12. Juni 2015 betreffend die Aufsicht über Versicherungsunternehmen (Versicherungsaufsichts-gesetz, VersAG)" including the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation (EU) 2015/35 and the EIOPA Guidelines on Reporting and Public Disclosure EIOPA-BoS-15/109 EN. The structure of this report follows the Annex XX of the Delegated Regulation and covers the financial year 2020. The main chapters relate to business and performance, system of governance, risk profile, solvency valuation and capital management. Moreover, there is an appendix which holds the quantitative reporting templates of the SFCR. Following approval by the Board of Directors the SFCR is published on the Credit Suisse Life & Pensions AG website https://www.credit-suisse.com/li/de/lifepensions.html.

During the business year changes in regulation (for example, SFTR («The Securities Financing Transaction Regulation», DAC 6 («Directive on Administrative Cooperation», or SRD II («The Shareholder Rights Directive II») affected the insurance industry by further increasing regulatory requirements. Respective changes have been implemented by the company with respective resource consuming projects. In 2020 the COVID-9 pandemic led to a lower level of new business volume – CHF 159m compared to CHF 207m last year - and a higher level of full and partial surrender claims – CHF 247m compared to CHF 212m last year - as well as death and maturity claims – CHF 166m compared to CHF 129m last year. Moreover, COVID-19 also affected the capital markets with a significant deterioration in the first few months of 2020 and a gradual recovery towards the end of year in an increasingly volatile market environment. Despite these effects the level of fee income in original currency remained fairly stable. Our cost discipline and a release of other provisions explains why the profit for 2020 increased to CHF 7.5m compared to last year's profit of CHF 1.2m.

Going forward the Internal Control System shall be further developed. While progress was made in 2020 to improve the governance in the area of AML-related aspects additional initiatives have already been launched to further improve processes, systems and the governance framework as well as increasing the staff.

Credit Suisse Life & Pensions AG only offers unit-linked life insurance products where the investment risk is borne by the policy holder and focuses its sales activities in Germany and Italy. The risk profile of the company has not changed significantly. The main risks the company is exposed to remain market risk (equity risk and FX risk) and the lapse risk where the company is indirectly affected in that such risks lead to a decrease of the value of policy holder assets and, thus, fee income. Mortality risk is largely reinsured and risk results within the retention have been positive and stable over the years.

Regarding the valuation for solvency purposes the main differences relate to the valuation of reinsurance recoverables, technical provisions and deferred tax liabilities.

Credit Suisse Life & Pensions AG is again well capitalized with a SCR-coverage of 235% (compared to 226% last year) and a MCR-coverage of almost 522 % (compared to 503 % last year). The entire eligible capital of CHF 162.2m (compared to CHF 159.6m last year) is tier 1 and, thus fully eligible for both SCR and MCR. The SCR is CHF 69.1m (compared to CHF 70.5m last year) and stems largely from market risk and life underwriting risk (CHF 46.1m and CHF 38.0m – before diversification of CHF 19.6m). The statutory profit for 2020 was CHF 7.5m and the shareholder statutory capital as of 31.12.2020 mounts to CHF 109.5m (compared to CHF 102.0m last year).

2 Business and Performance

2.1 Basic Information

Credit Suisse Life & Pensions AG, Vaduz, abbreviated here and in the following as “CSLP”, is an unquoted, limited company, located in Vaduz, Liechtenstein (Fürstentum Liechtenstein, FL). Under the regime if freedom of establishment CSLP operates a branch, Credit Suisse Life & Pensions AG (Italian Branch), abbreviated here and in the following as “CSLPIB”, domiciled in Milano, Italy. Credit Suisse AG, Switzerland, (CS) is CSLP’s sole shareholder and the nominal share capital of CHF 15.0m is fully paid in. Credit Suisse AG itself is a 100% subsidiary of Credit Suisse Group AG (CSG). CSLP functionally is embedded in the International Wealth Management Division of CSG.

Its local supervisory authority is the “Finanzmarktaufsicht Liechtenstein” (FMA)

Finanzmarktaufsicht Liechtenstein
Landstrasse 109
Postfach 279
9490 Vaduz
LIECHTENSTEIN

The external auditor of the firm is

PricewaterhouseCoopers AG
Birchstrasse 160
8050 Zürich
SWITZERLAND

The supervisory authority of CSG is the Swiss Financial Market Supervisory Authority FINMA

Eidgenössische Finanzmarktaufsicht FINMA
Laupenstrasse 27
3003 Bern
SWITZERLAND

2.2 Material Lines of Business (LoB)

CSLP only offers unit linked insurance products where the investment risk is born by the policy holder and focuses its sales activities in Germany and Italy. CSLP targets ultra-high-net-worth or high-net-worth individuals or those private clients' asset managers. The business itself and business volumes depend on the Bank (as referrer) and on the attractiveness of its compliant products.

2.3 Events with a material Impact on the Firm

On the regulatory side, CSLP - like all other life insurance companies - is affected by ever increasing regulatory requirements be it through the "Packaged Retail and Insurance-based Investment Products" (PRIIPs) regulation, the "Insurance Distribution Directive" (IDD), or the SFTR («The Securities Financing Transaction Regulation». The PRIIPs regulation introduced the Key Investor Document (KID) that must be shared with all investors, i.e. our policy holders, before they enter into a contractual agreement on any unit-linked life insurance product. IDD (formerly known as IMD II) facilitates the cross-border business in the EEA, strengthens consumer protection with particular focus on insurance distribution, but also with significant requirements for manufacturers. The implementation and maintenance of PRIIPs and IDD caused additional expenses but also strengthened the product development and review process.

On the business side CSLP has been indirectly affected by the COVID-19 pandemic due to the capital market turbulences resulting in a reduction of fee income in the first half year and due to a slowdown of new business volumes in a competitive insurance market. However, this could be partly compensated by a favorable development of the capital markets towards the second half of the business year which led to a stabilization of the value of policy holder assets and, thus, a stabilization of fee income.

At the moment of writing this report the impact of the second and third wave of the COVID-19-pandemic can hardly be assessed. A new turmoil on the capital markets or an economic downturn might affect the economy and the capital market and lead to a significant, and possibly longer lasting reduction of the value of policyholder assets. Moreover, mortality incidents are likely to increase in 2021. This development as well as the impact on clients, contractors and other important stakeholders are monitored closely by the management and possibilities to mitigate the impact are reviewed.

2.4 Underwriting Performance

	Amounts booked (in CHFm)					# of Polices[1]	
Year	New Bus.[2]	Surr.[3]	Claims[4]	VTR[5]	Profit	New Bus.	Total
2019	207	-212	-129	5'572	1.2	110	3'290
2020	159	-247	-166	5'367	7.5	71	3'165

Table 1: New Business, total and partial Surrenders, CSLP 2018-2019.

As can be seen from Table 1, sales volumes of new single premiums for 2020 was CHF 159m (of which CHF 151m stem from the Italian Branch) and for 2019 was CHF 207m (of which CHF 186m stem from the Italian Branch). Life Portfolio Italy remains the main contributor for writing new business. In 2020 surrenders with CHF 247m were higher than last year with CHF 212m. Claims also increased to CHF 166m compared to last year's amount of CHF 129m. Please note that mortality risk is to a large extent reinsured and CSLP only keeps a low retention. Overall, statutory risk results net of reinsurance have been positive and stable over the years in a range of CHF 0.2m to CHF 0.4m. Over recent years, CSLP's policy holder (PH) investment base has been volatile for various reasons. The increase in 2019 is mainly driven by the positive capital market development, especially towards the end of the year. The decrease in 2020 resulted from a decline in the capital market due to Covid-19 and reduced new business volume.

Despite these effects the level of fee income in original currency remained fairly stable. Our cost discipline and a release of other provisions explains why the profit for 2020 increased to CHF 7.5m compared to last year's profit of CHF 1.2m. Amendment to existing as well as new regulation and reporting requirements will keep operating expenses on a high level. The capital market development influences to a large extent the yearly results as fee income depends on the level of the value of policy holder assets and the development of exchange rate between EUR and CHF.

[1] Source: „Geschäftsbericht", "Jahresbericht"
[2] including additional payments (source as above)
[3] including partial and total surrenders but excluding maturing policies and death cases (source: as above)
[4] including mortality claims and maturing policies
[5] VTR stands for statutory "Versicherungstechnische Rückstellungen"

2.5 Investment Performance

Given CSLP's business model and its stringent investment management policy, returns and investment performance on its own funds is basically non-existent due to negative interest on cash positions. See Table 2 below some figures on Shareholder Equity (SH EQ) and also on acquisition and administration expenses.

Year	(A) SH EQ	(B) Acquisition Expenses	(C) Administration Expenses
2019	102.0	-2.2	-5.0
2020	109.5	-2.0	-5.2

Table 2: Expenses per Year in CHFm.

Some comments on the above figures:

- **(A) Shareholder Equity (SH EQ):** Changes caused by retained earnings which accumulate on a quarterly basis and obviously reflect business environment of the respective quarter.
- **(B) and (C) Expenses**: Expenses consist of variable (triggered by recurring expenses depending on number of policies administered) and fixed elements (primarily resources). Similar to 2019 Administrative Expenses could be stabilized at around CHF 5m.

With regard to the unit linked business of CSLP where the investment risk is borne by the policy holder the investment performance comprises investment income and expenses as well as realized and unrealized gains and losses and depends on capital market developments.
In 2020 the performance was CHF +67.1m and significantly lower than in 2019 with CHF +339.5m. More details can be seen from the following numbers:

- Investment income in 2020 (2019) was some CHF 32.4m (34.2m), realized capital gains were some CHF 157.5m (135.8m), and unrealized gains were some CHF 309.2m (475.3m), in total some CHF 499.1m (645.3m).
- Investment expenses in 2020 (2019) were some CHF –44.8m (-45.0m), realized capital losses were some CHF –249.3m (-34.9m), and unrealized losses were some CHF –137.9m (-225.8m), in total some CHF -432.0m (-305.7m).

CSLP is exposed primarily to the currency pair CHF/EUR (costs in CHF, revenues pre-dominantly in EUR). During the business year the FX-rate CHF/EUR slightly declined and was 1.08299 as of 31 December 2020 compared to 1.0859 as of 31 December 2019. This also affected the fee income converted into CHF. Accordingly, FX changes (market fluctuation as well as potential trigger events (such as the SNB decision back in mid-January 2015)) are closely monitored.

2.6 Other material Information on Business and Performance

According to Art. 1(2), Decree 209/2002, Italian resident insurance companies (and Italian permanent establishments of non-resident insurance companies) are subject to making advance tax payments based on a tax on mathematical reserves of certain life insurance products. The annual pre-payment is based on the current pre-tax rate of 45bps that potentially increases liquidity/funding needs, hence, interest cost. The Decree also foresees recovery mechanisms (by which corporate tax or capital gains tax of policy holders on policy income can partially be offset) and an additional cap (defined percentage of the mathematical reserves) allowed by the Italian tax authorities. Overall, the balance of the advance tax payments only increased slightly compared to last year. The recovery mechanisms and the cap is explained in more detail in Section 6.3 Capital Management: Other Information. In the Solvency II balance sheet as well as in the statutory balance sheet the balance of the advance tax payments are considered as receivable (trade, not insurance).

3 System of Governance

3.1 General Information on the System of Governance

CSLP's Management already decided in 2010 to mandate external experts with a gap analysis to ensure adherence to Solvency II as early as possible. Based on this clear-sighted view, CSLP was able to move from project mode into functional mode in 2013 and has established quarterly Risk Committees from 2014 onwards. Due to the deferral of Solvency II towards 2016, CSLP was able to make use of the preparatory phase and to familiarize its entire organization to grow into Solvency II in terms of processes, governance and experience. Figure 1 gives a good overview on the main elements of CSLP's System of Governance.

	Model	Business Plan / Capital Mgmt	Risk Mgmt	General Governance	Other
Policies & Procedures	▪ Model Doc ▪ Code Doc ▪ 'DEV' + 'PROD' ▪ Versioning ▪ Release Notes (Regression Testing)	▪ Business Planning process doc (timelines, format, responsibilities) ▪ Investment and Capital Mgmt Policy	▪ Risk Mgmt Manual ▪ Risk Appetite Framework ▪ Risk Id./Review Process ▪ Actuarial Responsibilities ▪ Assumptions Setting ▪ Adequacy S II std. formula	▪ BoD Charter ▪ Fit & Proper ▪ Mandates Key Functions ▪ Outsourcing ▪ RM and ICS ▪ OpRisk & BC Mgmt	▪ Guidelines and Group Policies eg GP-00060 (Regulatory Reporting & Accountability)
Inputs	▪ Model Changes (Parameters)[1] ▪ Code Version	▪ 3y sales forecasts (volume, # of pol.)	▪ Limit thresholds ▪ Capital thresholds ▪ Market data ▪ Stress parameters	▪ Findings previous periods ▪ Recommendations ORSA ▪ Reporting schedule ▪ …	▪ Clear roles and res-ponsibilities
	Solvency II Calculation Engine				
Outputs Reports	▪ 2QYY Dashboard[3] ▪ Assumptions & Mgmt rules ▪ Change Log	▪ 3QYY Dashboard[3] ▪ Projection parameters ▪ Potential Capital relevant transactions	▪ 4QYY, 1QYY Dashboard[3] ▪ ORSA[4] SFCR[4] RSR[4] (Scenarios, risk profile, validity SF, SCR-coverage)	▪ Regular criticality / fitness / properness assessment ▪ Annual Audit plan/report ▪ Status ICS, Data quality	▪ Fully traceable sign-offs of reportings
Review[4]	▪ AF, AA, CRO, RC[2]	▪ CFO, CRO, RC[2]	▪ RC[2] ▪ BoD[4]	▪ Chairman BoD ▪ CRO ▪ Outsourcing Manager ▪ Head Compliance, AF	▪ According to settings in MARCS and LW

[1]: as relevant and pre-scribed by EIOPA in the Standard model approach
[2]: Chairman BoD, AA/AF, and EM of CSLP is member of CSLP's RC
[3]: including QRTs
[4]: approval sits with the BoD

Figure 1: CSLP's SoG from a Process Perspective.

3.2 Administrative, Management or Supervisory Body (AMSB)

For the business year the main bodies of CSLP were as follows:

- Board of Directors (BoD),
- Executive Management (EM),
- Key functions under Solvency II (for more details Section 3.2.2),
- Risk Committee (for more details see Section 3.2.1).

CSLP's BoD Charter which is derived from CSG's BoD Charter defines core governance elements and organizational requirements as well as roles, responsibilities and crucial processes, e.g. the annual 'fit and proper' assessment. The BoD has installed the Risk Committee as standing committee.

3.2.1 Risk Committee

CSLP's Risk Committee (RC) is enabled by the BoD to regularly assess and monitor CSLP's capitalization under Solvency II and its adherence to risk management and regulatory requirements. Responsibilities of the RC are also outlined in the annual ORSA report 2020.

3.2.2 Key Functions under Solvency II

Key functions of CSLP under Solvency II comprise the Actuarial Function, Compliance, Internal Audit and Risk Management. Their tasks and responsibilities are as follows:

Actuarial Function (AF): The main tasks and responsibilities of the AF comprise to provide for the appropriateness of methods, models and assumptions used with regards to the calculation of the technical provisions, to assess the sufficiency and quality of data in this respect, and to express an opinion on the underwriting policy and on the appropriateness of the overall reinsurance arrangements. The tasks and services carried out by the AF are defined and described in more detail in the respective Actuarial Services document and summarized in the Mandate AF. The AF was outsourced until end of March 2020 and has been insourced since April 2020. Please note that the function holder of the AF is currently also the Appointed Actuary of CSLP. In order to deal with potential conflicts of interest an escalation mechanism bas been established.

Compliance Function: The main tasks and responsibilities of the Compliance Function comprise to provide for Regulatory Compliance (i.e. ensure management and employees' awareness about relevant laws and regulations, AML / ATF and sanctions included), ensuring consistent compliance principles and processes and monitoring Compliance Risk, performing Due-Diligence and Anti Money Laundering activities along the product life-cycle, and being the ICS Officer (who is responsible for the cycle and operation of the Internal Control System during the year and leads the conduction of the operation of the ICS). This is defined and described in more detail in the respective contractual agreement, the Mandate Compliance Function and CLSP's Internal Control System Guideline. Please note that the Compliance Function is outsourced to Credit Suisse AG.

Internal Audit Function: The main tasks and responsibilities of the Internal Audit Function are to provide a systematic objective and independent assessment of whether

- risks are appropriately identified and managed;
- the Internal Control System is effective;
- governance processes ensure compliance with policies, standards, procedures and applicable laws and regulations;
- management performs efficient monitoring and oversight of processes and activities.

For each business year there is a mandatory internal audit covering the scope determined. The audit plan is prepared on the basis of a robust bottom-up risk assessment, combined with a regular top-down assessment of the key risks and controls in the business. Moreover, ad-hoc internal audits can be initiated. These aspects are defined and described in more detail in the respective contractual agreement and are based on CSG's Internal Audit Charter. The Internal Audit Function is independent, reports directly to the BoD, and does not assume any other operational function or key function. Audit reports are addressed to the BoD and the EM and are – as part of CSG's System of Governance – also circulated to respective CSG functions and committees. The Internal Audit Function is outsourced to Credit Suisse AG.

Risk Management Function: The Risk Management Function is assumed by the CRO. Based on CSLP's Risk Appetite Framework which covers elements such as the:

- definition of Risk Appetite,
- definition of Stress Scenarios and Stress Testing,
- definition of Risk Limits,

CSLP has developed a comprehensive Risk Management Manual which complements the description of CSLP's risk management system. The main responsibility of risk management and the Risk Management Function, respectively, is to identify, assess, monitor and suggest mitigation of risks CSLP is exposed to or might become exposed to. Moreover, the Risk Management Function is responsible for the risk reporting to internal and external stakeholders, the ORSA-process, and the risk governance.

3.3 Changes in the System of Governance

There have been changes during the business year related to the composition of the Risk committee and due to the insourcing of the Actuarial Function.

Despite these changes, the role of the Deputy CRO, who supports the CRO, has been maintained. In order to address any potential conflict of interest in case of disagreement in risk-related questions, the Deputy CRO has to be involved and has to provide an additional risk perspective.

The employment of an experienced Actuary strengthened the System of Governance. While the System of Governance is considered suitable and appropriate for CSLP it shall be further developed going forward. A comprehensive mitigation project was conducted in 2020 and will continue in 2021 in order to further develop the AML-set-up. Moreover, possibilities to strengthen staffing at the Head Office shall be further assessed.

3.4 Remuneration Policy and Practices

Principles and statements as set out in CSG's Compensation Policy fully apply to CSLP stipulating that CSLP

- supports a performance culture that is based on merit, and differentiates and rewards excellent performance, both in the short and long term, and recognizes the Group's values;
- enables the Group to attract and retain employees, and motivate them to achieve results with integrity and fairness;
- balances the mix of Fixed Compensation and Variable Compensation to appropriately reflect the value and responsibility of the role performed day to day, and to influence appropriate behaviors and actions;
- is consistent with, and promotes, effective risk management practices and the Group's compliance and control culture;
- fosters teamwork and collaboration across the Group;
- takes into account the long-term performance of the Group, in order to create sustainable value for the Group's shareholders; and
- is approved by CSG's Board of Directors (BoD) and regularly monitored in terms of implementation by CSG's independent Compensation Committee of the BoD.

Regarding performance criteria, further referring to CSG's Compensation Policy, CSLP adopts a performance culture with a strong emphasis on disciplined risk management, ethics and compliance-centered behavior. Allocation decisions are based on the performance of CSG, the Division, and the individual. To support this, the Group has a comprehensive performance management system based on two performance ratings: Contribution and Competency. Contribution ratings are typically based on objective criteria, such as achieving budget targets, increasing market share, and successful completion of a project. Competency standards covering ethics, risk, and control form an integral part of the performance management system.

3.5 Material Transactions of Shareholder Capital

No transaction of shareholder capital took place during the reporting period and no dividends have been declared or paid out for the financial year 2020. The profit of CHF 7.5m is carried forward so that shareholder statutory capital mounts to CHF 109.5m as of 31.12.2020.

3.6 'Fit and Proper' Assessment

As outlined in more detail in CSLP's dedicated Board of Director's Charter, 'Fitness' and 'Properness' of relevant staff is assessed on an annual basis by the BoD, and, respectively, by the Board's Chairman. Apart from general requirements such as fulfillment of internal and regulatory requirements as well as standard HR processes during and after recruiting of new staff, this 'fit and proper' assessment additionally is carried out on BoD, EM and key functions following a structured approach for specific requirements. This structured approach is based on a questionnaire where the BoD needs to assess whether, and if so, which, external (e.g. regulatory changes, changes in markets) and/or internal factors (e.g. downsizing of resources) changed in a way such that certain (individual) skill sets are not deemed sufficient anymore. In case changes are actually identified, measures need to be defined and scheduled. Within the same questionnaire, 'properness' is looked at by e.g. assessing actual/intended or potential commitment of financial or other crime or violation of laws. Questionnaires need to be filled out for the BoD, for the EM, and for key functions. The mandatory annual 'fit and proper' assessment is performed in November. It is also the Board's Chairman duty to document and archive the corresponding questionnaires physically.

3.7 Risk Management System

CSLP maintains a comprehensive Risk Management Manual (RMM) describing all relevant information and processes in the context of Risk Management. The three Lines of Defense (LoD) Principle is defined in the RMM. Regular meetings between the 1st LoD and the 2nd LoD contribute to a strong awareness of responsibilities and interdependencies as e.g. taken during the annual risk identification and review process. Further roles and responsibilities are defined for the BoD, the Risk Committee and the Risk Management Function. Especially for the latter, a decomposition of risk management into risk identification, risk assessment, risk monitoring and risk appetite is used to define in detail responsibilities and processes around these components, further relying on other documents and descriptions:

- Risk identification: An extensive Risk Catalogue as contained in CSLP's Risk Appetite Framework (RAF) defines all kinds of risks, their underlying risk factors/indicators, flags each of them as relevant for CSLP (also in terms of exposure and volatility of the underlying risk factor) and whether accounted for in the Solvency II calculation. This Risk Catalogue is the starting point for the annual risk identification and review process but also is a key element in the annual assessment of the adequacy of the standard formula as required in the annual ORSA under Solvency II.

- Risk assessment: This – as long as deemed adequate – summarizes the key elements and logics of the standard formula under Solvency II.
- Risk monitoring and mitigation: Apart from CSLP's quarterly assessment of its capitalization under Solvency II there is the annual ordinary ORSA and, if required, an ad-hoc ORSA. It is highlighted that CSLP adheres to CSG standards and procedures with regards to identification and reporting of operational losses and incidents. Due to the nature of the business, CSLP is mainly exposed towards equity risk, FX risk, lapse risk, expense risk and death risk. The latter is largely reinsured.
- Risk appetite: CSLP's Risk Appetite Framework – apart from the above-mentioned Risk Catalogue – defines further essential elements of a sound risk management framework. The core element is the target capital ratio under Solvency II, articulated via a SCR coverage ratio and two further thresholds completing a simple traffic light system with well-defined actions as described in Figure 2:

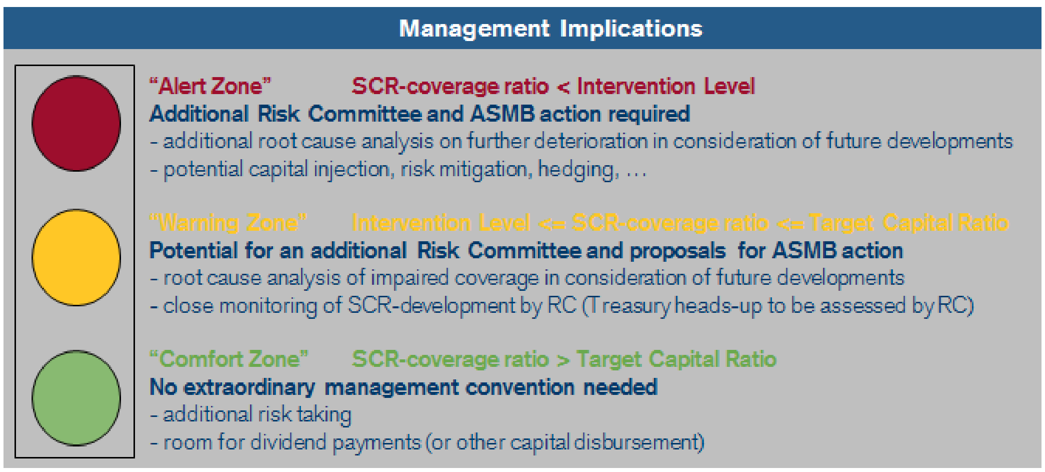

Figure 2: Traffic light system for SCR-coverage.

'Breaching' the defined thresholds might imply certain management action and is assessed and discussed in CSLP's Risk Committee. CSLP further defined risk limits which are rather limits serving as operational controls on specific risk indicators hence thought as early warning indicators. CSLP has defined and parameterized stress scenarios which were identified as most likely[6] adversely impacting CSLP's capital position. These stress scenarios are run on a quarterly basis; results are compared with the regular runs together with previous quarters' stress results and presented to the Risk Committee. CSLP follows an implicit definition of trigger events by defining an additional set of actions in case risk limits are breached in order to assess if any further action is required.

The main risks CSLP is exposed to are dealt with in more detail in Section 4.

[6] though one might intuitively think that certain market scenarios clearly push capitalization in one direction, diversification effects and specific asset allocation scenarios might pull into another direction;

3.8 Own Risk and Solvency Assessment (ORSA)

CSLP's ORSA policy elements are embedded in the RMM and contain the following main elements:

- Scope & frequency:
  - 1st quarter each year: simple update of CSLP's Solvency position;
  - 2nd quarter each year: focus on model changes and updated assumptions (assumptions setting process is defined and carried through between the actuarial and the risk management function);
  - 3rd quarter each year: incorporation of CSLP's annually updated Business Plan (business inputs are used to update projection parameters for the Cash Flow projection);
  - 4th quarter each year: full ORSA report. The core elements of the annual ORSA report are presented to and discussed by the Risk Committee; all BoD and EM members sign this report. This report also refers to the annual risk identification and review process, summarizes trainings and educations.

  This specific quarterly mode was designed to transparently analyze, document and report effects in an isolated manner and to prevent from losing control due to overlapping effects. The quarterly Risk Committee hence receives a transparent snapshot on a regular basis. Explicit approval is required for model changes, CSLP's RAF, the SF's adequacy, the annual risk identification and review and the ORSA itself.
- Awareness and culture: The establishment of the above in 2014 has continuously increased the awareness and understanding of Solvency II. Contents like the potential sale of a subset of the portfolio or a material death case are brought up by the 1st LoD to allow for an additional consideration in the context of Solvency II. Monthly meetings of the EM between the CEO, CFO and CRO further ensure that relevant topics are shared.
- Governance & process: Ultimately, the Risk Committee, as mandated and equipped by the BoD, is the regular forum and quorum receiving information around the ORSA. Further, the entire reporting process is surrounded by strong governance elements in adherence to CS' global policy on regulatory reporting. Calculations are carried out within the policy administration system hence minimizing data distribution. Automated notifications/sign-off requests are distributed via Email to the corresponding data providers, report preparers, report owners and report reviewers. This guarantees an end-to-end auditable and traceable process preventing from manual intervention and operational mistakes.

During 2020 the impact of the COVID-19 pandemic on the capital coverage and mortality results was continuously reviewed but did not show a deterioration. Thus, for the business year no ad-hoc ORSA was required. The ordinary ORSA was conducted in Q4-2020, based on actual numbers as of 30

September 2020, and the latest available business plan. Following a review and assessment of the risk types and risk profile, the risk appetite and the target capital ratio was confirmed. The ORSA and its results were intensively discussed in the RC and challenged by the BoD and EM, with ultimate responsibility and sign-off by BoD, complemented with sign-off by EM, the Appointed Actuary/Actuarial Function and the Compliance Function.

The results of the ORSA 2020 show that CSLP remains well capitalized with a SCR-coverage ratio well above the set target capital ratio. This also holds true for all conducted stress scenarios and the 4-years forward looking solvency capital projection.

3.9 Internal Control System (ICS)

CSLP's ICS has been developed and improved over the years taking proportionality, the particularities of the life insurance business and elements of CSG' banking sector ICS into account:

- The BoD is the ultimate body responsible for supervision and internal control of the company basing its supervision on regular and systematic risk analysis – CSLP has clearly defined procedures, requirements and responsibilities which are mainly documented in CSLP's BoD Charter.
- The Internal Revision is ensured by CSG's Internal Audit Function; its interaction with CSLP's BoD is defined in CSLP's BoD Charter, too.
- The Executive Management primarily, besides other duties,
  - designs adequate processes for the identification, measurement and control of its risks; in this regard CSLP also uses various processes and tools implemented by CSG (as also referred to in CSLP's Risk Management Manual) such as, for example,
    - 'myIncidents' (reporting of operational incidents and (potential) losses (profits));
    - 'MICOS' (performing and signing off Supervisory Controls);
    - 'RCSA' (annual Risk Control Self-Assessment);
    - 'GRS' (used to assign roles and responsibilities in regulatory reporting);
    - 'GLASS' (monthly sign-off of financial accounts);
  - defines an organizational structure with clear roles and responsibilities. CSLP is well documented which is regularly assessed by Internal Audit.
- CSLP benefits from a clear three Lines of Defense model with:
  - First Line of Defense Support (FLDS) e.g. carrying out annual RCSAs, SOX control assessments, quality assurance reviews etc.
  - Second Line of Defense functions, i.e. Compliance Life but also Operational Risk Management.
  - Third Line of Defense, namely Internal Audit.

A list of policies owned and maintained by the Compliance function is quoted in the Risk Management Manual in the section on the ICS and is available to staff on a respective sharepoint.

The Compliance Function in its role of ICS Officer is responsible for the cycle and operation of the ICS during the year and leads the conduction of the operation. This is defined and described in more detail in the specific CLSP Internal Control System Guideline. Since begin of 2019 the revised ICS has been up and running. Room for improvdment has been reported to the ICS Officer. Moreover the

ICS Officer conducted his review on the controls currently in place. On that basis we plan for 2021 to further develop the ICS.

3.10 Outsourcing Policy

In addition to the corresponding guidance as published by the FMA, CSLP adheres to CS' global policy on third party management which, for example, requires to

- appoint an Outsourcing Manager to supervise the Outsourcing and manage risks;
- assess business criticality (assessment of criticality), regulatory significance of service, identify potential tax requirements;
- conduct a due diligence assessment of the supplier;
- document potential organizational and process changes;
- implement a robust governance model with adequate monitoring and oversight (regular assessment of performance against contractual agreements).

CSLP is considering the above mentioned guidance of the global policy into its directive framework and processes, hence explicitly implementing the requirements on a legal entity basis. The outsourcing of key functions and important activities is listed in Table 3 below.

Outsourced key function or important activity	Jurisdiction in which the service provider is located
Compliance Function	Switzerland
Internal Audit Function	Switzerland
Important activities wrt Insurance Management, Product Management, IT,	Switzerland
Accounting and Asset Accounting	Switzerland
Asset Management	Switzerland, Italy, Germany, UK, Luxembourg

Table 3: Outsourcing key function/important activity and jurisdiction of service provider in 2020

3.11 Adequacy Assessment of the SoG

As part of the regular ORSA the System of Governance is assessed and approved on an annual basis. It is subject to regular review by Internal Audit, too. While the SoG is considered suitable and appropriate for CSLP room for improvement was identified and has been addressed in an Action Plan for 2021: Going forward the ICS shall be further developed, a comprehensive mitigation project shall address further development in the AML-set-up, and possibilities to further strengthen staffing at the Head Office.

4 CSLP's Risk Profile

4.1 Summary

CSLP's risk profile from a qualitative perspective is articulated via the Risk Catalogue as defined in CSLP's RAF, subject to annual review. The risks CSLP is exposed to are assessed with regards to Risk Appetite, the annual risk identification and review process and the annual evaluation of the adequateness of the Standard Formula which complements this assessment on an annual basis. An (annual) assessment of CSLP's risk profile from a quantitative perspective is interpreted to be fulfilled by the decomposition of SCR and a calculation of risk type contributions, documented in the annual ORSA report.

Ultimately, CSLP's risk profile is the aggregated view of the risks CSLP's is exposed to and the changes in underlying risk factors. Structured processes around the regular assessment with clear ownership, escalation lines and outcomes are seen as strong framework to let CSLP's AMSB feel comfortable with the regular assessments.

4.2 Risk Exposure

CSLP has a standard set of metrics and tools which it relies on in its quarterly risk assessment, in the comparison with previous periods' figures and for the reporting of risks. A top-down summary of such metrics/tools could look like that:

- Metrics:
  - SCR and MCR coverage ratio;
  - Eligible and required capital SCR and MCR (and their components);
  - Tiering and absolute capital cushion SCR and MCR;
  - Tiering and absolute capital surplus with regard to the target capital ratio defined (SCR only).
- Dimensions & tools:
  - Historical and projected values;
  - Decomposition of own funds (also PVFP) and SCR;
  - Risk type contributions SCR;
  - Analysis of Change (analysis of incremental changes based on pre-scribed actuarial steps);
  - Stress testing (up to ten pre-defined stress scenarios);
  - Risk limits (quarterly and annual ones).

The combination of the above metrics and analytical tools serve CSLP as an extensive tool to analyze its risk profile. Moreover, the development over time is observed and analyzed. CSLP's risk exposure as per YE20 based on the standard formula calculations and correlation parameters per risk type contribution after diversifications largely stems from the two most important sub-SCR's lapse and FX (each with more than 33 %) and the equity sub-SCR (some 14 %).

Given CSLP's conservative investment policy for investments on CSLP's risk, market risks and surrender risk in this type of business expose the company only indirectly via a potential shortfall in earnings. Risk type contributions are regularly looked at in the Risk Committee Meetings and reasons for changes observed are discussed. The main risk drivers CSLP is exposed to (lapse, FX and Equity) remain the same, but its relative contribution varies slightly from quarter to quarter. In order to address the operational risk beyond for what is foreseen in the Standard Formula, CSLP performs respective stress tests as part of its ORSA.

4.2.1 Market and Credit Risks

As mentioned above, direct market risk is almost non-existent and counter-intuitively materializes via Solvency II framework's methodology which consistently also applies to unit-linked business where the policyholder fully bears investment risks. Credit risk arises from CSLP's reinsurer and is considered remote, too. Further credit risk, more material than as with the reinsurer, is given by CSLP's shareholder, Credit Suisse AG, where almost all of CSLP's Shareholder equity is deposited at.

4.2.2 Life Underwriting Risks

As elaborated on before, mortality risks are mainly reinsured and remaining life underwriting risks within that context mainly stem from surrenders and expenses. However, these types of risk also materializes within the Solvency II framework via the vulnerability of PVFP in case of material surrender activity or expense changes.

Surrender rates are monitored as part of CSLP's limit framework and are updated on an annual basis in the annual Assumptions Setting Process. A similar procedure applies to expenses.

4.2.3 Operational Risks, Cyber Risks

Operational risks are inevitable and inherent to the business. CSLP's loss history does not support material exposure. It has to be noted that CSLP pre-dominantly relies on CSG processes, systems and people. Operational losses and control incidents are recorded and analyzed in line with CSG's Incident Response framework but especially are considered in the annual risk identification and review process to ensure that (potentially) material financial and non-financial impacts are adequately covered in the context of Solvency II.

The exposure to cyber risks has increased for the insurance and banking industry. Due to the need to work from home as a result of the COVID-19 pandemic this exposure has further increased. In this regard CSG intensified trainings and other means, e.g. self-initiated phishing emails, in order to raise awareness of all staff and mitigate risks.

CSLP deals with cyber risk in the context of operational risk. Like other group companies CSLP has fully been embedded in CSG's sophisticated activities, measures, processes and defense logistics to tackle cyber risk. The CSG cyber risk set-up is regularly reviewed and updated and summarized in CSG's "Global Statement of Information Security".

4.3 Risk Concentration

As summarized in the regular evaluation of the standard formula, highlighted in each ORSA report and as can be seen from the numbers in section 4.2, CSLP's major risk drivers are surrender risk (mass surrender), currency risks and equity risks. Mass surrender risk materializes via a sharp reduction in recurring fees (however at the same time reducing required capital materially)[7]. Equity risks are driven by a notable share in equities on the side of policyholders (41% as per YE20 and 40 % as per previous YE) which is driven also by market movements. Spread risk stems from a considerable share in fixed income assets on the side of policyholders (49% as per YE20 and almost 51% as per previous YE). CSLP is aware of the concentration risk stemming from its shareholder equity being deposited on various bank accounts of CSG.

4.4 Risk Mitigation

CSLP is not actively mitigating the market risks it is exposed to. However, CSGs Group Treasury is executing so-called FX levelling on a monthly basis on CSLP's cash balance sheet positions.

With regards to mass surrender, there are new reinsurance solutions available in the market but for the moment such solutions are not further considered. The only risk mitigation actively carried out is with regards to the transfer of the mortality risk as described in CSLP's Risk Management Manual: CSLP entered into a reinsurance contract covering any risk above a certain retention for new business (with commencement date as from 14 August 2017) and a significant lower retention for existing business (with a commencement date up to 14 August 2017) in case of death of the insured person.

4.5 Liquidity Risk and other Risks

Given CSLP's business model and product range, the entire portfolio is considered as one line of business. As above elaborated on with regards to CSLP's risk profile (risk type contributions with regard to SCR), this section refers to CSLP's own shareholder assets only. For the moment, CSLP's own shareholder assets are solely invested in cash and short term time deposits, hence without inducing any liquidity risk in this context.

[7] it has to be said that the overall impact is difficult to foresee as diversification effects and asset allocation drive the interplay between PVFP and SCR. A sharp reduction in PVFP per se does not consistently induce a decrease in capital coverage ratios.

4.6 Risk Sensitivity

CSLP has analyzed in detail various hypothetical stress scenarios and decided to regularly assess the impact of adverse stress scenarios as listed in Figure 3.

Scenario 1.1: **EUR/CHF Unlink**
Scenario 2.1: **USD Crash**
Scenario 3.2: **Equity Crash**
Scenario 4.2: **Widening Spreads**
Scenario 5.1: **Mass Lapse DE**
Scenario 5.2: **Mass Lapse IT**
Scenario 7.0: **OpRisk Loss**
Scenario 9.0: **Top100 Event & RI Default**

Figure 3: Stress Scenarios CSLP regularly runs.

A detailed definition of such scenarios is contained in CSLP's RAF and elaborated in the ORSA. Fluctuations of the components of Own Funds and SCR when hit by material stresses are analyzed on a quarterly basis which serves as regular assessment of CSLP's sensitivity towards risks.

4.7 Invested Assets

In alignment with CSLP's Investment and Capital Management Policy, CSLP's shareholder assets are invested in a very conservative way. Similar to last year shareholder assets have been solely invested in cash with the FX allocation being displayed in the Figure 4 below.

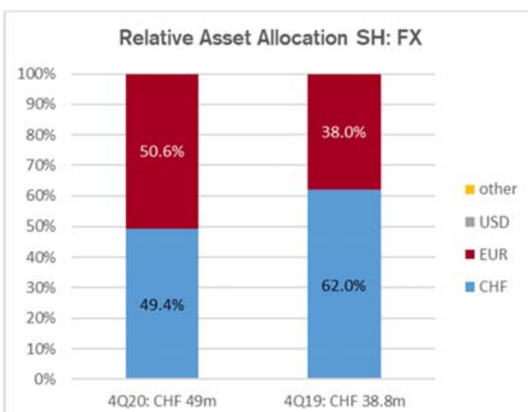

Figure 4: FX Allocation of SH Funds 4Q20 and 4Q19.

CSLP's exposure with regard to CHF/EUR is driven by the balance of the advance tax payments and overlaid by FX fluctuation. From a risk management perspective, CSLP's invested shareholder assets are not directly exposed to liquidity risk but only indirectly via credit risk. The latter is due to CSG's creditworthiness and commented on in Section 4.2.1.

Given CSLP's business model of solely selling unit-linked life insurance, the 'prudent person principle' with regards to invested assets of policyholders is addressed by investing those assets in line with the investment strategy chosen by the policyholder. Professional asset managers are employed for managing the policyholder assets. Adherence to the composition and limits of the respective asset management mandate is monitored.

5 Valuation for Solvency Purposes

5.1 Valuation of Assets

CSLP's business focus on unit-linked life insurance business only where the investment risk is borne by the policyholder. The valuation of unit-linked assets can be summarized as follows:

- CSLP's client relationships are based on segregated accounts, i.e. CSLP maintains dedicated and separate accounts per policy. This ensures that underlying assets can consistently be attributed to the corresponding policy.
- CSLP has defined internal investment guidelines (especially in relation to its collaboration with External Asset Managers (EAMs)) clearly outlining allowed investments. Such guidelines are part of the outsourcing agreements and are monitored by Insurance Management Operations and the CFO.
- CSLP minimizes the risk of illiquid assets by only accepting bankable assets which exhibit a value, i.e. allow liquidation within short-term horizon explicitly excluding real estate and arts, for example.

Valuation of policyholder assets is at market value and fully relies upon CSG standards itself defined by its global policy P-00852. Residual risk induced by unforeseeable shortfalls in values, as e.g. in Madoff-related assets or actually fraud, is difficult to quantify. However, due to the limited range of products and markets and the business per se, residual risk is restricted.

Total assets are obviously dominated by assets held for unit-linked funds making up more than 98% at YE20, similar to previous YE with some 98 %. More details on positions exhibiting materiality (data point references are made to the quantitative reporting template S.02.01.02) are provided below for the business year YE20 (and for the previous business year YE19):

- **R0200 – Deposits other than cash equivalents, CHF 21.0m (CHF 21.0m):** in 2019 shareholder assets were partly shifted from cash to short term time deposits in order to reduce the impact of negative interest rates. This position was maintained during 2020.
- **R0220 – Assets held for index-linked and unit-linked contracts, CHF 5'385.5m (CHF 5'606.6m)**: aggregated total amount of assets for which policyholders bear the investment risk valued at market value. The decrease in value during the business year can largely be explained by the volotile development of the capital markets.
- **R0340 – Reinsurance recoverables from Life index-linked and unit-linked, CHF -19.1m (CHF -15.0m)**: is the sum of the reinsurer's share of the statutory reserve for unsettled death claims (including IBNR) and present value of projected recoverables from the reinsurance contract (please note the negative sign, i.e. under best estimate conditions reinsurance is expected to

reduce value). The difference of last year's value compared to this year's value can be mostly explained by a change in presentation of the gross value (of tax) instead of net value.

- **R0360 – Insurance and intermediaries receivables, CHF 4.4m (CHF 4.8m)**: representing income fees accrued which will be received from clients shortly.
- **R0370 – Reinsurance receivables, CHF 0.0m (CHF 0.2m)**: representing the balance of outstanding amounts of death claims reinsured.
- **R0380 – Receivables (trade, not insurance), CHF 62.8m (CHF 62.4m)**: The advance tax payments made by CSLP's Italian branch to the Italian tax authorities are shown under R0380 Receivable (trade, not insurance). The respective amount was CHF 62.8m (CHF 62.4m).
- **R0410 – Cash and cash equivalents, CHF 28.0m (CHF 17.9m):** SH assets invested in cash. Please note that the increase compared to the previous year stems to large extent from the profit for 2020. At year end no shift to the short term time deposit (R0200) was conducted so that the amounts there remained unchanged compared to last year.
- **R0420 – Any other assets, not elsewhere shown, CHF 1.2m (CHF 2.2m):** relates to accruals and deferrals.
- **R0500 – Total Assets, CHF 5'483.9m (CHF 5'700.0m)**.

5.2 Valuation of Technical Provisions

CSLP's business model is seen as only having one material line of business (Index-linked and unit-linked insurance) and without contracts exhibiting options and guarantees. The respective numbers are displayed in Figure 5a for YE20 and Figure 5b for YE19.

in CHF		Insurance with profit participation	Index-linked and unit-linked insurance			Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0150
Technical provisions calculated as a whole	R0010		196'025			196'025
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020		78'060			78'060
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030			5'242'384'349	-	5'242'384'349
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-19'160'650		-19'160'650
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			5'261'544'999		5'261'544'999
Risk Margin	R0100		22'450'566			22'450'566
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200		5'265'030'940			5'265'030'940

Figure 5a: S.12.01.02: Life and Health SLT Technical Provisions for YE20.

in CHF		Insurance with profit participation	Index-linked and unit-linked insurance			Total (Life other than health insurance, incl. Unit-Linked)
				Contracts without options and guarantees	Contracts with options or guarantees	
		C0020	C0030	C0040	C0050	C0150
Technical provisions calculated as a whole	R0010		149'942			149'942
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020		59'196			59'196
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030			5'443'302'923	-	5'443'302'923
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-15'022'364		-15'022'364
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			5'458'325'287		5'458'325'287
Risk Margin	R0100		23'239'566			23'239'566
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200		5'466'692'431			5'466'692'431

Figure 5b: S.12.01.02: Life and Health SLT Technical Provisions for YE19.

CSLP's Solvency II technical provisions for the unit linked policies represent the respective best estimate liability (BEL) and the risk margin (RM). The BEL has been derived from a cash flow projection model using best practice actuarial methods and aligned with the Solvency II regulations and guidelines. The only simplification in the cash flow model is the Risk Margin treatment level 3 in line with Solvency II regulation. Neither volatility adjustment, nor matching adjustment or transitional measures have been applied to the yield curves or other assumptions used.

The gross amount of the statutory reserve for unsettled death claims (including IBNR) is displayed in the Solvency II Balance sheet in row “R0700 Technical provisions calculated as a whole” and the Statutory accounts value in row “R0730 Other technical provisions” to better reflect its technical character. The respective reinsurer's share is part of the number displayed in row “R0340 Reinsurance recoverables from Life index-linked and unit-linked”. With regard to Figure 5a above the gross amount is displayed in R0010, C0030 and the reinsurers' share in R0020, C0030. This technical provision only holds the death cover of unsettled death claims and it is assumed that the death cover will be paid out completely and with nil earnings impact to policyholders immediately after projection start. For this reasons there is no particular projection applied for Solvency II, i.e. the statutory value and the Solvency II value are the same. Because of the short term lump sum nature of the claims this approach is reasonable and proportionate.

Changes in underlying assumptions other than those pre-scribed by the Standard Formula or by markets (FX rates) during the reporting period solely relate to operational assumptions on expenses, mortality and surrender rates representing the main drivers where a reportable change is recorded.

5.3 Valuation of Other Liabilities

Other liabilities are loans and temporary accounts which are reported as notional.

Total liabilities are obviously dominated by Technical Provisions making up more than 98 % at YE20 (99 % at YE19). More details on positions exhibiting materiality (data point references are made to the quantitative reporting template S.02.01.02) are provided below for the business year YE20 (and for the previous business year YE19):

- **R0690 – Technical Provisions on index-linked and unit-linked, CHF 5'265.0m (CHF 5'466.7m):** thereof R0700 Technical provisions calculated as a whole of some CHF 0.20m (CHF 0.15m), R0710 Best Estimate Liability on modelled business of CHF 5'242.4m (CHF 5'443.3m) and R0720 Risk Margin CHF 22.5m (CHF 23.2m). The decrease in value during the business year is in line with the decrease in policy holder assets (see R0220).
- **R0700 – Technical Provision calculated as a whole, CHF 0.2m (CHF 0.2m):** relates to the gross amount of the statutory reserve for unsettled death claims (including IBNR) and only holds the death cover of unsettled death claims. For more details see also Section 5.2 Valuation of Technical Provisions.
- **R0750 - Provisions other than technical provisions, CHF 1.9m (CHF 3.4m)**: relates to litigation provisions and tax provisions.
- **R0780 - Deferred tax liabilities, CHF 30.7m (CHF 33.1m)**: relates to deferred taxes arising from valuation differences between Solvency II and statutory accounts. Please note that most of the valuation differences stems from the Italian Branch where the applicable corporate tax rate is 30.82 % (compared to only 12.5 % for Liechtenstein).
- **R0800 – Debts owed to credit institutions, CHF 1.2m (CHF 1.1m):** relates to short-term intercompany current account overdrafts and not to long term intercompany loans.
- **R0820 - Insurance & intermediaries payables, CHF 21.1m (CHF 34.3m)**: relates to liabilities against intermediaries and policyholders.
- **R0840 - Payables (trade, not insurance), CHF 1.2m (CHF 1.3m)**: relates to various other liabilities such as social security or taxes.
- **R0880 – Any other liabilities, not elsewhere shown, CHF 0.3m (CHF 0.3m)**: relates to various other liabilities not shown elsewhere.
- **R0900 – Total Liabilities, CHF 5'321.7m (CHF 5'540.4m)**.
- **R1000 - Excess of assets over liabilities, CHF 162.2m (CHF 159.6m):** originating from paid-in share capital, retained earnings and profit for the year as well as present value of expected future profits after corporate tax; less risk margin.

5.4 Key Differences between Statutory and Solvency Closing

By applying the Solvency II valuation principles the key differences between statutory and solvency closing relate to the

- valuation of equipment held for own use
  - for simplicity reasons for Solvency II we assumed a market value of CHF 0;
  - whereas the statutory value relates to the book value, i.e. purchase price reduced by the statutory depreciation;
- valuation of reinsurance recoverables:
  - for Solvency II this is the present value of the respective projected cash flows (CHF -19.1m at YE20 and CHF -15.0m at YE19, i.e. under best estimate the reinsurance cover is expected to reduce value), please note that the difference of last year's value compared to this year's value can mostly be explained by a change in the presentation of the gross value (of tax) instead of the net value;
  - Please note that for the reinsurer's share of the statutory reserve for unsettled death claims (including IBNR) – for YE20 CHF 0.1m and for previous YE CHF 0,1m - there is no valuation difference (for more details see Section 5.2 Valuation of Technical Provisions.
- technical provisions
  - for Solvency II see Section 5.2 and Section 5.3 R0690, the technical provisions are CHF 5'265.0m at YE20 and CHF 5'466.7m at YE19 and are the total of the Technical provisions calculated as a whole (CHF 0.20m at YE20 and CHF 0.15m at YE19), Best Estimate Liability (CHF 5'242.4m at YE20 and CHF 5'443.3m at YE19) and the Risk Margin (CHF 22.5m at YE20 and CHF 23.2m at YE19);
  - whereas for the statutory accounts for the statutory reporting and in line with respective valuation rules and common actuarial practice the unit linked reserve represents the value of the assets associated with the policies in force, CHF 5'367.4m at YE20 and CHF 5'572.3m at YE19;
- deferred tax liabilities (DTL, resulting from valuation differences)
  - for Solvency II we have determined the DTL cautiously by taking the valuation differences from the reinsurance recoverables and the Best Estimate Liability part of the technical provisions (in total some CHF 105.8m at YE20 and CHF 113.9m at YE19) and applying the respective corporate tax rates. Please note that the above valuation differences largely stems from the business of the Italian Branch (for which a corporate tax rate of 30.82 % applies, whereas for Liechtenstein the corporate tax rate is 12.5 %). The DTL was CHF 30.7m as of YE20 and CHF 33.1m as of YE19;
  - whereas for the statutory accounts there was no DTL at the respective year end.

6 Capital Management

6.1 Own Funds

Following respective analysis and discussions the treatment of the balance of the tax prepayments is characterized as follows: the advance tax payments are considered as "receivable (trade, not insurance)" in the Solvency II balance sheet, become part of the reconciliation reserve in the own funds and, thus, are classified as tier 1 capital which is fully eligible to cover SCR and MCR. This treatment has been applied since the resubmission for YE17 and ever since.

Figure 6 shows the composition of the reconciliation reserve and of own funds for YE19 and YE20. Compared to YE19 both the excess of assets over liabilities increased to a large extent due to statutory profits carried forward and the SCR decreased due to the lower level of the technical provisions. The SCR-coverage ratio therefore increased from 226.4 % at YE19 to 234.8 % at YE20 and the MCR-coverage ratio increased accordingly from 503.2 % at YE19 to 521.8 % at YE20.

S.23.01.01.02 Reconciliation reserve		Submission annual ART YE 2019	Submission annual ART YE 2020
Reconciliation reserve		C0060	C0060
Excess of assets over liabilities	R0700	159'613'537	162'191'778
Foreseeable dividends, distributions and charges	R0720	0	0
Other basic own fund items	R0730	15'000'000	15'000'000
Reconciliation reserve	R0760	144'613'537	147'191'778
Expected profit			
Expected profits included in future premiums (EPIFP) - Life business	R0770	0	0
Total Expected profits included in future premiums (EPIFP)	R0790	0	0

S.23.01.01 Own funds		YE 2019 Total	YE 2019 Tier 1 - unrestricted	YE 2019 Tier 1 - restricted	YE 2019 Tier 2	YE 2019 Tier 3	YE 2020 Total	YE 2020 Tier 1 - unrestricted	YE 2020 Tier 1 - restricted	YE 2020 Tier 2	YE 2020 Tier 3
		C0010	C0020	C0030	C0040	C0050	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35											
Ordinary share capital (gross of own shares)	R0010	15'000'000	15'000'000				15'000'000	15'000'000			
Reconciliation reserve	R0130	144'613'537	144'613'537				147'191'778	147'191'778			
An amount equal to the value of net deferred tax assets	R0160	0					0				
Total basic own funds after deductions	R0290	159'613'537	159'613'537				162'191'778	162'191'778			
Ancillary own funds											
Total ancillary own funds	R0400	0					0				
Available and eligible own funds											
Total available own funds to meet the SCR	R0500	159'613'537	159'613'537				162'191'778	162'191'778			
Total available own funds to meet the MCR	R0510	159'613'537	159'613'537				162'191'778	162'191'778			
Total eligible own funds to meet the SCR	R0540	159'613'537	159'613'537				162'191'778	162'191'778			
Total eligible own funds to meet the MCR	R0550	159'613'537	159'613'537				162'191'778	162'191'778			
SCR	R0580	70'492'724					69'078'323				
MCR	R0600	31'721'726					31'085'246				
Ratio of Eligible own funds to SCR	R0620	226.4%					234.8%				
Ratio of Eligible own funds to MCR	R0640	503.2%					521.8%				

Figure 6: Extract Reconciliation Reserve and Own Funds YE2019 and YE2020.

Table 4 shows the Eligible Capital SCR from a Solvency II perspective for YE19 and YE20 as well as statutory shareholder equity. Statutory shareholder equity (SH EQ) continuously increased due to retained earnings, which lead also to an increase of eligible capital SCR.

in CHFm	2019	2020
Eligible Capital SCR*)	**159.6**	**162.2**
Statutory SH EQ	**102.0**	**109.5**
Thereof: Ordinary share capital	15.0	15.0

*) Please note that all available capital is also fully eligible (for both SCR and MCR)

Table 4: Eligible Capital SCR and Statutory SH Equity of CSLP YE19-YE20.

How Eligible Capital SCR is expected to develop over time is regularly analyzed by CSLP through forward-looking projections as part of the quarterly Solvency II calculations and in alignment with CSLP's annual Business Plan. The results are discussed in the quarterly Risk Committee meetings and also include an assessment as to whether its usual business activities require to raise capital or allow for redeeming capital. In addition, the composition and development of eligible capital to cover SCR is also dealt with in the respective ORSA reports.

6.2 Required Capital

Every quarter a risk type-based decomposition of SCR with the aggregated diversification effect, i.e. accounting for pre-scribed correlation and applying Variance-Covariance aggregation (reversely), is performed. It highlights that CSLP is mainly exposed towards equity, currency and lapse risk.

Figure 7a shows the SCR contribution for the current business year as per YE20 and Figure 7b for the previous business year as per YE19.

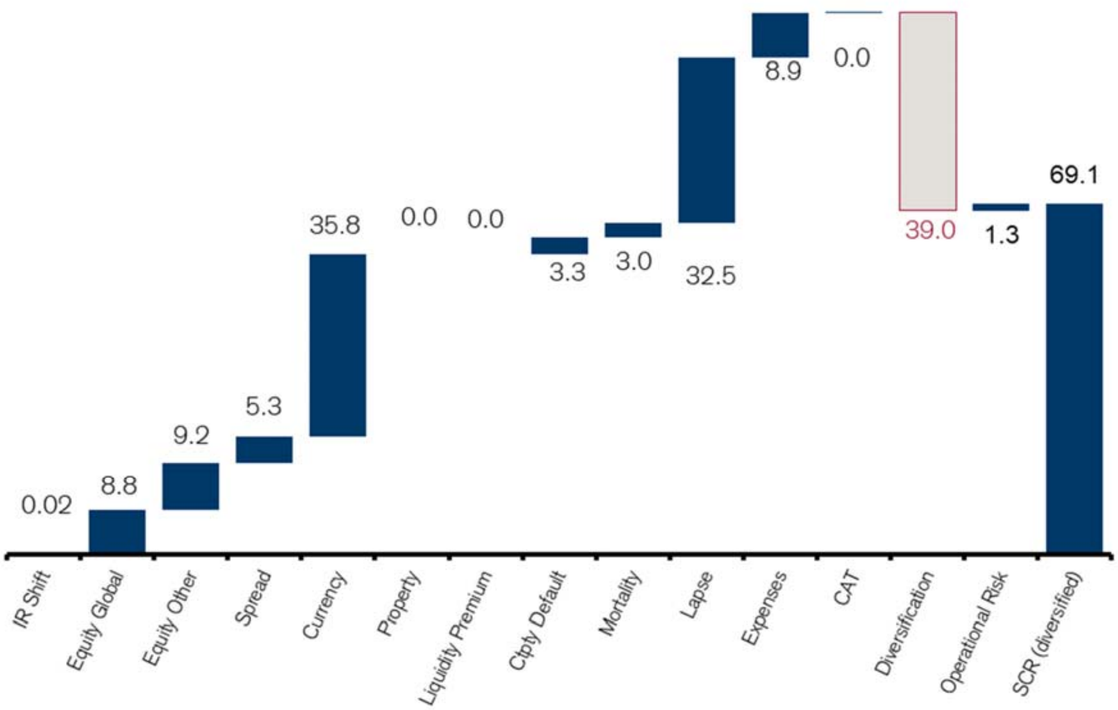

Figure 7a: CSLP's Decomposition of SCR as per YE20

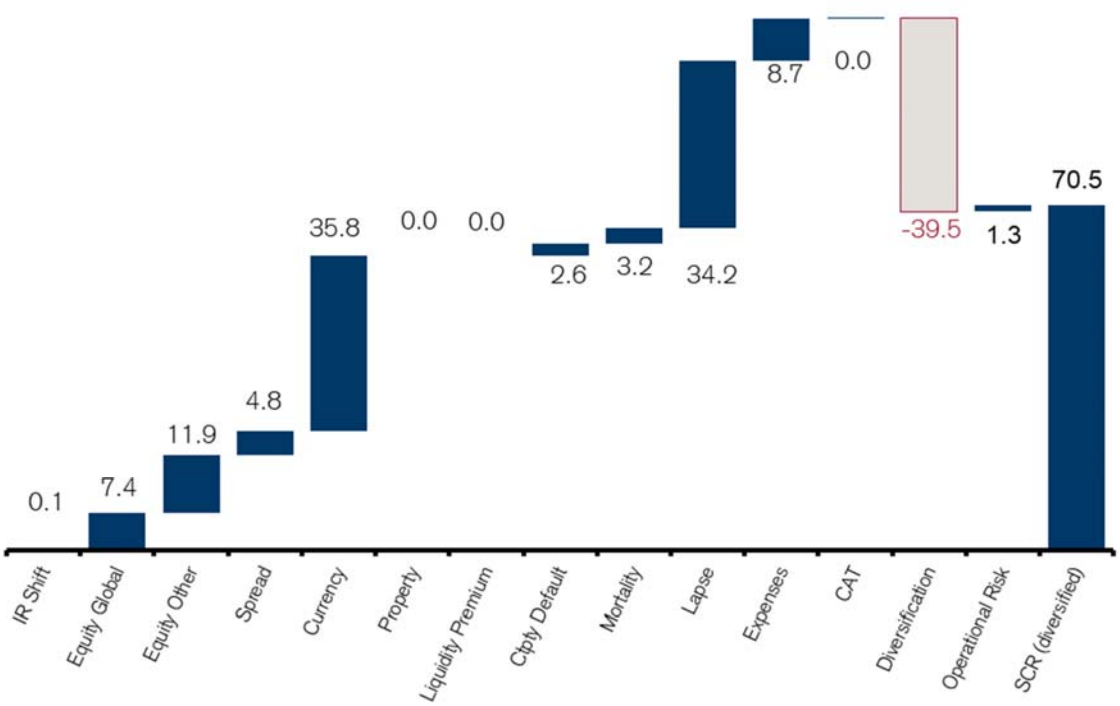

Figure 7b: Decomposition of SCR as per YE19

As with eligible capital SCR above, the composition of the SCR and associated changes are also looked into in detail. Every change (or offsetting effect) is analyzed and discussed in the quarterly Risk Dashboards and summarized in the ORSA**.**

The SCR as per YE20 equals CHF 69.1m while the SCR as per YE19 equals CHF 70.5m. The increase of the counterpart default sub-SCR originates from an increase of the level of SH cash deposited with CS AG. The FX sub-SCR remained constant whereas the percentage of policyholder assets in currencies other than CHF was fairly stable at around 95 %. Please note that with regards to MCR, the upper limit of the linear constraint applies and sets MCR at 45% of CSLP's SCR. For more details see S.25.01.01 in Section 7 – Appendix – Quantitative Reporting Templates.

6.3 Capital Management: Other Information

CSLP's Italy Branch according to Art. 1(2) of Decree Law 209 (from 24-September-2002 and as amended from time to time) is required to yearly pay Tax on technical Reserves (TotR) up to a cap with a current rate of 45 bps. This 'tax credit' can be (partially) offset by:

i. Ordinary recovery: As TotR basically is an advance payment by CSLP, it can be offset with any payment of Tax on Policy Income CSLP does on behalf of the policyholders (PH) following full or partial redemption of any life insurance policy. Process-wise, CSLP withholds such amounts from the (taxable) sum paid to the PH in order to offset it in the subsequent month with the TotR previously paid. TotR is based on previous year-end's TR, due end of June the following year.

ii. Further recovery: In case the aggregated amount of TotR exceeds that aggregate amount of Tax on Policy Income paid in the 5th year following that year, this amount, the "Qualified Surplus", is eligible to further recovery, i.e. can be offset either with income taxes, social security charges and other taxes paid by CSLP (including TotR, Ruling 146/E of 16 April 2008), or, transferred to a controlled company. The latter has been intensively evaluated and discussed during 2014 but even in case a Tax Ruling (which actually would be needed) would be in favor of such a transfer, it practically turned out not to be an option as the relevant threshold on the Bank's side is materially exceeded already and there is no incentive to establish such a (regular) transaction.

As outlined in section 6.1 these tax prepayments are receivables (trade, not insurance) and, thus, part of the excess of assets over liabilities. They become part of the reconciliation reserve in the own funds and, thus, are classified as tier 1 capital which is fully eligible to cover SCR and MCR.

7 Appendix – Quantitative Reporting Templates

This Annex contains the quantitative reporting templates (QRT) according to the Commission Implementing Regulation (EU) 2015/2452 for the reporting date 31.12.1020. The following QRTs are disclosed: S.02.01.02, S.05.01.02, S.05.02.01, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.01.

S.02.01.02 - Balance Sheet - Assets

Assets in CHF		**Solvency II value [C0010]**
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	21'000'000
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	-
Government Bonds	R0140	-
Corporate Bonds	R0150	-
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	-
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	21'000'000
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	5'385'477'492
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	-19'082'590
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	-19'082'590
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	4'405'216
Reinsurance receivables	R0370	21'088
Receivables (trade, not insurance)	R0380	62'833'246
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	28'002'651
Any other assets, not elsewhere shown	R0420	1'238'659
Total assets	R0500	5'483'895'762

S.02.01.02 - Balance Sheet - Liabilities

Liabilities in CHF		Solvency II value [C0010]
Technical provisions - non-life	R0510	-
Technical provisions - non-life (excluding health)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	-
Risk margin	R0550	-
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions - life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions - index-linked and unit-linked	R0690	5'265'030'940
Technical provisions calculated as a whole	R0700	196'025
Best Estimate	R0710	5'242'384'349
Risk margin	R0720	22'450'566
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	1'889'921
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	30'687'952
Derivatives	R0790	-
Debts owed to credit institutions	R0800	1'179'942
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	21'094'604
Reinsurance payables	R0830	331'475
Payables (trade, not insurance)	R0840	1'224'093
Subordinated liabilities	R0850	-
Subordinated liabilities | Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities | Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	265'057
Total liabilities	R0900	**5'321'703'984**
Excess of assets over liabilities	R1000	**162'191'778**

S.05.01.02 - Premiums, claims and expenses by line of business

in CHF		Index-linked and unit-linked insurance	Total
		C0230	C0300
Premiums written			
Gross	R1410	158'641'058.00	158'641'058.00
Reinsurers' share	R1420	824'185.00	824'185.00
Net	R1500	157'816'873.00	157'816'873.00
Premiums earned			
Gross	R1510	158'641'058.00	158'641'058.00
Reinsurers' share	R1520	824'185.00	824'185.00
Net	R1600	157'816'873.00	157'816'873.00
Claims incurred			
Gross	R1610	412'891'507.00	412'891'507.00
Reinsurers' share	R1620	123'585.00	123'585.00
Net	R1700	412'767'922.00	412'767'922.00
Changes in other technical provisions			
Gross	R1710	-	-
Reinsurers' share	R1720	-	-
Net	R1800	-	-
Expenses incurred	R1900	51'247'991.00	51'247'991.00
Other expenses	R2500		
Total expenses	R2600		51'247'991.00

S.05.02.01 - Premiums, claims and expenses by country

in CHF		Home Country	Belgium	Germany	Italy	Total Top 5 and home country
		C0220	C0230	C0230	C0230	C0280
Premiums written						
Gross	R1410	-	-	7'955'934	150'685'124	158'641'058
Reinsurers' share	R1420	-	-	662'214	161'971	824'185
Net	R1500	-	-	7'293'720	150'523'153	157'816'873
Premiums earned						
Gross	R1510	-	-	7'955'934	150'685'124	158'641'058
Reinsurers' share	R1520	-	-	662'214	161'971	824'185
Net	R1600	-	-	7'293'720	150'523'153	157'816'873
Claims incurred						
Gross	R1610	-	16'257'657	36'738'784	354'138'675	407'135'116
Reinsurers' share	R1620	-	-	76'236	47'349	123'585
Net	R1700	-	16'257'657	36'662'548	354'091'326	407'011'531
Changes in other technical provisions						
Gross	R1710	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-
Net	R1800	-	-	-	-	-
Expenses incurred	R1900			2'570'114	48'677'877	51'247'991
Other expenses	R2500	-	-	-	-	-
Total expenses	R2600					51'247'991

S.12.01.02 - Life and Health SLT Technical Provisions

in CHF		Insurance with profit participation	Index-linked and unit-linked insurance	Contracts without options and guarantees	Contracts with options or guarantees	Total (Life other than health insurance, incl. Unit-Linked)
		C0020	C0030	C0040	C0050	C0150
Technical provisions calculated as a whole	R0010		196'025			196'025
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020		78'060			78'060
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030			5'242'384'349	-	5'242'384'349
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-19'160'650		-19'160'650
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			5'261'544'999		5'261'544'999
Risk Margin	R0100		22'450'566			22'450'566
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200		5'265'030'940			5'265'030'940

S.23.01.01 - Own funds

in CHF		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	15'000'000	15'000'000		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	147'191'778	147'191'778			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				-
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	
Total basic own funds after deductions	R0290	162'191'778	162'191'778	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	162'191'778	162'191'778	-	-	-
Total available own funds to meet the MCR	R0510	162'191'778	162'191'778	-	-	
Total eligible own funds to meet the SCR	R0540	162'191'778	162'191'778	-	-	-
Total eligible own funds to meet the MCR	R0550	162'191'778	162'191'778	-	-	
SCR	R0580	69'078'323				
MCR	R0600	31'085'246				
Ratio of Eligible own funds to SCR	R0620	235%				
Ratio of Eligible own funds to MCR	R0640	522%				

		C0060
Excess of assets over liabilities	R0700	162'191'778
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	15'000'000
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	147'191'778

S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula

in CHF		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	46'089'087		
Counterparty default risk	R0020	3'274'568		
Life underwriting risk	R0030	39'582'565		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-19'597'963		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	67'768'793		

		Value
Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	1'309'530
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directiv	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	69'078'323
Capital add-on already set	R0210	
Solvency capital requirement	R0220	69'078'323
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustm	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

		Yes/No
		C0109
Approach based on average tax rate	R0590	Not applicable as LAC DT is not used

S.28.01.01 - Minimum Capital Requirement

Linear formula componet for life insurance and reinsurance obligations in CHF

		C0040
MCRL Result	R0200	36'892'932

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	5'261'662'964	
Other life (re)insurance and health (re)insurance obligations	R0240	-	
Total capital at risk for all life (re)insurance obligations	R0250		87'558'465

Overall MCR calculation

		C0070
Linear MCR	R0300	36'892'932
SCR	R0310	69'078'323
MCR cap	R0320	31'085'246
MCR floor	R0330	17'269'581
Combined MCR	R0340	31'085'246
Absolute floor of the MCR	R0350	4'007'056
Minimum Capital Requirement	R0400	31'085'246