Solvency and Financial Condition Report (SFCR)
Business Year 2017

Credit Suisse Life & Pensions AG, Vaduz

13-August-2018

Abbreviations

AC	Audit Committee
AMSB	Administration, Management or Supervisory Board
BoDCSLP	Board of Directors of CSLP
BoP	Beginning of Period
CAF	Central Actuary Function
CRO	Chief Risk Office(r)
CSG	Credit Suisse Group AG
CSLP	Credit Suisse Life & Pensions AG, Vaduz
CSLPIB	Credit Suisse Life & Pensions AG, Vaduz, Italy Branch
EC	Eligible Capital
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
SCR	Solvency Capital Requirement
SH EQ	Shareholder Equity
SoG	System of Governance
VersAG	Versicherungsaufsichtsgesetz
WTW	WillisTowersWatson AG
y-o-y	year-on-year

Conventions

Dec-17	as per month end December 2017
Dec17	during the month December 2017
4Q17	as per quarter end Q4 2017 (here: year-end)
m	millions
bn	billions

1 Executive Summary

1.1 Introduction

This Solvency and Financial Condition Report (SFCR) is an update of the initial SFCR dated 6 May 2018 and replaces it. The update was performed in order to reflect the new treatment of advance tax payments made by the company's Italian branch to the Italian tax authorities and to align it with the respective treatment in the statutory reporting for 2017. This new treatment has been agreed following respective analysis and discussions.

With the new treatment the advance tax payments are now 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. Under the old treatment and in the initial SFCR the advance tax payments were considered as "Deferred tax assets", were treated as an amount equal to the value of net deferred tax assets in the own funds and, thus, were classified as tier 3 capital which is only partially eligible to cover SCR (up to 15 % of SCR) and not eligible at all to cover MCR. The new treatment improves the solvency position of the company.

The SFCR has been prepared to satisfy the public disclosure requirements in accordance with and pursuant to the "Gesetz vom 12. Juni 2015 betreffend die Aufsicht über Versicherungsunternehmen (Versicherungsaufsichtsgesetz, VersAG)" including the Solvency II Directive 2009/138/EC, the Commission Delegated Regulation(EU) 2015/35 and the EIOPA Guidelines on Reporting and Disclosure. The structure of this report follows the Annex XX of the Delegated Regulation and covers the financial year 2017. The main chapters relate to business and performance, system of governance, risk profile, solvency valuation and capital management. Following approval by the Board of Directors the updated report has been published on the Credit Suisse Life & Pensions AG website https://www.credit-suisse.com/li/de/lifepensions.html on August, 13th 2018.

1.2 Business and Performance

Credit Suisse Life & Pensions AG, abbreviated here and in the following as "CSLP", is located in Vaduz, Liechtenstein, with an Italian Branch, located in Milano and wholly-owned by Credit Suisse AG, Switzerland. CSLP offers unit-linked life insurance products for affluent private clients in two markets - Italy and Germany.

The overall underwriting performance in 2017 was CHF 438m for new business and CSLP was able to generate a post-tax profit of CHF 11.4m (compared to CHF 6.1m for 2016).

1.3 System of Governance

This chapter describes the roles, functions and responsibilities of CSLP. The system of Governance is regarded adequate for the risks inherent in the company's business. In the section Fit and Proper assessment we describe our assessment process concerning skills, knowledge and expertise of our key functions. CSLP has set up a comprehensive risk management framework, including risk appetite, risk identification, risk assessment and risk monitoring procedures.

1.4 Risk Profile

The risk profile provides qualitative and quantitative information on risk exposures, concentrations, mitigation, sensitivities and shows an overview of how risk is distributed over different risk categories.

1.5 Valuation for Solvency Purposes

This chapter provides information on the Solvency II balance sheet figures and explains material differences between the Solvency II and Statutory valuation principles.

1.6 Capital Management

This chapter provides information on the company's own funds and the calculation principles for the solvency purpose including information on basic own funds and the tier structure of eligible own funds.

The Solvency II capitalization coverage was reported at a level of 201 % at the end of 2017 (compared to 134 % at the end of 2016).

2 Business and Performance

2.1 Basic Information

Credit Suisse Life & Pensions AG, Vaduz, is an unquoted, limited company, located in Liechtenstein (Fürstentum Liechtenstein, FL) with an Italian Branch, located in Milano. Credit Suisse AG, Switzerland, (CS) is CSLP's sole shareholder with a nominal share capital of CHF 15.0m. 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

FL-9490 Vaduz

The external auditor of the firm is

KPMG (Liechtenstein) AG

Audit

Landstrasse 99

FL-9494 Schaan

2.2 Material Lines of Business (LoB)

CSLP offers unit-linked life insurance products primarily to IPC (International Private Clients) and HNWI (High Net Worth Individual) clients or to those private clients' asset managers. CSLP serves clients in two markets – Italy and Germany. The business itself depends on the Bank (as distributor) and potential tax changes in the respective jurisdictions.

2.3 Events with a material Impact on the Firm

Besides the new treatment of the advance tax payments which is covered in more detail in Section 2.6 no further 'event' with material impact was recorded during the reporting period. The life insurance industry in general and CSLP in particular implemented new regulatory requirements. In 2017 the 'Packaged Retail and Insurance-based Investment Products' (PRIIPs) regulation has been implemented and preparations for the 'Insurance Distribution Directive' (IDD) and the 'European Market Infrastructure Regulation' (EMIR) have been started. The PRIIPS regulation introduced the Key Investor Document (KID) that must be shared with all investors 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. EMIR lays down rules on OTC derivatives, central counterparties and trade repositories.

2.4 Underwriting Performance

	Premiums booked (in CHFm)			# of Polices[1]	
Year	**New Bus.[2]**	**Surr.[3]**	**VTR[4]**	**New Bus.**	**Total**
2015	**608**	**-458**	**5'611**	**516**	**4'176**
2016	**373**	**-524**	**5'371**	**382**	**3'302**
2017	**438**	**-234**	**5'999**	**220**	**3'344**

Table 1: New Business, total and partial Surrenders, CSLP 2015-2017.

In 2017, CSLP was able to generate an overall underwriting performance of CHF 438m new business. In 2015 and 2016 CSLP's Policyholder (PH) investment base reduced primarily due to the maturing Life TIP (Traded Insurance Portfolio).

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 below some figures on Shareholder Equity (SH EQ) but also acquisition and administration expenses.

Year	(A) SH EQ[5]	(B) Acquisition Expenses[5]	(C) Administr. Expenses[5]
2015	**79.2**	**-2.7**	**-2.7**
2016	**84.8**	**-2.6**	**-2.2**
2017	**94.6**	**-2.9**	**-5.8**

Table 2: Expenses per Year in CHFm.

Some comments on the above figures:

- **(A) Shareholder Equity (SH EQ):** Changes primarily caused by retained earnings.
- **(B) and (C) Expenses**: Expenses consist of variable (triggered by recurring expenses depending on number of policies administered) and fixed elements (primarily resources). The increase in the

[1] Source: „Geschäftsbericht“, “Jahresbericht”
[2] including additional payments (source as above)
[3] including partial and total surrenders but also maturing policies and death cases (source: as above)
[4] VTR stands for statutory Versicherungstechnische Rückstellungen‘, „Aktuarsbericht“
[5] as entering Solvency-II calculations

Administrative Expenses was caused by a review of the cost structure and a resulting reallocation of costs.

According to CSLP's most recent Business Plan (as per 3Q17), it is not expected that CSLP's asset base will change materially.
As CSLP is exposed primarily to the currency pair CHF/EUR (costs in CHF, revenues pre-dominantly in EUR), FX changes (market fluctuation as well as potential trigger events (such as the SNB decision 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. CSLP is benefiting from recovery mechanisms and an additional cap allowed by the Italian tax authorities. The recovery mechanism and the cap is explained in more detail in Section 6.3 Capital Management: Other Information.
So far, the advance tax payments actually made were considered as deferred tax asset (DTA) although these amounts were not the result of valuation differences between Solvency II and statutory valuation principles. To cope for the latter the advance tax payments are now considered as receivable (trade, not insurance). For more details on the implications of this new treatment see Section 6.1 Own Funds and Section 6.2 Required Capital.

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 established quarterly Risk Committees from 2014 onwards. Due to the deferral of Solvency II towards 2016, CSLP had additional two years to familiarize the entire organization with Solvency II requirements in terms of processes, governance and experience.

Apart from what is elaborated on in more detail below, we would like to refer to a document CSLP composed on its System of Governance (SoG), cf. [17] . It is primarily based on EIOPA-CP-13/08 and comments on each of the corresponding guidelines by referring to CSLP's view on how the corresponding topic is tackled. Figure 1 is taken from the internal document and 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	▪ Outsourcing, Fit & Proper ▪ Mandates Key Functions ▪ OpRisk & BC Mgmt ▪ BoD Charter	▪ GP-00060
Inputs	▪ Model Changes (Parameters)[1] ▪ Code Version	▪ 3y sales forecasts (volume, # of pol.)	▪ Limit thresholds ▪ Capital thresholds ▪ Market data ▪ Stress parameters	▪ n/a ▪ Reporting schedule ▪ n/a ▪ …	▪ 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 ORSA[3] (Data Quality Statement, Validity Std. Formula) ▪ 1QYY Dashboard[3]	▪ Regular criticality / fitness / properness assessment ▪ Annual Audit plan/report ▪ Annual Data Quality Report	▪ Fully traceable sign-offs
Review[4]	▪ AF, AA, CRO, RC[2]	▪ CFO, CRO, RC	▪ RC	▪ Outsourcing Manager ▪ CRO ▪ Chairman BoD ▪ AF	

[1]: as relevant and pre-scribed by EIOPA in the Standard model approach
[2]: the ExB of CSLP is, amongst others, member of CSLP's RC
[3]: including QRTs
[4]: approval anyway sits with the BoD

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

3.2 Administrative, Management or Supervisory Body (AMSB)

The main bodies of CSLP can be listed as follows:

- Board of Directors (BoD),
- Executive Management (EM),
- Key functions under Solvency II (see next sections),
- Risk Committee (see next sections).

Core governance elements are defined in CSLP's BoD Charter, cf. [9] (which is derived from CSG's BoD Charter) where organizational requirements as well as roles, responsibilities and crucial processes as e.g. the annual 'fit and proper' assessment is defined.

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 of regulatory requirements. Responsibilities of the RC are also defined in the ORSA report.

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. They comprise the responsibilities as follows.

Central Actuarial Function (CAF): A detailed definition and description of tasks and services (to be) carried out by the CAF is part of the respective contractual agreement; a summarizing mandate is composed for the CAF, cf. [10].

Compliance: A summarizing (and hence non-exhaustive) note on the main responsibilities of the Compliance function is contained in [11] .

Internal Audit: This function is assumed by CSG Internal Audit, following strict principles, processes and assessments cf. [2], in order to provide a systematic objective and independent assessment of whether

- risks are appropriately identified and managed;
- the (Group's) internal control systems are effective;
- governance processes ensure compliance with policies, standards, procedures and applicable laws and regulations;
- management performs efficient monitoring and oversight of processes and activities; and
- assets are adequately safeguarded.

Risk Management: The main responsibility of risk management is to identify, assess, monitor and suggest mitigation of risks CSLP is exposed to or might become exposed to. A dedicated Risk Management Manual (RMM), cf. [21] covers such topics and is complemented by the following elements (as described in CSLP's RAF, cf. [20]):

- definition of Risk Appetite,
- definition of Stress Scenarios and Stress Testing,
- definition of Risk Limits,
- definition, coordination and composition of the Own Risk and Solvency Assessment (ORSA),
- contribution of risk management to a strong System of Governance,
- definition of responsibilities regarding CSLP's Risk Committee.

3.3 Changes in the System of Governance

There have been no material changes with regard to key elements and principles of the System of Governance in the year 2017.

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.

3.6 'Fit and Proper' Assessment

As outlined in more detail in CSLP's dedicated Board of Director's Charter (cf. [9]), 'Fitness' and 'Properness' of relevant staff is assessed on an annual basis by the BoD, and, respectively, by the Board's Chairman. It is also the latter's duty to document and archive the corresponding questionnaires physically. 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 (by the Chairman) and for EM and key functions by the BoD.

3.7 Risk Management System

CSLP has a Risk Management Manual (RMM) describing all relevant information and processes in the context of Risk Management (cf. [21]). 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 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 and an annual ORSA with focus on the 4th quarter each year, it is highlighted that CSLP adheres to CS' 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 re-insured.
- 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-based traffic light system (formally approved during the implementation phase of Solvency II). 'Breaching' the defined thresholds might imply certain (management) action; this is assessed on a quarterly basis and discussed in CSLP's quarterly Risk Committee. CSLP further defined risk limits which however are not limits as understood in Banking via e.g. trading limits, but rather limits serving as operational controls on specific risk indicators hence thought as early warning indicators highlighting "enormous and unprecedented increase in volatility in the capital markets", cf. [14]. 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. For example, an explicit trigger event was identified as such when the SNB mid-January 2015 changed its intervention strategy on CHF/EUR currency pair. Upon this trigger event, CSLP carried out additional analysis and stress tests summarized to CSLP's Risk Committee.

3.8 Own Risk and Solvency Assessment (ORSA)

CSLP's ORSA policy elements are embedded in the Risk Management Manual and contain the following main elements:

[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;

- 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 the Risk Committee; all BoD and RC members sign this report. This report also refers to the annual risk identification and review process, summarizes trainings and educations. Explicit approval is required for model changes, CSLP's RAF, the SF's adequacy, the annual risk identification and review and the ORSA itself.

  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.
- Awareness and culture: The establishment of the above in 2014 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. Bi-lateral meetings between CEO and CRO on a monthly basis 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.
- Risk measure: The standard formula is applied, which adequacy is assessed on an annual basis. Additional analysis and tools (stress scenarios, monitoring of underlying risk factors/indicators etc.) enhance the assessment of risks and enable a holistic risk measuring.

The underlying (technical) calculation process relating to the ORSA but also to the quarterly Solvency II calculations are defined in detail in [10] and result from extensive discussion with the Actuarial Function. The Solvency coverage ratios and their usage in the traffic light system as articulated in CSLP's RAF might induce the potential need for capital measures. The determination of the target capital levels/thresholds is based on a sensitivity analysis carried out late 2012 and was approved by the Steering Committee of the Solvency II project late 2012. No changes were applied to the target ratios since then, as they are still deemed to be appropriate.

Given the uncertainty around additional thresholds regarding the 'ladder of intervention' as potentially imposed by the national competent authorities, CSLP decided not to introduce additional capital measures (other than those currently defined) unless SCR coverage ratio would significantly and sustainably decrease. It is emphasized that CSLP's conservative capital and investment policy (cf. [7]) which requires to primarily invest in cash helps understanding Solvency requirements more from a long-term perspective. CS' Treasury department was familiarized with regards to the new regulatory capital requirements and governance around the Solvency-II regime to make sure that potential capital measures can be processed without further onboarding even on a short notice.

3.9 Internal Control System (ICS)

FINMA's circular 2008/24 on supervision and ICS within the banking sector is referred to here:

- 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; CSLP relies on – and basically is obliged to rely on – various processes and tools implemented by Credit Suisse (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. The effectiveness and completeness has been reviewed together with the FMA and appropriate measures have been initiated.

3.10 Outsourcing Policy

In addition to the corresponding guidelines as published by the FMA, CSLP adheres to CS' global policy on third party management (GP-00032) which, in summary, 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 (service provider (risk) assessment), corresponding processes and organizational structure;
- get approval by the relevant Department Manager;
- put in place a signed written contract / agreement and deliver this into CS' central repository;
- document potential organizational and process changes;
- implement a robust governance model with adequate monitoring and oversight (regular assessment of performance against contractual agreements, annual review of outsourcing).

CSLP has translated the above mentioned global policy into its directive framework (CSLP-00003) hence explicitly implementing the requirements on a legal entity basis.

3.11 Adequacy Assessment of the SoG

The SoG is assessed and approved on an annual basis by the BoD. It is subject to regular review by Internal Audit, too.

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 (cf. [16]) and the annual evaluation of the adequateness of the Standard Formula (cf. [17]) 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.

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)
  - Absolute capital cushion SCR and MCR
  - Absolute capital surplus with regards to RAF (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 as an extensive tool to analyze CSLP's risk profile. The development over time can be seen by comparing the percentages displayed in Table 3 which summarizes CSLP's risk exposure as per 4Q17 based on risk type contributions after diversifications with the respective percentages in Table 3b as per 4Q16. The equity risk and spread risk have changed compared to the 4Q16 figures due to the application of a look-through approach to the underlying assets of the collective investment undertakings/funds in which CSLP is invested. The reason for the increase in FX relates to a more conservative treatment of the balance of the advance tax payments made compared to last year.

	Interest Rate	Equities	Spread	Ctpty Default	FX	Mortality	Surrender	Expense	OpRisk
in %	0.3%	12.4%	3.7%	2.5%	32.8%	0.3%	42.6%	3.5%	1.8%

Table 3a: CSLP's risk exposure as per 4Q17, measured in SCR contributions.

	Interest Rate	Equities	Spread	Ctpty Default	FX	Mortality	Surrender	Expense	OpRisk
in %	0.1%	28.7%	1.7%	2.4%	18.8%	0.3%	44.4%	2.9%	0.8%

Table 3b: CSLP's relative risk exposure as per 4Q16, measured in SCR contributions.

The tables above are based on the standard formula calculations and (correlation) parameters. 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 implicitly via a potential shortfall in earnings (PFVP).

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 re-insurer and is considered remote, too. Further credit risk, more material than as with the re-insurer, is given by CSLP's shareholder, Credit Suisse, where CSLP's SH EQ is deposited at.

4.2.2 Life Underwriting Risks

As elaborated on before, mortality risks are mainly re-insured and remaining risks within that context mainly stem from surrenders. However, this type of risk also materializes due to Solvency II framework via the vulnerability of PVFP in case of material surrender activity.

4.2.3 Operational 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 CS processes, systems and people.

4.3 Risk Concentration

As summarized in the regular evaluation of the standard formula, highlighted in each ORSA report and highlighted inTable 3, CSLP's major risk drivers are surrender risk (mass surrender), equity risks and currency 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 policyholder side (41% as per 4Q17) which is driven also by market movements. Spread risk stems from a considerable share in fixed income markets on the policyholder side (50% as per 4Q17).

4.4 Risk Mitigation

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

With regards to mass surrender, a potential re-insurance protection has been brought up to the attention of the RC but it was decided not to pursue such an option at the moment. 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 EUR 20'000 for new business and EUR 5'000 for existing business in case of death within a single policy.

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 is elaborated on with regards to CSLP's risk profile (risk type contributions with regard to SCR), this section refers to CSLP's own books only.

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 2.

[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.

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 2: Stress Scenarios CSLP regularly runs.

A detailed definition of such scenarios is contained in CSLP's RAF, cf. [20]. 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, cf. [7], CSLP's shareholder assets are invested in a very conservative way, solely cash as per 4Q17, and as depicted in Figure 3. According to CSLP's Business Plan as per 4Q17, no changes are expected. Given CSLP's business model of solely selling unit-linked life insurance, the 'prudent person principle' with regards to invested assets can be boiled down to how shareholder assets are invested. In the below tables we depict the asset allocation in absolute terms for shareholder assets (SH) for 4Q16 and 4Q17 (on the left-hand side wrt. currencies, on the right-hand side wrt. asset types). The share in cash assets continuously as per year-end is 100%. CSLP's exposure re CHF/EUR is driven by the tax on technical reserves and overlaid by FX fluctuation.

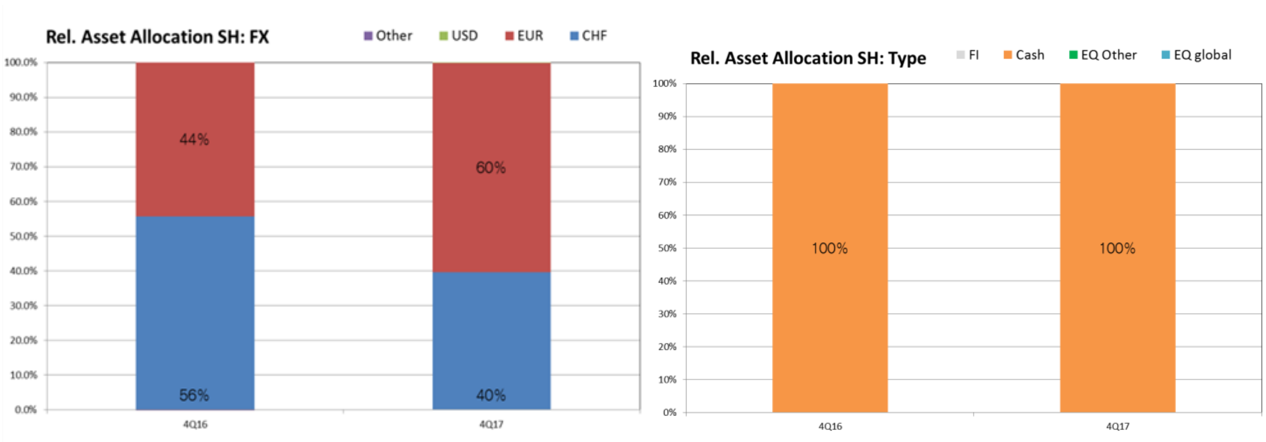

Figure 3: Asset Allocation SH Assets 4Q16 and 4Q17, FX (lhs) and Asset Class (rhs).

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. CSLP's legal entity structure with respect to CS allows summarizing the valuation of unit-linked assets 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.
- CSLP minimizes the risk of illiquid assets by only accepting assets which exhibit a value, i.e. allow liquidation within short-term horizon explicitly excluding real estate and arts, for example.

Valuation of assets fully relies upon CS standards itself defined by its global policy P-00852. Residual risk induced by unforeseeable shortfalls in values as e.g. in Madoff-related assets, 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 96%, with more details on positions exhibiting materiality:

- **R0040 – Deferred tax assets (DTA) and R0380 – Receivables (trade, not insurance),CHF 87m**: As outlined in Section 2.6, for YE2016 advance tax payments made by CSLP's Italian branch to the Italian tax authorities were shown as DTA. With the new treatment the advance tax payments are now shown under R0380 Receivable (trade, not insurance).
- **R0220 – Assets held for index-linked and unit-linked contracts, CHF 5'999m**: aggregated total amount of assets for which policyholders bear the investment risk valued at market value;
- **R0270 – Reinsurance recoverables, CHF -14m**: is the present value of projected recoverables from reinsurance contract (please note the negative sign, i.e. under best estimate conditions reinsurance is expected to reduce value);
- **R0360 – Insurance and intermediaries receivables, CHF 5m**: representing income fees accrued and not yet received from Clients;
- **R0410 – Cash and cash equivalents, CHF 106m:** pre-dominantly SH EQ invested (purely Cash);

- **R0420 – Any other assets, not elsewhere shown, CHF 6m:** relates to accruals and deferrals;

Total liabilities are primarily made up by:

- **R0690 – Technical Provisions on index-linked and unit-linked, CHF 5'869m:** thereof Best Estimate Liability on modelled business of CHF 5'839m and Risk Margin CHF 31m;
- **R0750 - Provisions other than technical provisions, CHF 6m**: relates to litigation provisions and tax provisions.
- **R0780 - Deferred tax liabilities, CHF 44m**: relates to deferred taxes arising from valuation differences between Solvency II and statutory accounts.
- **R0800 – Debts owed to credit institutions, CHF 67m:** aggregated amount of loans to support funding of advance tax payments (grantor: CS AG);
- **R0820 - Insurance & intermediaries payables, CHF 36m**: relates to liabilities against intermediaries and policyholders.
- **R0840 - Payables (trade, not insurance), CHF 2m**: relates to various other liabilities such as social security or taxes.
- **R1000 – Excess of assets over liabilities, CHF 167m:** originating from paid-in share capital, retained earnings and profit for the year as well as present value of expected future profits; less risk margin.

5.2 Valuation of Technical Provisions

CSLP's business model is seen as only having one material line of business and without contracts exhibiting options and guarantees.

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		0			0
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					
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030			5'838'737'199	0	5'838'737'199
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-13'834'797		-13'834'797
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			5'852'571'996		5'852'571'996
Risk Margin	R0100		30'622'425			30'622'425
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200		5'869'359'625			5'869'359'625

Figure 4: S.12.01.01.01: Life and Health SLT Technical Provisions.

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 and surrender rates representing the main drivers where a reportable change is recorded.

No further material difference exists between methods and assumptions made for the valuation for solvency purposes and valuation for financial statements. Neither volatility adjustment, nor matching adjustment or transitional measures have been applied to the yield curves or other assumptions used.

5.3 Valuation of Other Liabilities

Other liabilities are loans and temporary accounts which are reported as their statutory account value.

5.4 Key Differences between Statutory and Solvency Closing

As outlined in [14] and following the assessment of the Appointed Actuary as well as of the Central Actuary Function but also against the background that CSG reports US GAAP figures,, using US GAAP closings for Solvency II calculations is not deemed unreasonable as reflecting local statutory figures with adaptations representing an economic view. Main differences are due to booking of provisions made for legal cases:

- statutory: (claim amount – NAV) * probability of loss **IF** probability of loss >= 50%
- US GAAP: claim amount – NAV **IF** probability of loss >= 70%

Solvency II valuation principles have been applied so that the key differences between statutory and solvency closing relate to the valuation of reinsurance recoverables, technical provisions and deferred tax liabilities.

6 Capital Management

6.1 Own Funds

For the reporting 2016, the advance tax payments actually made were considered as deferred tax asset (DTA) although these amounts were not the result of valuation differences between Solvency II and statutory valuation principles. As a consequence these DTA were treated as an amount equal to the value of net deferred tax assets in the own funds and, thus, were classified as tier 3 capital which is only partially eligible to cover SCR (up to 15 % of SCR) and not eligible at all to cover MCR. Figure 5a shows the respective numbers from last year's SFCR for 4Q16 where the advance tax payments made (CHF 74.5m end of 2016) was shown in the Basic Own Funds an amount equal to the value of net deferred tax assets (see R0160).

		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	15'000'000.00	15'000'000.00		0.00	
Share premium account related to ordinary share capital	R0030	0.00	0.00		0.00	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0.00	0.00		0.00	
Subordinated mutual member accounts	R0050	0.00		0.00	0.00	0.00
Surplus funds	R0070	0.00	0.00			
Preference shares	R0090	0.00		0.00	0.00	0.00
Share premium account related to preference shares	R0110	0.00		0.00	0.00	0.00
Reconciliation reserve	R0130	73'017'001.30	73'017'001.30			
Subordinated liabilities	R0140	0.00		0.00	0.00	0.00
An amount equal to the value of net deferred tax assets	R0160	74'481'258.00				74'481'258.00
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0.00	0.00	0.00	0.00	0.00
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						
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	0.00				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00	0.00	0.00	0.00	
Total basic own funds after deductions	R0290	162'498'259.30	88'017'001.30	0.00	0.00	74'481'258.00
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.00			0.00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable	R0310	0.00			0.00	

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	0.00				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0.00	0.00	0.00	0.00	
Total basic own funds after deductions	R0290	162'498'259.30	88'017'001.30	0.00	0.00	74'481'258.00

Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0.00			0.00	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable	R0310	0.00			0.00	
Unpaid and uncalled preference shares callable on demand	R0320	0.00			0.00	0.00
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0.00			0.00	0.00
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0.00			0.00	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0.00			0.00	0.00
Supplementary members calls under first subparagraph of Article 96(3) of the Directive	R0360	0.00			0.00	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0.00			0.00	0.00
Other ancillary own funds	R0390	0.00			0.00	0.00
Total ancillary own funds	R0400	0.00			0.00	0.00
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	162'498'259.30	88'017'001.30	0.00	0.00	74'481'258.00
Total available own funds to meet the MCR	R0510	88'017'001.30	88'017'001.30	0.00	0.00	
Total eligible own funds to meet the SCR	R0540	99'100'434.10	88'017'001.30	0.00	0.00	11'083'432.79
Total eligible own funds to meet the MCR	R0550	88'017'001.30	88'017'001.30	0.00	0.00	
SCR	R0580	73'889'551.96				
MCR	R0600	33'250'298.38				
Ratio of Eligible own funds to SCR	R0620	134.12%				
Ratio of Eligible own funds to MCR	R0640	264.71%				

Figure 5a: S.23.01.01.01, Own Funds 4Q16

Following respective analysis and discussions a new treatment has been agreed. This was required to

- appropriately reflect the character of actual advance tax payments made by the company's Italian branch to the Italian tax authorities;
- align the treatment with the respective treatment in the audited statutory reporting.

This new treatment can be 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. For 4Q2017 Figure 5b shows the new treatment of the advance tax payments made (CHF 87.3m end of 2017) and how this translates into the composition and tiering of Own Funds and, finally, how this impacts the amount of Eligible Own Funds to cover SCR and MCR and the coverage ratios. This helps to explain why the new treatment finally improves the solvency position of the company (compared to the old treatment applied so far): 201 % (134 %) SCR-and 446 % (264 %) MCR-coverage.

		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		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	150'315'792	150'315'792			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
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	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	165'315'792	165'315'792	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	165'315'792	165'315'792	0	0	0
Total available own funds to meet the MCR	R0510	165'315'792	165'315'792	0	0	
Total eligible own funds to meet the SCR	R0540	165'315'792	165'315'792	0	0	0
Total eligible own funds to meet the MCR	R0550	165'315'792	165'315'792	0	0	
SCR	R0580	82'314'768				
MCR	R0600	37'041'645				
Ratio of Eligible own funds to SCR	R0620	2.01				
Ratio of Eligible own funds to MCR	R0640	4.46				

Figure 5b: S.23.01.01.01, Own Funds 4Q17.

Table 4 lists the components of Eligible Capital SCR from a Solvency II perspective (regarding the asset allocation with regards to currencies and asset classes, we refer to Figure 3). How EC SCR is expected to develop over time is regularly analyzed by CSLP through in the three year projection as part of the quarterly Solvency II calculations and in alignment with CSLP's annual Business Plan. This includes an assessment as to whether its usual business activities, there require to raise capital or allow for redeeming capital.

While SH EQ continuously increased due to retained earnings, PVFP exhibits some volatility due to various and partially offsetting effects such as new business, surrender activity, actual expenses, asset allocation and market fluctuation. The risk margin is linked to the SCR, capital constraints are driven by changes in the amount of the the advance tax payments made. Table 4 below also shows the development of non-eligible parts of available capital due to treatment of advance tax payments as an amount equal to the value of net deferred tax assets which can be seen as a capital constraint.

in CHFm	2015	2016	2017
Eligible Capital SCR	**104.1**	**99.1**	**165.3**
PVFP	**115.4**	**106.3**	**101.4**
SH EQ	**79.2**	**84.8**	**94.5**
Thereof: Own Capital	15.0	15.0	15.0
Risk Margin	**-30.4**	**-28.6**	**-30.6**
Capital Constraints	**-60.2**	**-63.4**	**0.0**

Table 4: Decomposition Eligible Capital SCR of CSLP 2015-2017.

The reduction in EC SCR from 2015 to 2016 was driven by the reduction in PFVP (itself decreased as mentioned above due to various effects), partially offset by a continuous increase in SH EQ.

6.2 Required Capital

CSLP calculates the solvency capital requirement (SCR) by applying the Standard Formula provided by the Solvency II framework. Neither volatility adjustment nor matching adjustment have been applied to the yield curves or other assumptions used and no transitional measures have been applied. For the calculation of the SCR according to the Standard Formula see 7 Annex 7, S.25.01.01 - Solvency Capital Requirement - for undertakings on Standard Formula.

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 shown in Figure 6a for 4Q16 and in Figure 6b for 4Q17.

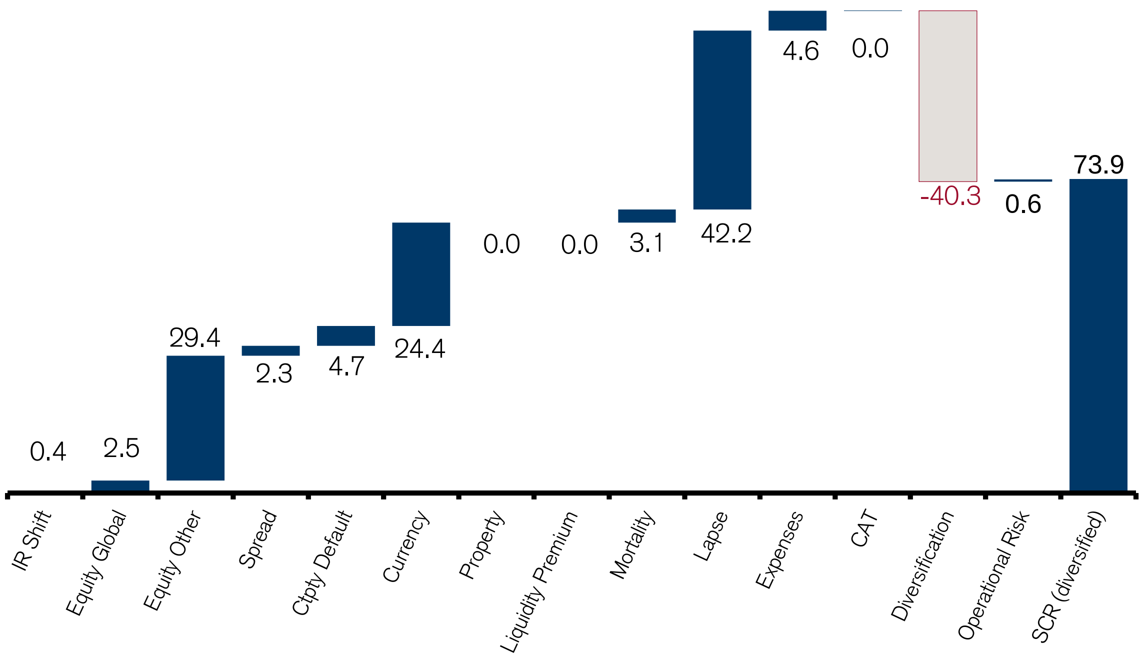

Figure 6a: Decomposition of SCR as per 4Q16

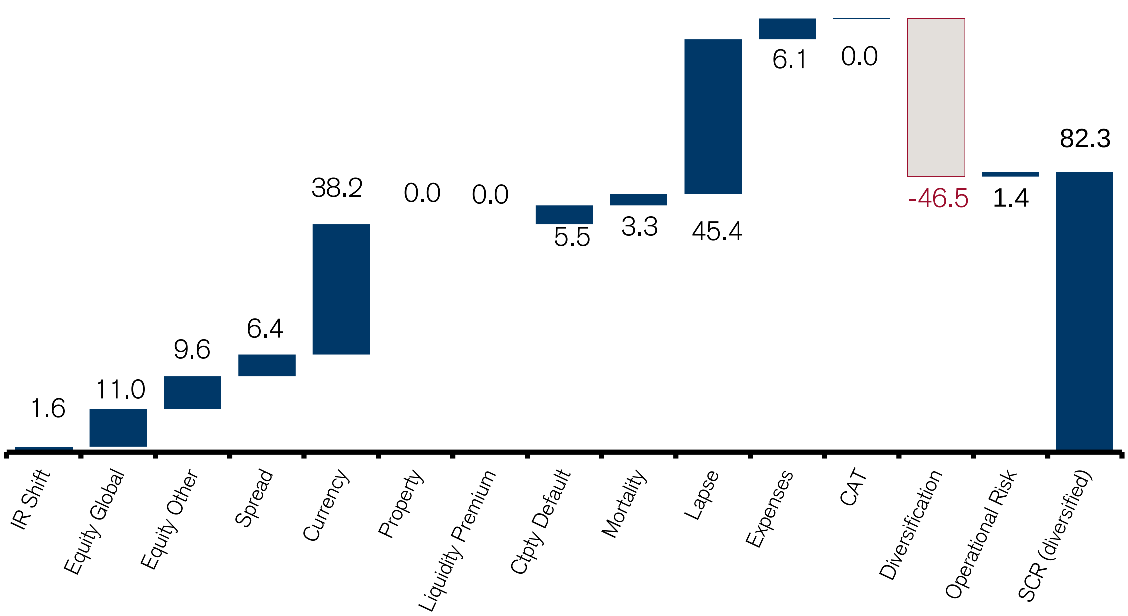

Figure 6b: CSLP's Decomposition of SCR as per 4Q17

It highlights that CSLP is mainly exposed towards equity, FX and lapse risk. With an improved look-through introduced in 2017 the underlying assets are better assigned to the asset classes equity global, equity other and bonds.

SCR as per 4Q17 equals CHF 82.3m and is some CHF 8.4m higher than SCR as per 4Q16 with CHF 73.9m. The increase is mainly driven by a higher exposure to the currency risk end of 2017 which filters through to an increase in the Market Risk SCR. This effect is only partly compensated by higher diversification.

With regards to MCR, the upper limit of the linear constraint applies and sets MCR at 45% of CSLP's SCR.

6.3 Capital Management: Other Information

CSLP's Italy Branch according to Art. 1(2) of Decree Law 209 (24-September-2002) is required to yearly pay Tax on technical Reserves (TotR) 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.

7 Annex

This Annex contains the quantitative reporting templates (QRT) according to the Commission Implementing Regulation (EU) 2015/2452 for the reporting date 31.12.1017. The following QRTs are disclosed: S.02.01.02, S.05.01.02, S.05.02.01, S.12.01.01, S.23.01.01, S.25.01.01 and S.28.01.01.

S.02.01.02 Balance Sheet Assets

in CHF		Solvency II value C0010
Assets		
Intangible assets	R0030	59'793
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	0
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	0
Government Bonds	R0140	0
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	0
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	5'999'160'542
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	-13'834'797
Non-life and health similar to non-life	R0280	0
Non-life excluding health	R0290	0
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	-13'834'797
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	5'150'958
Reinsurance receivables	R0370	0
Receivables (trade, not insurance)	R0380	87'530'512
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	105'851'744
Any other assets, not elsewhere shown	R0420	5'960'565
Total assets	R0500	6'189'879'317

S.02.01.02 Balance Sheet Liabilities

in CHF		Solvency II value C0010
Liabilities		
Technical provisions non-life	R0510	0
Technical provisions non-life (excluding health)	R0520	0
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	0
Risk margin	R0550	0
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions index-linked and unit-linked	R0690	5'869'359'625
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	5'838'737'199
Risk margin	R0720	30'622'425
Other technical provisions	R0730	0
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	5'584'028
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	43'570'921
Derivatives	R0790	0
Debts owed to credit institutions	R0800	67'010'170
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	36'463'365
Reinsurance payables	R0830	386'039
Payables (trade, not insurance)	R0840	2'101'538
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	87'839
Total liabilities	R0900	6'024'563'525
Excess of assets over liabilities	R1000	165'315'792

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	438'427'802.00	438'427'802.00
Reinsurers' share	R1420	866'950.00	866'950.00
Net	R1500	437'560'852.00	437'560'852.00
Premiums earned			
Gross	R1510	438'427'802.00	438'427'802.00
Reinsurers' share	R1520	866'950.00	866'950.00
Net	R1600	437'560'852.00	437'560'852.00
Claims incurred			
Gross	R1610	387'061'053.00	387'061'053.00
Reinsurers' share	R1620	236'192.00	236'192.00
Net	R1700	386'824'861.00	386'824'861.00
Changes in other technical provisions			
Gross	R1710	0.00	0.00
Reinsurers' share	R1720	0.00	0.00
Net	R1800	0.00	0.00
Expenses incurred	R1900	54'357'923.00	54'357'923.00
Other expenses	R2500	0.00	0.00
Total expenses	R2600		54'357'923.00

S.05.02.01 - Premiums, claims and expenses by country

in CHF		Home country	(BE) Belgium	(DE) Germany	(GB) United Kingdom	(IT) Italy	Total Top 5 and home country
		C0220	C0230	C0230	C0230	C0230	C0280
Premiums written							
Gross	R1410	0	0	63'327'926	0	375'099'876	438'427'802
Reinsurers' share	R1420	0	0	616'118	0	250'832	866'950
Net	R1500	0	0	62'711'808	0	374'849'044	437'560'852
Premiums earned							
Gross	R1510	0	0	0	0	0	0
Reinsurers' share	R1520	0	0	0	0	0	0
Net	R1600	0	0	0	0	0	0
Claims incurred							
Gross	R1610	0	0	0	0	296'423'748	296'423'748
Reinsurers' share	R1620	0	0	0	0	86'508	86'508
Net	R1700	0	0	0	0	296'337'240	296'337'240
Changes in other technical provisions							
Gross	R1710	0	0	0	0	0	0
Reinsurers' share	R1720	0	0	0	0	0	0
Net	R1800	0	0	0	0	0	0
Expenses incurred	R1900	0	0	7'851'634	0	46'506'289	54'357'923
Other expenses	R2500	0	0	0	0	0	0
Total expenses	R2600						54'357'923

S.12.01.01 - Life and Health SLT Technical Provisions

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		0			0
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					
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030			5'838'737'199	0	5'838'737'199
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			-13'834'797		-13'834'797
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090			5'852'571'996		5'852'571'996
Risk Margin	R0100		30'622'425			30'622'425
Technical Provisions calculated as a whole	R0110					
Best estimate	R0120					
Risk margin	R0130					
Technical provisions - total	R0200		5'869'359'625			5'869'359'625

S.23.01.01 - Own funds

		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		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	150'315'792	150'315'792			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
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	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	165'315'792	165'315'792	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	165'315'792	165'315'792	0	0	0
Total available own funds to meet the MCR	R0510	165'315'792	165'315'792	0	0	
Total eligible own funds to meet the SCR	R0540	165'315'792	165'315'792	0	0	0
Total eligible own funds to meet the MCR	R0550	165'315'792	165'315'792	0	0	
SCR	R0580	82'314'768				
MCR	R0600	37'041'645				
Ratio of Eligible own funds to SCR	R0620	2.01				
Ratio of Eligible own funds to MCR	R0640	4.46				

S.25.01.01 - Solvency Capital Requirement - for undertakings on Standard Formula

in CHF		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	50'883'120		
Counterparty default risk	R0020	5'541'821		
Life underwriting risk	R0030	48'968'360		
Health underwriting risk	R0040	0		
Non-life underwriting risk	R0050	0		
Diversification	R0060	-24'521'705		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	80'871'595		

		Value
Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	1'443'173
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	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	82'314'768
Capital add-on already set	R0210	
Solvency capital requirement	R0220	82'314'768
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining	R0410	
Total amount of Notional Solvency Capital Requirements for ring fence	R0420	
Total amount of Notional Solvency Capital Requirements for matching	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggı	R0450	No adjustment
Net future discretionary benefits	R0460	0

S.28.01.01 - Minimum Capital Requirement

Linear formula component for life insurance and reinsurance obligations			
		C0040	
MCRL Result	R0200	41'050'119	
in CHF		**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	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	5'852'571'996	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		117'307'877

Overall MCR calculation		
		C0070
Linear MCR	R0300	41'050'119
SCR	R0310	82'314'768
MCR cap	R0320	37'041'645
MCR floor	R0330	20'578'692
Combined MCR	R0340	37'041'645
Absolute floor of the MCR	R0350	4'321'406
Minimum Capital Requirement	R0400	37'041'645

8 References

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[2] Credit Suisse: Compensation Policy.

[3] Credit Suisse: GP-00032, Global Outsourcing Policy.

[4] Credit Suisse: Regulations of Internal Audit.

[5] Credit Suisse: CRO-Manual-M1010 "Scenario Analysis Framework".

[6] Credit Suisse: CRO-Manual-M1011 "Scenario Definitions".

[7] CSLP-00002: Investment and Capital Management.

[8] CSLP: Appointed Actuary – Outsourcing Individual Mandate.

[9] CSLP: BoD Charter.

[10] CSLP: Mandate Central Actuarial Function.

[11] CSLP: Mandate Compliance Function

[12] CSLP: Model Documentation / High-level Overview of Methodology.

[13] CSLP: Solvency-II Risk Dashboard 3Q16.

[14] Dotterweich, Köstner: Optimisation of limit systems for investment risks in accordance with Solvency II, AFIR Group, 2009.

[15] CSLP: Actuarial Responsibilities and Processes.

[16] CSLP: Annual Risk Identification and Review Process CSLP.

[17] CSLP: Guidelines on the System of Governance – Implementation at CSLP.

[18] CSLP: On the Adequateness of the Standard Formula under Solvency II.

[19] CSLP: ORSA 4Q16.

[20] CSLP: Risk Appetite Framework CSLP.

[21] CSLP: Risk Management Manual CSLP.