



2022 Annual Report

Swiss Re Capital Markets Limited

Audited Annual Accounts for the year ended 31 December 2022

Swiss Re Capital Markets Limited
30. St. Mary Axe
London EC3A 8EP

Swiss Re Capital Markets Limited
Company Registration No.3436761

Contents

Company information	2
Strategic report	3
Directors' report	7
Independent auditor's report to the members of Swiss Re Capital Markets Limited	9
Statement of Income and Retained Earnings	12
Balance Sheet	13
Notes to the financial statements	14

Audited Annual Accounts

Company information

Board of Directors

Andrew Henry Edwin Palmer (Chief Executive Officer)
Stephen Paul Hjorring
Stephen Snipes
Pierre-Yves Charles Hug
Peter Znasik

Company Secretary

Jennifer Gandy

Registered Office

30 St. Mary Axe
London EC3A 8EP

Independent Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
3 Assembly Square, Britannia Quay
Cardiff CF10 4AX

Audited Annual Accounts

Strategic report

The Board of Directors (“Directors”) present their Strategic report of Swiss Re Capital Markets Limited (“SRCML”) (the “Company”) for the year ended 31 December 2022.

Principal objectives and strategies

The principal objective of the Company is to advise, arrange, manage and deal in investments both as agent as principal, as authorised by the Financial Conduct Authority (“FCA”):

- .. The Company is used as structurer or as placement agent for a variety of Insurance Linked Securities (“ILS”).
- .. The Company offers derivatives to its clients on behalf of the Environmental and Commodities Market (“ECM”) and Industry Loss Warranty (ILW) trading desk. These trades consist of an external facing trade with an opposite, but otherwise identical in terms, internal back-to-back trade that passes the market risk to another Swiss Re Group entity.
- .. The Company trades short-term US Treasury Bills to meet its liquidity requirements. Since 2021, those treasury bills are lent on the market through a security lending agreement with another Swiss Re Group entity.
- .. The Company can provide reinsurance intermediary services, typically to another Swiss Re Group entity.

Ultimate parent undertaking

Swiss Re Europe Holdings S.A. (“SREH”), the Company’s immediate parent is incorporated in Luxembourg. The Company’s ultimate parent undertaking and controlling party is Swiss Re Ltd (“SRL”) (together with SRL’s other subsidiaries, “the Group”), which is incorporated in Switzerland.

Development and performance

The Company focused on its core business areas and principal activities and maintained a balanced investment approach throughout the year, appropriate to the ultimate parent undertaking and controlling party’s risk appetite and strategy.

Results and dividends

The profit for the financial year amounted to \$ 3,135,000 (2021: loss of \$2,360,000). No dividend was declared and paid during the year ended 31 December 2022 (2021: \$5,000,000).

The statement of income and retained earnings, balance sheet and notes to the financial statements are presented in United States Dollars (“USD” or “\$”), being the functional currency of the Company.

Financial reporting framework

The Company prepared the financial statements under FRS 102 “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland”.

Business model

The risk profile of the Company has remained low, similar to the previous year, and the Company continues to conduct investment business only where suitable opportunities exist. The Company’s level of capitalisation and its capital structure are determined by regulatory capital requirements as well as management’s view of risks and opportunities arising both from its business operations and from capital markets.

The Company’s Carrier Group Committee (“the Committee”) is the sole management committee reviewing the day to day business of the Company. The Committee, which meets monthly, comprises a number of stakeholders responsible for overseeing specific areas of the Company, including representatives from risk, compliance, finance, legal and operations. The Committee has its authority delegated by the Company’s Board of Directors (“the Board”) and as such it reports directly to the Board. The Committee oversees the Company’s risk management policies and the strategy of the Company, as defined by the Board. In addition the Company leverages off the corporate governance structure of the Group.

Audited Annual Accounts | Strategic report

Future outlook

No significant change in the nature of the Company's principal activities related to ECM and ILW business is expected.

Section 172 (1) statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the long term success of the Company for the benefit of its members, having regard to the following:

The likely consequences of any decision in the long term. The Company is wholly owned by Swiss Re Europe Holdings S.A ("SREH") and as such will always operate to the standards set by the Group.

The Company has no employees of its own but outsources expertise from other Group companies, all operating to the Human Resources standards and fairness requirements set by the Group.

The Directors consider the key stakeholders of the Company to be its business clients and the UK regulator (FCA). The Company recognises the importance of building strong relationships and actively engages with both to ascertain their views and take them into account when making significant decisions. The Company and its directors rely on the Compliance department to represent the Company to the FCA and to share back the supervisory requirements or recommendations to the directors and ensure that any decision will be taken in accordance with them. The composition of BoD ("the Board") equally ensures the presence of at least one front office representative for each business line. Business clients' views and considerations are therefore assured to be reflected in any Directors' discussion and ultimately decision.

The Directors recognise the importance of assessing the impact of their action on the Community and the environment. The impact is not assessed as significant given the nature of business activities of the Company.

Regardless of how the competencies are assigned internally with the Group, externally the Company is an independent legal entity. The directors bear sole responsibility and liability for meeting legal obligations and complying with the legal and regulatory environment to which they are subject to. They have the rights and obligations to take all measures to fulfil their legal duties.

The Company is wholly owned by SREH and that shareholder is actively involved in key decisions of the Company. Information is shared effectively to ensure that the shareholder is engaged.

Political and charitable contributions

The Company made no political or charitable contributions during the current or previous year.

Capital management

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on the guidelines developed by the BASEL Committee and the European Community Directives, as implemented by the FCA, for supervisory purposes. The required information for capital and liquidity are filed with the FCA on a quarterly and monthly basis, respectively.

The FCA requires that the Company holds a minimum level of regulatory capital at least equal to the higher of:

- a) The base capital resources requirement which is currently £750,000
- b) The sum of its credit risk, market risk and operational risk capital requirements

As of the reporting date, the Company holds additional capital to cover its Pillar 2 stress scenario. The additional Pillar 2 capital held at 31 December 2022 was \$10,000,000 (2021: \$11,091,000).

The Company regularly assesses its financial resources, including capital resources and liquidity resources. The Company ensures that they are adequate in both amount and quality, so that there is no significant risk that its liabilities cannot be met as they fall due, therefore is fully compliant with the overall liquidity adequacy rule.

Both the Internal Capital and Risk Assessment ("ICARA"), formerly Internal Capital Adequacy Assessment Process ("ICAAP"), and the Individual Liquidity Adequacy Assessment ("ILAA") are performed annually. However, if changes in business strategy or operational environment suggest that the current level of financial resources is no longer adequate, the full assessment process will be performed more frequently. Less detailed internal capital adequacy assessments are carried out monthly based on the risk reports described in Note 4. If the monthly internal assessment highlights a need to increase the capital requirement then this will be carried out.

Audited Annual Accounts | Strategic report

a) Capital Resources (unaudited)

	2022 \$,000	2021 \$,000
Tier 1 Capital Resources		
Ordinary Share Capital	60,143	60,143
Retained Earnings	1,211	(1,924)
Capital Redemption Reserve	391	391
Total Capital Resources	61,745	58,610

After adjustments for cumulative gains and losses due to changes in own credit risk on fair valued liabilities and other transitional adjustments to Common Equity Tier 1 Capital, in accordance with the Investment Firms Prudential Regime ("IFPR"), previously Capital Requirements Regulation ("CRR"), the eligible Tier 1 capital at 31 December 2022 was \$58,005,929 (2021: \$57,068,151).

b) Capital Resource Requirements (unaudited)

Capital resource requirements represent the minimum regulatory capital that the Company needs to hold.

	2022 \$,000	2021 \$,000
Interest Rate Position Risk Requirement*	n/a	156
Foreign Currency Position Risk Requirement*	n/a	270
Counterparty Risk Capital Component*	n/a	808
Non-Trading Book Credit Risk*	n/a	81
Large Exposure Risk Requirement*	n/a	—
Credit Valuation Adjustment Risk*	n/a	817
Operational Risk Requirement*	n/a	1,360
Capital Conservation Buffer*	n/a	1,091
Permanent minimum requirement**	902	n/a
25% of previous year overhead**	1,678	n/a
K-Factors:**	1,602	n/a
K-TCD - Trading Counterparty Default**	639	n/a
K-NPR - Net Position Risk (FX)**	960	n/a
K-Con - Concentration risk**	0	n/a
K-DTF - Daily Trading Flow**	3	n/a
Total Capital Resources Requirement* **	1,678	4,583

* 2021: under CRR

** 2022: under IFPR – Effective 1st January 2022, the UK has adopted a new regulatory framework ("IFPR") for Investment Firms which replaces the previous "CRR" regime. As a consequence new parameters have been introduced for the calculation of the overall Capital requirement, which is now based on new fixed parameters ("Permanent minimum requirement" – "PMR" – and the "Fixed-overheads requirement" – "FOR") and variables ones (so called "K-Factors" – "KFR"), depending on the activities and size of the regulated Firm. The overall Total Capital Resources requirement is the highest of the "PMR", the "FOR" and the "KFR".

Investment Firms Prudential Regime ("IFPR") became effective 1 January 2022. IFPR sets quantitative and qualitative enhancement to the capital adequacy for investment firms.

The IFPR framework consists of three pillars:

Pillar 1 – Basic Own fund requirements. Own funds requirement under the IFPR is calculated as the higher of the:

- .. Permanent Minimum Requirement ("PMR") – The PMR is the minimum own funds a Company must hold, based on the Company's permissions and services;
- .. Fixed Overhead Requirement ("FOR") – The FOR is calculated as one quarter of a Company's annual fixed expenditure less allowable deductions;
- .. K-Factor Requirement ("KFR") – The KFR has been introduced to calibrate the own funds needed to meet the risks applicable to an investment Company. K-factors are quantitative indicators or factors which represent the risks that an investment Company can pose to customers, the market, and the Company itself. The total KFR is calculated as the sum of the Risk to Client, Risk to Market, and Risk to the Company's K-factors.

Pillar 2 – Additional Own funds requirement. A Company must assess on the basis of its analysis as part of the ICARA process, whether it should hold additional own funds in excess of its basic own funds requirement to comply with the overall financial adequacy rule. To comply with the overall financial adequacy rule, a Company must therefore hold the higher of:

- .. the amount of own funds that a Company requires at any given point in time to fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle; and
- .. the amount of own funds that a Company would need to hold to ensure that the Company can be wound down in an orderly manner.

Audited Annual Accounts | Strategic report

Pillar 3 – MIFIDPRU Disclosure: Risk management objectives and policies, Governance arrangements, Own funds, Own funds requirements, Remuneration policies and practices and Investment policy (if applicable).

See Note 4 for additional information about the Company's risk exposures.

The Company calculates the Operational Risk Capital Requirement in accordance with the IFPR (previously CRR). The Operational Risk Requirement for 2022, based on this annual report, will be \$3,000 (2021: \$1,178,000).

Counterparty Credit Risk is calculated via the Standard Approach and the exposures as at 31 December 2022 and 2021 are to European corporates and Group companies. The Company recognises three external credit assessment institutions: Fitch, Standard & Poor's and Moody's.

External derivative positions are hedged by backing the risk out to a Group entity via equal and opposite back-to-back trades. The Company receives securities as collateral in form of US or UK Government Bonds from the Group entity to cover the Group counterparty risk. This leaves only the risk of default by the external counterparty.

CRD IV seeks to improve the transparency of firm activities by requiring annual disclosure of profits, taxes and subsidies in different jurisdictions. The table below shows jurisdictions, profits and tax paid for the years ended 31 December 2021 and 2020.

2022		\$,000						
Jurisdiction	Description of activities	Name	Number of employees	Turnover	Profit before tax	Accounting tax charge	Cash tax paid on profit or loss	Public subsidies received
UK	Investment management	Swiss Re Capital Markets Limited	none	9,383	3,835	700	1,159	–
Australia	marketing of environmental commodity derivatives	Swiss Re Capital Markets Limited, Australia Branch	none	0	0	–25	–3	–

2021		\$,000						
Jurisdiction	Description of activities	Name	Number of employees	Turnover	Profit before tax	Accounting tax charge	Cash tax paid on profit or loss	Public subsidies received
UK	Investment management	Swiss Re Capital Markets Limited	none	3,520	-2,916	–542	83	–
Australia	marketing of environmental commodity derivatives	Swiss Re Capital Markets Limited, Australia Branch	none	289	14	1	6	–

The table above is not required under IFPR but included to show the comparatives 2022 against 2021.

Return on assets for the year ended 31 December 2022 was 4.2% (2021: –2.4%).

Key performance indicators

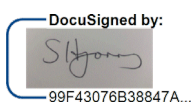
The following key performance indicators are evaluated at the monthly meeting of the Committee. Regulatory capital held against the Company's own internally calculated requirements is considered a key measure by management of the Company's risk exposure:

	Measure	2022	2021
Regulatory capital against requirements	%	3,457	1,635
Liquidity stress test results	%	787	376

The liquidity stress test results, discussed in Note 4 of the notes to the financial statements, represent the coverage ratio of cash sources over cash uses for the cumulative period of 1 to 365 days under a stressed scenario.

On behalf of the Board

Stephen Paul Hjorring
Director

DocuSigned by:

99F43076B38847A...

19 April 2023

Audited Annual Accounts

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2022.

The following Directors held office during the year and up to the date of signing the financial statements.

Board of Directors

Andrew Henry Edwin Palmer (Chief Executive Officer)
Stephen Paul Hjorring
Stephen Snipes
Pierre-Yves Charles Hug
Peter Znasik

Branches outside the UK

The company incorporated a branch in Australia effective 29 October 2013. The branch's principle objective is the marketing of environmental commodity derivatives. The branch does not participate in active trading, hence it does not participate in the pricing, negotiation or contracting of derivatives for the Company.

Financial instruments

The Company holds financial instruments as part of its business. The Company's exposure to risk and its risk management policies are discussed in Note 4 of the financial statements.

Directors' indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Creditor payment policy

The Company pays its creditors as those liabilities become due. Market creditors will be settled within three working days as per normal investment business market practice. There are no non-market creditors at the end of the year.

Future developments and dividends

For information on the Company's future developments and dividends refer to the future outlook and results and dividends sections of the Strategic report.

Going concern

The Directors have considered the going concern position of the Company for a period of 12 months from the date of this report. The Directors have a reasonable expectation that the Company will continue to operate as a going concern and has sufficient resources to meet its liabilities as they fall due within that period. The Company regularly assesses its financial resources, including capital resources and liquidity resources via the annual Internal Capital and Risk Assessment ("ICARA") and the Individual Liquidity Adequacy Assessment ("ILAA") as explained in the Capital Management section above on page 4. The liquidity risks are sufficiently covered due to the nature of the back-to-back derivative arrangements that include the delivery of cash collateral to external clients. Operationally, the majority of expenses charged to the Company are intragroup recharges and, in the event the income for the year does not cover the expenses, the Directors consider the Company has sufficient liquid capital to settle the recharge. There are no financial debt obligations or covenants that impact the Company. Further, there are no significant transactions or changes in business activities anticipated during 2022.

Statement of Director's responsibilities in respect of the Annual Report, Strategic Report, the Director's Report and the financial Statements

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Audited Annual Accounts | Directors' report

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- .. select suitable accounting policies and then apply them consistently;
- .. make judgements and estimates that are reasonable and prudent;
- .. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- .. assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- .. use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events

On 8 February 2023 the Board of Directors has approved the proposal of a Capital repatriation of GBP 30 million (equivalent to USD 36 million at the Financial Statements date) which is due to take place during the Financial Year 2023.

Disclosure of information to auditor

In the case of each director in office at the date the directors' report is approved:

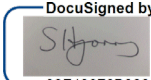
- .. so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- .. they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditor

The auditor, KPMG LLP, was appointed as the auditor of the Company in accordance with section 487(2) of the Companies Act 2006 for the audit of the financial statements starting from the year ended 31 December 2021.

The auditor, KPMG LLP, has indicated their willingness to continue in office. The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

Stephen Hjorring
Director

DocuSigned by:

99F43076B38847A...

19 April 2023

Swiss Re Capital Markets Limited
30. St. Mary Axe
London EC3A 8EP

Swiss Re Capital Markets Limited
Company Registration No.3436761

Independent auditor's report to the members of Swiss Re Capital Markets Limited

Opinion

We have audited the financial statements of Swiss Re Capital Markets Limited ("the Company") for the year ended 31 December 2022 which comprise the Balance Sheet, the Statement of Income and Retained Earnings and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and management, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets/ recent revisions to guidance/ our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of weather derivatives. On this audit we do not believe there is a fraud risk related to revenue recognition because its revenue is largely attributable to advisory fees which are based on set fees stipulated in contracts agreed with other Swiss Re group companies. We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following area as that most likely to have such an effect: the Financial Conduct Authority's requirements relating to regulatory capital and liquidity, recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Shaun Gealy (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square, Britannia Quay
Cardiff
CF10 4AX

19 April 2023

Audited Annual Accounts

Statement of Income and Retained Earnings

For the year ended 31 December 2022

	Note	2022 \$,000	2021 \$,000
Net trading income	6	9,383	3,809
Administrative expenses	7	(5,661)	(6,685)
Other operating income	8	165	(18)
Operating profit		3,887	(2,894)
Interest payable and similar expenses		(52)	(8)
Profit before taxation		3,835	(2,902)
Tax on profit	11	(700)	542
Profit for the financial year		3,135	(2,360)
Retained earnings at 1 January		(1,924)	5,436
Dividends paid		-	(5,000)
Retained earnings at 31 December		1,211	(1,924)

All amounts shown above arose from continuing activities.

The notes on pages 14 to 26 form an integral part of these financial statements.

As permitted by FRS 102 paragraph 3.18, the Company has presented a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity as the only changes to its equity during the periods presented arise from profit or loss and payment of dividends.

Audited Annual Accounts

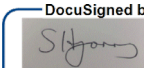
Balance Sheet

For the year ended 31 December 2022

	Note	2022 \$,000	2021 \$,000
Current assets			
Financial assets at fair value through profit or loss	12	63,228	76,812
Collateral receivable	15	-	15,900
Trade and other receivables	14	4,398	1,537
Cash at bank and in hand		7,120	5,094
Total current assets		74,746	99,343
Current liabilities			
Financial liabilities at fair value through profit or loss	16	(4,036)	(18,826)
Obligation to return collateral	20	-	(18,800)
Trade and other payables	18	(8,718)	(2,348)
Other liabilities	19	(247)	(759)
Total current liabilities		(13,001)	(40,733)
Net current assets		61,745	58,610
Total assets less current liabilities		61,745	58,610
Net assets		61,745	58,610
Capital and reserves			
Called up share capital	22	60,143	60,143
Other reserves	23	391	391
Retained earnings	25	1,211	(1,924)
Total equity		61,745	58,610

The statement of income and retained earnings, balance sheet, and notes to the financial statements on pages 14 to 26 were approved by the Board of Directors on 19 April 2023 and were signed on their behalf by:

Stephen Hjorring
Director

DocuSigned by:

99F43076B38847A...

Swiss Re Capital Markets Limited
30. St. Mary Axe
London EC3A 8EP

Swiss Re Capital Markets Limited
Company Registration No.3436761

Notes to the financial statements

All notes to the financial statements are audited unless stated otherwise.

1. General information

The principal objective of Swiss Re Capital Markets Limited ("the Company") is to advise, arrange, manage and deal in investments both as agent and as principal, as authorised by the Financial Conduct Authority.

The Company is a private company limited by shares and is incorporated, domiciled, managed and controlled in the United Kingdom. The address of its registered office is 30 St. Mary Axe, London, EC3A 8EP, United Kingdom, and registered in England & Wales.

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

a) Basis of preparation

These financial statements are prepared on the going concern basis (refer to Directors' report "**Conclusions relating to going concern**"), under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. The only critical estimates used by management are in regard to the valuation of Environmental Commodities Markets and Industry Loss Warranty derivative transactions as discussed in the financial instruments section (Note 3 g). FRS 102 also requires management to exercise its judgement in the process of applying the company's accounting policies.

b) Exemptions for qualifying entities under FRS 102

The Company's immediate parent undertaking is SREH. The Company's ultimate parent company and ultimate controlling party is SRL. The Company's intermediate parent is Swiss Reinsurance Company Ltd ("SRZ"). Both the ultimate and intermediate parent companies are registered in Switzerland. The Company's financial statements are included in the consolidated financial statements of SRZ, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b). The Company is also exempt under FRS 102 paragraph 1.12(e) from disclosing key management personnel compensation in total and disclosing related party transactions with other companies that are wholly owned within the Group according to FRS 102 paragraph 33.1A. It is also the Company's intention to use these exemptions next year.

c) Foreign currency

These financial statements are presented in USD, also being the functional currency of the Company

Monetary non-dollar assets and liabilities are restated at the prevailing rate of exchange on the balance sheet date with any foreign exchange difference taken to the statement of income and retained earnings ("SOIRE") under 'Other operating income/expenses'. Monetary items in the statement of income and retained earnings have been restated at the average rate of exchange that approximates to the rate of exchange on the date the transaction was executed. Foreign exchange losses are recognised in the statement of income and retained earnings under 'Other operating expenses'.

d) Revenue recognition

Income on financial instruments held for trading is recognised on a trade date basis. Fees relating to arranging transactions or acting as an agent are recognised in net trading income when the transaction has been completed, except for when the fees are based on premiums and it is not certain what the future premium amounts will be. In this case, fees are recognised as received. Fees in respect of ongoing servicing of transactions are recognised on an accrual basis over the life of the transaction. Other fees receivable are accounted for as they fall due. Interest receivable is recognised in the statement of income and retained earnings as it accrues using the effective interest rate method.

Audited Annual Accounts | Notes to the financial statements

e) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. No deferred tax has been recognised for the current or prior year.

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred tax

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and the results stated in the financial statements.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are to be recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax assets and liabilities are not discounted.

f) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet. Cash held in current accounts is non-interest bearing.

g) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through the profit or loss and loans and advances. The Company determines the classification of its investments on the date of initial recognition.

Financial assets at fair value through the profit or loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. The financial assets in this category are also considered complex and are initially measured at fair value, which is normally the transaction price and subsequently carried at fair value and the changes in the fair value are recognised in profit or loss. All derivatives are classified as held at fair value through profit or loss.

When appropriate, valuations are adjusted for various factors such as expectation and volatility of underlying value and risk drivers. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. These estimates can be subjective in nature and involve assumptions based on management's view of market conditions. Accordingly, the results of applying these techniques may not represent amounts that will ultimately be realised from these assets and liabilities.

Obligation to return collateral

The Company receives and posts cash collateral related to the ECM and ILW derivative trading activities. The Company also exchanges security collateral in the form of United States and United Kingdom Government Bonds. Collateral received in the form of securities is reported as off-balance sheet since the Company has not sold the collateral nor has the transferor of the collateral defaulted. For detail of non-cash collateral, refer to Note 4e.

Financial liabilities**Financial liabilities at fair value through the profit or loss**

A financial liability is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. The financial liabilities in this category are also considered complex and are initially measured at fair value, which is normally the transaction price and subsequently carried at fair value and the changes in the fair value are recognised in profit or loss. All derivatives are classified as held at fair value through profit or loss.

Audited Annual Accounts | Notes to the financial statements

When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. These estimates are subjective in nature and involve assumptions based on management's view of market conditions. Accordingly, the results of applying these techniques may not represent amounts that will ultimately be realised from these assets and liabilities.

Traded derivatives and foreign exchange contracts

Derivative instruments and foreign exchange contracts are all classified within 'Financial assets or liabilities at fair value through profit or loss' and are carried at fair value in the balance sheet. All derivatives are held under constant review of both their realisable value and potential future return and are consequently categorised as held for trading in accordance with FRS 102 section 11 and 12. Fair values are normally determined by reference to quoted bid / offer market prices. Where quoted market prices are not available fair value is determined by discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Gains and losses are taken directly to the statement of income and retained earnings and are reported within net trading income. The Company uses the trade date as the point of recognition and derecognition for these instruments.

Securities lending

Securities that are lent to fellow group companies under the Global Master Securities Lending Agreement continue to be recognised on the balance sheet on the basis the risks and rewards are retained by the Company. Such securities continue to be valued according to the valuation currently applicable to the securities. Under the same agreement and to mitigate counterparty risk, the Company receives collateral from its counterparties. Collateral received is not recognised on the balance sheet as the Company does not have the risks and rewards of ownership.

h) Credit valuation adjustments / Debit valuation adjustments

Credit valuation adjustments ("CVA") are necessary when the market price (or parameter) is not indicative of the credit quality of the counterparty. As few classes of derivative contracts are listed on an exchange, the majority of derivative positions are valued using internally developed models that use observable market parameters as the inputs for the models. An adjustment is necessary to reflect the credit quality of each derivative counterparty to arrive at the overall fair value of a derivative instrument. The adjustment also takes into account contractual factors designed to reduce the Company's credit exposure to each counterparty, such as collateral and legal rights of offset.

Debit valuation adjustments ("DVA") are necessary to reflect the credit quality of the Company in the valuation of liabilities measured at fair value. The methodology to determine the adjustment is consistent with CVA and incorporates Swiss Re's credit spread as observed through the credit default swap market.

i) Distribution to the equity holder

Dividends and other distributions to Company's shareholder are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company shareholder. These amounts are recognised in the statement of income and retained earnings.

j) Net trading income

Net trading income includes net income earned on financial instruments at fair value through the profit or loss, including:

1. Realised profits and losses on the purchase and sale of trading instruments;
2. Unrealised gains and losses from the revaluation of trading instruments;
3. Fees earned as a direct consequence of holding or transacting in certain traded debt securities and derivatives.
4. Advisory fee income and expense in respect of arranging, and the ongoing servicing of, transactions.

k) Administrative expenses

All administration, staff and pension costs, excluding audit fees (for audit fees refer to note 9), are incurred by SRZ, Swiss Re Services Limited ("SRSL"), Swiss Re Management Ltd, UK Branch ("SRML"), and Swiss Re America Holding Corporation ("SRAH") Swiss Re Europe S.A ("SRE"), fellow subsidiary undertakings. SRZ, SRSL, SRML, SRE and SRAH make management charges to the Company for its share of these costs. This expense is recognised in the statement of income and retained earnings as it accrues.

4. Financial risk

Financial risk management

The Company's financial risks are reviewed on a monthly basis by the Committee.

a) Market risk

A summary of the Company's market risk is presented to the Committee, and to the Board at the scheduled meetings. Market Risk encompasses foreign exchange risk, interest rate risk, credit risk and environmental risk and arises from entering into derivative contracts with both market counterparties and affiliates for the purpose of both trading activity and also to offset risk.

A daily Value at Risk calculation ("VaR") is carried out. This is a statistical measure of the potential losses that could arise from the trading positions, held over a 10-day holding period against a one-year lookback, and a 99% confidence level. The VaR measure used assumes that our profit or loss follows a normal distribution, but also assumes that trading profit or loss over the 10-day horizon does not benefit from risk management, stop-loss or hedging activity. As at 31 December 2022 the Company had a VaR loss of \$20,000 (2021: \$5,296). The use of this approach does not prevent losses outside of these limits in the event of more significant market movements, and the VaR measure could increase if market volatility were to increase relative to one year previous.

All of the above tests are compared to pre-determined limits against which management can assess if further risk mitigation strategies are to be implemented to reduce the reported risk levels.

b) Foreign exchange risk

Foreign exchange risk is managed on an ongoing trade position basis as part of the Company's and Group's cash management procedures. When amounts in non USD currency are paid or received, foreign exchange contracts are put in place to convert the assets or liabilities into USD, thereby reducing foreign exchange exposure and risk. Foreign exchange risk sensitivity analysis is a constituent part of the daily VaR and aggregate stress values.

The Company has assets and liabilities denominated in EUR, GBP, CHF and AUD. The impact of a 1% strengthening of the USD/CHF exchange rate at 31 December 2022, would be a decrease in net assets of \$4,000 (2021: n/a), while a 1% strengthening of the USD/GBP exchange rate at 31 December 2022 would be a decrease in net assets of \$3,000 (2021: decrease of \$28,000). Given the minor exposure in EUR and AUD, the impact of a 1% strengthening of the EUR/USD and AUD/USD exchange rates at 31 December 2022 would not have any significant impact in net assets.

c) Interest rate risk

As the company does not engage in long term unhedged fixed interest positions, interest rate risk is not considered a material risk.

Interest rate risk is monitored on a daily basis by calculating the Company's DV-01 exposure – which is the change in market value due to a basis point fall in interest rates. As at 31 December 2022 the Company had a DV01 exposure of 243 units (i.e. the Company would profit slightly from falling yields, and lose slightly from rising yields), (2021: 1,568 units). The exposure comes entirely from T-Bills.

The DV01 test is compared to predetermined limits against which management can assess if further risk mitigation strategies are to be implemented to reduce the reported risk levels.

d) Liquidity risk

The Company's liquidity risk is reviewed on an ongoing basis at the meetings of the Committee. The Committee reviews and challenges the liquidity Risk data presented to it by the liquidity Risk Officer and the Head of Treasury to ensure the Company has not breached any of the limits set by the Board. The key liquidity measures are the Stress Result and the Funding Coverage Ratio at the 1 week and 3 month time horizons. The Stress Result applies assumptions to both the Company's resources and expected requirements based on a 3 notch downgrade in Swiss Re's credit rating. At the year end, the Stress Coverage was 787% for both time horizons (2021: 2777%).

The back to back nature of the ECM and ILS business exposes the Company to collateral disputes, whereby the Group entity may demand a higher collateral margin from the Company, than the amount the external client recognises. This would cause a mismatch in posting, which would ultimately be resolved either by business-as-usual Collateral Management processes, or by the trade settling at maturity. The liquidity gap is monitored in an additional time horizon of 3 months to 1 year, and reported to the Committee on a monthly basis. The Stress Coverage ratio at a cumulative 1 year time horizon, at year end 2022, was also 787%.

Audited Annual Accounts | Notes to the financial statements

A maturity analysis of gross undiscounted contractual liabilities by maturity period is shown below:

2022	Total	Overnight – 3 months	3 months – 6 months	6 months – 1 year	1 year – 5 years	5 years – 10 years	More than 10 years
Unsecured liability	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Other financial liabilities	8,718	8,718	–	–	–	–	–
Financial liabilities at FVTPL (held for trading)	2,199	2,199	–	–	–	–	–
Total	10,917	10,917	–	–	–	–	–

2021	Total	Overnight – 3 months	3 months – 6 months	6 months – 1 year	1 year – 5 years	5 years – 10 years	More than 10 years
Unsecured liability	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Other financial liabilities	2,347	2,347	–	–	–	–	–
Financial liabilities at FVTPL (held for trading)	15,378	3,278	12,183	(83)	–	–	–
Total	17,725	5,625	12,183	(83)	–	–	–

*"Fair value through profit or loss" has been abbreviated to "FVTPL."

Liquidity is managed using Group borrowing / lending, (reverse) sale and repurchase agreements with external and Group counterparties. Cash and liquid asset levels are reviewed to ensure that there are always sufficient liquid resources available to meet all contractual obligations when they fall due.

e) Credit risk

Credit Risk is monitored on a daily basis using credit ratings obtained from External Credit Assessment Agencies including Moody's and Standard & Poor's. The Company's exposures are predominately related to financial institutions and corporates.

Where Credit risk is deemed unacceptably high and when it is deemed to be beneficial, the Company will enter into an International Swaps and Derivatives Association (ISDA) Master netting agreement with the counterparty as a way to mitigate credit risk.

A daily credit stress test is carried out which measures the profit or loss that results from changes in credit spreads on 'Traded debt securities' and 'Traded derivatives' under Swiss Re Group Risk Management's credit stress framework. As at 31 December 2022 the Company had a credit stress of \$820,000 (2020: \$471,000). The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As at 31 December 2022 the Company was exposed to the following credit risks.

- 1) Other financial assets receivable include mainly trade fee receivables total amount of \$4,312,231. At 31 December 2022, other financial assets consist of two outstanding trade settlements (2021: no trade). Delivery of traded debt securities is performed on a delivery versus payment basis, whereby ownership of the asset does not transfer to the purchaser until payment is received, thereby fully mitigating the credit risk exposure. These receivables are monitored on a daily basis.
- 2) Credit Risk on traded debt securities and derivatives is covered in the Market risk section (Note 4a). The derivatives credit risk is fully collateralised and are in the form of cash and treasury bills, which are readily convertible into cash. The table below discloses the Company's maximum credit exposure, split between those held in the Group companies and those held externally:

Audited Annual Accounts | Notes to the financial statements

2022 \$,000	Group	Non-Group	Total
Derivative financial instruments	–	–	–
Financial assets at fair value through profit or loss	4,029	59,199	63,228
Trade and other receivables	4,214	184	4,398
Cash at bank and in hand	–	7,120	7,120
Total	8,243	66,503	74,746

2021 \$,000	Group	Non-Group	Total
Derivative financial instruments	–	–	–
Financial assets at fair value through profit or loss	17,755	59,057	76,812
Trade and other receivables	1,161	376	1,537
Cash at bank and in hand	–	5,094	5,094
Total	18,916	64,527	83,443

The table below summarises the credit quality of the Company's financial assets at the balance sheet date. No financial assets were either past due or impaired in the current or prior year.

2022 \$,000	Fair value through profit or loss	Trade and other receivables	Cash at bank and in hand	Collateral Receivable	Total
Swiss Re Group companies:					
AAA – A–	4,029	4,214	-	-	8,243
Non-group counterparties:					
AAA – A–	59,199	84	7,120	-	66,403
BBB – B–	-	100	-	-	100
	63,228	4,398	7,120	-	74,746

2021 \$,000	Fair value through profit or loss	Trade and other receivables	Cash at bank and in hand	Collateral Receivable	Total
Swiss Re Group companies:					
AAA – A–	17,755	1,161	-	-	18,916
Non-group counterparties:					
AAA – A–	57,985	77	5,094	-	63,156
BBB – B–	1,072	299	-	15,900	17,271
	76,812	1,537	5,094	15,900	99,343

f) Operational Risk

Operational risk is monitored by an operational risk officer and reported to management on a monthly basis.

The Company maintains Risk and Control Self Assessments for each functional area which enables it to develop risk matrices. These are entered into the Operational Risk Management Information System. The system takes into account the inherent risk of a specified risk, and the design and operating effectiveness of the controls that mitigate the risk are captured.

Loss history is also maintained. No losses arose as a result of operational events in the current or prior year.

g) Environmental Risk

Environmental risk can exist in a multitude of forms. From the Company's perspective, the majority of the potential risks come from the ECM and ILW business due to the derivative assets' fair values being driven by underlying weather conditions. However, as it is the policy of the company to execute simultaneous and identical back-to-back trades with a Group entity, any changes in underlying weather conditions are negated as a component of fair value.

In a tail event, dramatically changing environmental conditions, or regulatory shifts, might conceivably lead to an external counterpart defaulting on a payment – whilst the Company is required under the back-to-back to settle with the Group entity. This risk is ostensibly captured and monitored in credit stress, is bounded by individual transaction limits, and aggregate counterpart exposures/concentrations are monitored and controlled by Group Risk Management.

5. Fair value disclosures relating to financial assets and liabilities

Valuation hierarchy

The table below shows financial assets and financial liabilities carried at fair value. The Company calculates the fair value of derivative assets by discounting future cash flows at a rate which incorporates counterparty credit spreads and calculates the fair value of its liabilities by discounting at a rate which incorporates its own credit spreads.

The valuation methodology estimates exit price by computing expected loss and applying a risk premium in the form of an exit price adjustment. The underlying value and risk drivers are generally either just weather variables (e.g., temperature, precipitation, wind, etc.) or weather variables together with a commodity price (e.g., a natural gas or electric power price). No direct market observed pricing is available. As a result, mark-to-model is necessary. The fair value calculated is therefore based on modelled possible scenarios of these weather and commodity price outcomes jointly.

2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$,000	\$,000	\$,000	\$,000
Traded debt securities				
– Non-Group	59,199	-	-	59,199
Traded derivatives				
– Group	-	-	4,029	4,029
– Non-Group	-	-	-	-
	59,199	-	4,029	63,228
Financial liabilities at fair value through profit or loss				
Traded derivatives				
– Group	-	-	-	-
– Non-Group	-	-	(4,036)	(4,036)
	-	-	(4,036)	(4,036)
2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	\$,000	\$,000	\$,000	\$,000
Traded debt securities				
– Non-Group	57,985	-	-	57,985
Traded derivatives				
– Group	-	-	17,755	17,755
– Non-Group	-	-	1,072	1,072
	57,985	-	18,827	76,812
Financial liabilities at fair value through profit or loss				
Traded derivatives				
– Group	-	-	(1,073)	(1,073)
– Non-Group	-	-	(17,753)	(17,753)
	-	-	(18,826)	(18,826)

Fair value measurement and disclosures requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three level hierarchy is based on the observability of inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are used when possible.

Level 2 inputs are market based inputs that are directly or indirectly observable but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (e.g. markets which have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (e.g. interest rates, yield curves, volatilities, payment speeds, credit risks and default rates) and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

Audited Annual Accounts | Notes to the financial statements

Analysis of Level 3 financial assets and liabilities:

2022	Traded derivatives – Group	Traded derivatives – Non-Group	Total
	\$,000	\$,000	\$,000
Financial assets			
As at 1 January	17,755	1,072	18,827
Additions	15,966	(81)	15,885
Gains/(losses) recognised in the SOIRE through net trading income on assets held at the end of the year	(7,176)	134	(7,042)
through net trading income on assets settled during the year	(16,095)	7,720	(8,375)
Settlements	(6,421)	(8,845)	(15,266)
As at 31 December	4,029	-	4,029
Financial liabilities			
As at 1 January	(1,073)	(17,753)	(18,826)
Issuances	(22)	(15,978)	(16,000)
(Losses)/gains recognised in the SOIRE through net trading income on assets held at the end of the year	(163)	7,173	7,010
through net trading income on assets settled during the year	(7,806)	16,182	8,376
Settlements	9,064	6,340	15,404
As at 31 December	-	(4,036)	(4,036)
2021			
	\$,000	\$,000	\$,000
Financial assets			
As at 1 January	15,605	3,982	19,587
Additions	13,704	(304)	13,400
Gains/(losses) recognised in the SOIRE through net trading income on assets held at the end of the year	8,485	2,758	11,243
through net trading income on assets settled during the year	(18,241)	2,850	(15,391)
Settlements	(1,798)	(8,214)	(10,012)
As at 31 December	17,755	1,072	18,827
Financial liabilities			
As at 1 January	(3,980)	(15,601)	(19,581)
Issuances	304	(13,704)	(13,400)
(Losses)/gains recognised in the SOIRE through net trading income on assets held at the end of the year	(2,576)	(8,670)	(11,246)
through net trading income on assets settled during the year	(2,850)	18,240	15,390
Settlements	8,029	1,982	10,011
As at 31 December	(1,073)	(17,753)	(18,826)

Audited Annual Accounts | Notes to the financial statements

6. Net trading income

	2022	2021
	\$,000	\$,000
Net income earned on financial instruments at fair value through profit or loss – held for trading:		
Net income earned / (loss) on traded derivatives and traded securities	614	(163)
	614	(163)
Advisory fee income:		
Advisory fees from Group companies	8,663	3,574
Advisory fees from Non-Group companies	106	398
	8,769	3,972
	9,383	3,809

7. Administrative expenses

	2022	2021
	\$,000	\$,000
Operating profit is stated after charging:		
Fees payable for auditing the Company's financial statements audit (Note 9)	226	164
Management charges payable – Group companies	5,364	6,360
Other service charges payable – Group companies	-	-
Other service charges payable – Non-Group companies	71	161
	5,661	6,685

Management charges were made by a fellow subsidiary undertakings, SRZ, SRSL, SRML, SRE, SRAL and SRAH. The majority of administration, staff and pension costs are incurred by SRSL, SRML, SRE or SRAH and all staff undertaking tasks for the Company are employed under contract with one of those Group companies. Of the management charge, \$2,822,000 related to staff costs (2021: \$4,685,000). The Company had no employees during the current or prior years.

Certain key individuals employed by other Group companies, and contracted to the Company, are entitled to deferred shares under a long term incentive scheme. All deferred shares are SRZ shares. The cost of this scheme is recharged to the Company by SRSL or SRML through the management recharge. For detailed disclosures refer to the SRSL or SRML financial statements, which can be obtained from the address in Note 27.

For its staff SRSL operates a trust-based occupational pension scheme that is governed by a Trust Deed between the Trustees and SRSL which sets out the terms of the Scheme and also a Group Personal Pension Plan. Both schemes are administered by Aviva.

8. Other operating income

Interest income includes income generated from accretion of discount on U.S. Treasury Bills, bank interest income, netted against fees and related expenses, and interest in relation to collateral activity.

	2022	2021
	\$,000	\$,000
Foreign currency gain/(loss)	49	(20)
Interest income	116	2
	165	(18)

9. Independent auditor's remuneration

The total fees payable by the Company (Note 7), excluding VAT, to its only auditor, KPMG LLP, are in respect of statutory audit services for a total amount of USD 157,029 (2021: USD 110,000). USD 31,328 was paid in relation to limited assurance on client custody rules and client money rules during the year ended 31 December 2022 (2021: USD 20,000).

Audited Annual Accounts | Notes to the financial statements

10. Directors' emoluments

The number of Directors for whom pension contributions were made in the year is five (2021: four).

	2022	2021
	\$,000	\$,000
Aggregate emoluments, excluding pension contributions	54	21
Aggregate pension contributions to money purchase schemes	2	-

The number of Directors, who have share options receivable under long-term incentive schemes is two (2021: one). The value of share options exercised in the current and prior year was nil. The amounts disclosed above are an allocation of total emoluments and pension contributions based on the total time spent working for the Company.

The Directors are provided by SRML, SRSL and Swiss Re Corporate Solutions Ltd (SRCS) and are compensated based on the amount of time spent on the Company throughout the year.

11. Tax on profit

The current tax charge for the year differs from the standard rate of corporation tax in the UK, of 19% (2021: 19%).

The differences are explained below:

	2022	2021
	\$,000	\$,000
Analysis of tax charge for the year		
Current tax:		
UK corporation tax at 19.00% (2020: 19%)	725	(534)
Adjustments in respect of prior years	(28)	(9)
Overseas taxation	3	1
Total current tax	700	(542)
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustments arising on implementation of tax rate change	-	-
Total deferred tax	-	-
Tax charge on profit for the year	700	(542)

	2022	2021
	\$,000	\$,000
Factors affecting the tax charge for the year		
The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19.00% (2020: 19%). The differences are explained as follows:		
Profit before taxation	3,835	(2,902)
Taxable income in the financial year multiplied by the standard rate of corporation tax in the United Kingdom of 19.00% (2020: 19%)	729	(551)
Expenses not deductible for tax purposes	(1)	-
Tax base adjustment	2	-
Exchange rate differences	(3)	17
Adjustments in respect of prior years	(28)	(9)
Overseas tax differences	1	1
Total tax charge for the year	700	(542)
Total deferred tax	-	-
Tax charge on profit for the year	700	(542)

Audited Annual Accounts | Notes to the financial statements

12. Financial assets at fair value through profit or loss – Current

	2022	2021
	\$,000	\$,000
Financial assets at fair value through profit or loss – held for trading:		
Traded derivatives – Group companies	4,029	17,755
Traded derivatives – Non-Group companies	-	1,072
Traded debt securities – Non-Group companies	59,199	57,985
	63,228	76,812

Traded derivatives are ECM, ILW, swaps contracts and mature on 31 March 2023.

To enhance the performance of its investment portfolio, the Company enters into security lending transactions. The securities lent within these transactions are US Treasury Bills. In the context of such transactions, securities are transferred to the counterparty, however the Company retains the risks and rewards for the securities throughout the transaction. SRZ is the counterparty for these transactions and acts as the collateral clearer for the Swiss Re Group, centrally managing and mitigating counterparty credit exposure for the Company. The actual value of securities lent to SRZ as at 31 December 2022 amounts to USD 18.6 million (2021: USD 28 million). In line with the Global Master Services Lending Agreement that governs the lending process, the Company received collateral from its counterparty. The actual value of collateral received from SRZ as at 31 December 2022 amounts to USD 22 million (2021: USD 65 million) and consists of fixed income securities.

13. Trade and other receivables

Trade and other receivable is largely made up of receivables for fee income.

	2022	2021
	\$,000	\$,000
Trade and other receivables – Group companies	4,214	1,161
Trade and other receivables – Non-Group companies	184	376
	4,398	1,537

14. Collateral receivable

	2022	2021
	\$,000	\$,000
Collateral Receivable – Non-Group Companies	-	15,900
	-	15,900

15. Financial liabilities at fair value through profit or loss – Current

Traded derivatives are ECM, ILW, swaps contracts mature on 31 March 2023.

	2022	2021
	\$,000	\$,000
Financial liabilities at fair value through profit or loss – held for trading:		
Traded derivatives – Group companies	-	(1,073)
Traded derivatives – non Group companies	(4,036)	(17,753)
	(4,036)	(18,826)

16. Trade and other payables

Trade and other payables are largely made up of Group companies recharges.

	2022	2021
	\$,000	\$,000
Accrued expenses – Group companies	(1,175)	(1,918)
Accrued expenses – Non-Group companies	(272)	(250)
Trade and other payables – Group companies	(3,282)	-
Trade and other payables – Non-Group companies	(3,989)	(180)
	(8,718)	(2,348)

Audited Annual Accounts | Notes to the financial statements

17. Other liabilities

	2022	2021
	\$,000	\$,000
Taxation Group relief payable	(247)	(759)
Taxation payable to tax authorities	-	-
	(247)	(759)

18. Obligation to return collateral

The collateral received from Non-Group companies is in relation to the ECM trading activity.

	2022	2021
	\$,000	\$,000
Obligation to return collateral – Group Companies	-	(18,800)
Obligation to return collateral – Non-Group Companies	-	-
	-	(18,800)

19. Fair value disclosure

The trade and other receivables, trade and other payables, Cash and cash equivalents and Obligation to Return Collateral are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

20. Called up share capital

There has been no movement in share capital during the year, it has been fully paid and allotted.

	2022	2021
	\$,000	\$,000
Authorised:		
100,000 (2020: 100,000) ordinary shares of £1 each	£100	£100
300,000,000 (2020: 300,000,000) ordinary shares of \$1 each	300,000	300,000
	2022	2021
Called up, issued, allotted and fully paid:		
60,143,240 (2020: 60,143,240) ordinary shares of \$1 each	60,143	60,143
	60,143	60,143

21. Other reserves

	2022	2021
	\$,000	\$,000
Capital Redemption Reserve:		
As at 1 January and 31 December	391	391

22. Dividends

No dividend was approved during the Financial Year 2022. Previously, on 17 July 2021, the Board of Directors of the Company approved the declaration of a dividend of \$ 5,000,000 payable to the immediate parent company which was paid in July 2021.

	2022	2021
	\$,000	\$,000
Dividend paid during the year	-	5,000

Audited Annual Accounts | Notes to the financial statements

23. Retained earnings

	2022	2021
	\$,000	\$,000
At 1 January	(1,924)	5,436
Profit for the financial year	3,135	(2,360)
Dividend	-	(5,000)
At 31 December	1,211	(1,924)

24. Reconciliation of movements in equity shareholder's funds

	2022	2021
	\$,000	\$,000
At 1 January	58,610	65,970
Profit for the financial year	3,135	(2,360)
Dividend	-	(5,000)
At 31 December	61,745	58,610

25. Controlling parties

The immediate parent undertaking is SREH.

The ultimate parent undertaking and controlling party is SRL, which is incorporated in Switzerland. The parent company that heads the smallest and largest Group including the company for which consolidated financial statements are prepared is SRZ and SRL, respectively.

SRL's financial strength is currently rated AA- by Standard & Poor and Aa3 by Moody's.

The financial statements of SREH, SRZ, and SRL may be obtained by applying to the Company Secretary, Swiss Re GB Limited, 30 St. Mary Axe, London, EC3A 8EP, United Kingdom.

Swiss Re Capital Markets Limited
30. St. Mary Axe
London EC3A 8EP

Swiss Re Capital Markets Limited
Company Registration No.3436761