

Swiss Re Capital Markets Europe S.A.
Pillar III Public Disclosure by Investment Firms

Swiss Re Capital Market Europe S.A (the "Company" or "SRCME") presents its "Pillar III Public Disclosure by Investment Firms" for the year ended 31 December 2021.

1. Business & Performance

Principal objectives and strategies

The principal objective of the Company is to act as a carrier for the derivatives transactions on behalf of Swiss Re Group ECM (Environmental & Commodity Markets) and ACP (Alternative Capital Partners) business units to serve their EU clients. In both activities, SRCME is acting as back-to-back entity, fronting external clients:

- For ECM this means that all SRCME investment risk is transferred to, and ultimately taken and managed by, another Swiss Re entity with the related profit (or loss) ultimately borne by that entity.
- For ACP, all insurance-linked securities, i.e., generally catastrophe bonds, are first structured and underwritten by other Group companies, where the associated costs are therefore recharged.

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.

Business model

The financial risk profile of the Company is low, largely because risks of the transactions are shifted to other legal entities in the Group via the back-to-back trades described above. 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.

Financial reporting framework

The Company prepared the financial statements in accordance with Luxembourg legal and regulatory requirements by the amended law of 19 December 2002.

Development and performance

The Company has been incorporated on October 10th, 2018, and has been authorized on March 27th, 2019 by the Commission de Surveillance du Secteur Financier (CSSF) to operate as an investment firm and obtained the reinsurance brokerage licence on March 22nd, 2019 from the Commissariat aux Assurances (CAA).

Key Performance Indicators

The following key performance indicators are evaluated at the Carrier Group Committee ("CGC") meetings. Regulatory capital held against the Company's calculated requirements is considered a key measure to manage the Company's risk exposure:

	Measure	2021 ¹	2020 ²
Regulatory capital against requirements	%	740	1,126
Liquidity stress test results	%	220	803

¹Under IFD/IFR ²Under CRR

The liquidity stress test results discussed in the financial risk section represent the coverage ratio of cash sources over cash uses for the cumulative period of 1 to 90 days under a stressed scenario.

Results, reserve and dividends

The Company has reported a loss but remained in a strong financial position at the year end. The loss for its third financial year amounted to EUR 0,359 million. Due to the loss, there was no allocation to the legal reserve in accordance with the Luxembourg company law. No dividends were declared or paid during the year ended 31 December 2021.

Outlook

The Company was incorporated in 2018 in response to Brexit to continue to serve our European Union customers as its sister company based in the UK would not be able to keep on serving our European clients. As a result, it is expected to progressively record more trades and reach profitability. No significant change in the nature of the Company's principal activities related to ECM and ILS business is currently anticipated.

2. Risk management objectives & policies

Principal risks and uncertainties

The Company has exposure principally to the Swiss Re Corporate Solutions Global Markets Incorporated that provides the back-to-back risk hedges. The Company's financial risks are reviewed on an ongoing basis by senior management and the risk officers of the Company who report to the CGC ten times a year. A summary of the Company's market risk exposure is presented to the SRCME Board of Directors (the "Board") at scheduled meetings. From these reviews, strategies are developed to appropriately mitigate these risks using market procedures and financial instruments.

Financial risk

Financial risk management

The Company's financial risks are reviewed 10 times a year by the CGC. In the current risk report, all figures are presented in Euro ("EUR"), being the functional currency of the Company.

A) Market risk

A summary of the Company's market risk is presented to the CGC and to the Board at the scheduled meetings. Market risk encompasses foreign exchange risk, interest rate risk, credit 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.

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-EUR currency are paid or received, foreign exchange contracts are put in place to convert the assets or liabilities into EUR, thereby reducing foreign exchange exposure and risk.

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.

The interest rate risk as of December 31st, 2021, was nil according to the IFD/IFR framework.

D) Liquidity risk

The Company's liquidity risk is reviewed on an ongoing basis at the meetings of the CGC. 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 the Group's credit rating. At the year end, the Stress Coverage was 2443% for week and cumulative quarter and 220% for cumulative annual (for which the required limit is 110%).

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.

As at 31 December 2021 the Company was exposed to the following credit risks:

- The company entered into 13 derivatives on behalf of Swiss Re's ECM business unit. These trades consist of external facing trades with an opposite but otherwise identical terms, internal back-to-back trade that passes all the risk to another Group entity. For the derivatives accounted for at lower of cost or market value, under the "positions à termes fermés" accounting principle, the balance net to zero as back-to-back finance.
- Credit risk on traded debt securities and derivatives: The table below discloses the Company's maximum credit exposure, split between those held in the Group companies and those held externally:

2021			
€,000	Group	Non-Group	Total
Derivative financial instruments	15,188	3,215	18,403
Financial assets at fair value through profit or loss		11,027	11,027
Other financial assets	4,133	4,611	8,744
Cash at bank and in hand	-	5,048	5,048
Total	19,322	23,902	43,223

2020			
€,000	Group	Non-Group	Total
Derivative financial instruments	2,727	1,215	3,942
Financial assets at fair value through profit or loss		10,604	10,604
Other financial assets	7,302	0,660	7,962
Cash at bank and in hand	-	2,264	2,264
Total	10,029	14,743	24,772

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.

2021

\$,000	Fair value through profit or loss	Other financial assets	Cash at bank and in hand	Collateral Receivable	Total
Swiss Re Group companies:					
AAA – A-		4,177			4,177
Non-group counterparties:					
AAA – A-	11,027		5,048		16,075
BBB – B-	18,403	4,567		4,577	27,547
	<u>29,431</u>	<u>8,744</u>	<u>5,048</u>	<u>4,577</u>	<u>47,800</u>

2020

\$,000	Fair value through profit or loss	Other financial assets	Cash at bank and in hand	Collateral Receivable	Total
Swiss Re Group companies:					
AAA – A-		7,302			7,302
Non-group counterparties:					
AAA – A-	10,604		2,264		12,868
BBB – B-	3,942	660			4,602
	<u>14,546</u>	<u>7,962</u>	<u>2,264</u>	<u>-</u>	<u>24,772</u>

At the balance sheet date, the Company owned a fixed income security in the form of German and French Treasury bills valued at € 11.027m.

F) Operational risk

Operational risk is monitored by the Company's Chief Risk Officer and reported to management on a regular basis during the CGC.

Operational events 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 year.

G) Covid risk

The global spread of COVID-19, and the actions taken to slow the spread of the pandemic, have had an adverse impact on communities, social and business interactions, economic activity and economies across the globe. After significant contractions in 2021, the global economy is expected to experience a protracted and uneven recovery in 2022. As the COVID-19 crisis continues, the ultimate toll of the pandemic in terms of lives lost, societal dislocations, business activity, economic growth, broader costs to society and industry losses remains highly uncertain. While the impact of the pandemic was limited for the Company in 2021, SRCME will continue to monitor pandemic-related developments and their impact on its operations and its investments.

3. Own funds & own funds requirements

a. Own funds

The Company own funds are made of:

- Capital and reserves as stated in the audited annual accounts, composed of subscribed capital, share premium account, losses brought forward and the loss the year;
- Less the regulatory adjustment in accordance to the applicable regulations corresponding to 0.1% of owned treasury bills.

See below the reconciliation from audited asset value to own funds:

	2021
	€,000
Tier 1 Capital Resources	
Ordinary Share Capital	14,000
Retained Earnings	(2,636)
Capital Redemption Reserve	-
Total Capital and Reserves (as audited)	11,364
Adjustment to eligible capital	(10)
Own funds	11,354

Refer to the appendix for the EBA tables EU IF CC1, EU IF CC2 and EU IF CCA.

b. Own funds requirements

SRCME calculates its Pillar 1 requirements using the CSSF's standard approaches, i.e., based on IFD/IFR regulations. Under IFD/IFR, capital requirements are the maximum of a/ permanent minimum capital requirement of EUR 750 thousand, b/ fixed overhead requirement based on 25% of previous year fixed overheads and c/ K factors requirements.

Given SRCME's financial profile, the K-factors requirement is expected to be the highest requirement in all circumstances. In the specific case of SRCME, only the following K-Factors apply:

- Risk to Market:
 - K-NPR – Net Position Risk
- Risk to the Firm:
 - K-TCD – Trading Counterparty Default
 - K-DTF – Daily Trading Flow

The calculation of the Company's ratio on 31 December 2021 can be broken down as follows:

All EUR thousands	31.12.2021
Eligible own funds	11'354
<i>Net assets</i>	<i>11'364</i>
<i>Adjustment to eligible capital</i>	<i>-10</i>
A) Permanent minimum capital requirement	750
B) Fixed overhead requirement	561
C) K-Factor Requirement	1'535
<i>K-NPR - Net Position Risk</i>	<i>720</i>
<i>K-TCD - Trading Counterparty Default</i>	<i>815</i>
<i>K-DTF - Daily Trading Flow</i>	<i>0</i>
Pillar 1 capital requirement (Maximum of A, B, C)	1'535
Capital adequacy ratio	740%
Excess of capital over capital requirement	9'819
Excess of capital over target capital of EUR 9.6m	1'754

SRCME believes that while, in the ordinary course of business, its total Pillar 1 capital requirement more than adequately covers its actual risk and hence, its realistic capital requirement for its business needs, it has calculated a Pillar 2 requirement to ensure sufficient capital would be held in the event of intra-year peak capital requirements, unexpected increases in trading activity, and/or a period of economic stress.

Based on the SRCME business projections, the estimated Pillar I capital amounts to EUR 3.1m. Pillar II is set at EUR 6.5m protecting the Company from the risk of disruption in the back-to-back structure with Group companies. The total Pillar II target capital, approved by the Board, therefore amounts EUR 9.6 m.

The transition from CRR to IFD/IFR capital requirements had no material impacts on the Pillar 1 requirement nor on the target capital.

The Internal Capital Adequacy Risk and Assessment Process (ICARA) calculation made in 2022 was done according to the projection of the business for the year to come. The Company has sufficient financial resources, in terms of both capital and liquidity, to ensure that there is no significant risk that its liabilities cannot be met as they fall due, even in the most severe economic downturn.

During the year the Company was fully compliant with its regulatory capital requirements and there were no reportable breaches. The Company regularly assesses its financial resources, including capital resources and liquidity resources, to ensure 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.

The ICARA is 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 the section financial risk. If the monthly internal assessment highlights a need to increase the capital requirement then this will be carried out.

4. Remuneration policies & practices

SRCME has chosen to rely on SRL's Compensation Committee (CC) which operates as the global remuneration committee for the Group. SRCME has adopted the Swiss Re Standard on Compensation (SRSC, which includes remuneration principles) and adheres to the Swiss Re Annual Compensation Review process. The SRSC and related remuneration policies are reviewed on a yearly basis and submitted for approval to the SRL CC and SRL Board of Directors. The last review was completed in September 2021.

The most important design characteristics and further details of the SRSC can be found under the following link: [AR21 Financial Report Compensation.pdf \(swissre.com\)](#)

The maximum fixed to variable pay ratio is set to 1:1 without Shareholder approval and to 1:2 with Shareholder approval.

Aggregated quantitative information on remuneration:

Euro	Total 8 Individuals
Total fixed pay*	1'027'470
Total variable pay**	392'275

*Total fixed pay includes Salary, Car Allowances, Medical contributions, Meal vouchers, Parking Space, Employer Pension Contributions

**Total variable pay includes Cash and Shares upfront and deferred awarded for performance year 2021

In accordance with regulations (EU) 2016/679, the breakdowns of remuneration by senior management and MRTs, as well as the details on the nature of variable remuneration have not been disclosed.

There has not been any guaranteed variable awarded over the period. There has not been any severance payment made over the period.

SRCME benefits from a derogation laid down in article 32(4) of Directive (EU) 2019/2034 as its on and off-balance sheet assets is on average less than EUR 100 million over the four-year period immediately preceding the current financial year.

5. Governance

In accordance with the Company's articles of incorporation, the Board comprises at least 3 members, who are elected by the shareholder at the Annual General Meeting for a period not exceeding 6 years.

The Board meets on a regular basis in order to effectively perform its duties. The Board has the overall responsibility for the Company. It ensures execution of activities and preserves business continuity by way of sound central administration and internal governance arrangements.

The Board defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of SRCME.

The Board of the Company is composed as follows:

Chairman of the Board: Mr Ivo Hux
Other Board members: Ms Lize-Mari Barnes
Mr Jan Heckler

The Board members hold the following number of mandates outside of their current directorship in the Board of the Company:

- Mr Ivo Hux holds three directorships in the Group and one outside of the Group.
- Ms Lize-Mari Barnes holds one directorship in the Group and none outside of the Group.
- Mr Jan Heckler holds one directorship in the Group and none outside of the Group.

The daily management of the Company is entrusted to the Authorized Management composed of the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). No separate risk committee has been set up due to the size of the Company.

The Board has adopted an operating procedure covering aspects of the selection of the Board members and a process document for the selection of members of the Authorized Management. These documents recognize the importance of having a diverse Board and Authorized Management. The Board applies the diversity principles developed by the Group deriving from its Code of Conduct.

More information on the importance of diversity in the Group can be found on the website of the Group [Diversity, Equity & Inclusion | Swiss Re](#)

The background, the professional experience and skills of our Board members and Authorized Management members are diverse while ensuring that their profile allows them to perform their tasks in an efficient way.

The diversity criteria are examined when recruiting a new member of the Board and/or of the Authorized Management. The current level of diversity in the composition of the Board is deemed as satisfactory.

Appendices

a. Form CC1

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	11'352'655	
2	TIER 1 CAPITAL	11'352'655	
3	COMMON EQUITY TIER 1 CAPITAL	11'352'655	
4	Fully paid up capital instruments	730'000	Page 6, Item A.I., Note 6.1
5	Share premium	13'270'000	Page 6, Item A.II., Note 6
6	Retained earnings	-2'636'318	Page 6, Item A.V. & VI, Note 6
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	-11'027	
11	Other funds	-	
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
13	(-) Own CET1 instruments	-	
14	(-) Direct holdings of CET1 instruments	-	
15	(-) Indirect holdings of CET1 instruments	-	
16	(-) Synthetic holdings of CET1 instruments	-	
17	(-) Losses for the current financial year	-	
18	(-) Goodwill	-	
19	(-) Other intangible assets	-	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	-	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	
25	(-) Defined benefit pension fund assets	-	
26	(-) Other deductions	-	
27	CET1: Other capital elements, deductions and adjustments	-	
28	ADDITIONAL TIER 1 CAPITAL	-	
29	Fully paid up, directly issued capital instruments	-	
30	Share premium	-	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
32	(-) Own AT1 instruments	-	
33	(-) Direct holdings of AT1 instruments	-	
34	(-) Indirect holdings of AT1 instruments	-	
35	(-) Synthetic holdings of AT1 instruments	-	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	-	
38	(-) Other deductions	-	
39	Additional Tier 1: Other capital elements, deductions and adjustments	-	
40	TIER 2 CAPITAL	-	
41	Fully paid up, directly issued capital instruments	-	
42	Share premium	-	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
44	(-) Own T2 instruments	-	
45	(-) Direct holdings of T2 instruments	-	
46	(-) Indirect holdings of T2 instruments	-	
47	(-) Synthetic holdings of T2 instruments	-	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	-	
50	Tier 2: Other capital elements, deductions and adjustments	-	

b. Form CC2

	a	b	c
	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to EU IF CC1
	As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements			
1	Fixed assets	11'027'000	-
2	Debtors	4'755'000	-
3	Cash at bank and cash at hand	5'048'000	-
4			
5			
xxx	Total Assets	20'830'000	-
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements			
1	Amounts owed to affiliated undertakings	395'000	-
2	Other creditors	8'919'000	-
3	Accruals	152'000	-
4			
xxx	Total Liabilities	9'466'000	-
Shareholders' Equity			
1	Subscribed capital	730'000	4
2	Share premium account	13'270'000	5
3	Profit or loss brought forward	-2'277'000	6
4	Profit or loss brought forward	-359'000	6
xxx	Total Shareholders' equity	11'364'000	-

c. Form CCA

		a
		Free text
1	Issuer	Swiss Re Capital Market Europe SA
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Luxembourg
5	Instrument type (types to be specified by each jurisdiction)	Share
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 14m
7	Nominal amount of instrument	730'001
8	Issue price	1
9	Redemption price	N/A
10	Accounting classification	Capital
11	Original date of issuance	10/10/2018, 13/3/2019, 11/4/2019
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A