Financial Condition Report

2022

Swiss Re Ltd

Swiss Re Ltd is the holding company of the Swiss Re Group. Its shares are listed in accordance with the International Reporting Standard on SIX Swiss Exchange and traded under the symbol SREN.

Contents

Introduction

About this report

Scope and requirements

This Financial Condition Report (Report or Financial Condition Report) is a mandatory public disclosure for Swiss regulated re/insurance entities required by FINMA Circular 2016/2 Disclosure – insurers (Circular). The publication requirements are set forth in the Circular. This Report includes qualitative and quantitative information on business activities, performance, risk management and the Swiss Solvency Test (SST) information of the Swiss Re Group (Group) as well as its Swiss regulated re/insurance entities: Swiss Reinsurance Company Ltd (SRZ), Swiss Re Nexus Reinsurance Company Ltd (SRN), Swiss Re International SE, Luxembourg, Zurich branch (SRI SE Zurich branch) and iptiQ EMEA P&C S.A., Luxembourg, Zurich branch (iptiQ EMEA P&C Zurich branch). A large part of the required information included in the Report is available in other public disclosures provided by Swiss Re, such as the Group's Financial Report, available under *www.swissre.com/investors/financial-information*. Readers of this Report should also consult these public disclosures. Information not included in other publicly available disclosures can be found mainly in the valuation and solvency sections of this Report.

Cautionary note on the Financial Condition Report

The preparation of the SST information requires management to make a number of estimates and assumptions. The valuation of assets and liabilities reflects best estimates of underlying cash flows (eg premiums, claims, commissions, expenses, etc), using models and taking into consideration all relevant information available at the relevant balance sheet date. In line with other valuation methods based on projections of future cash flows, economic valuations involve significant judgement when establishing which assumptions to use. The Group and its Swiss regulated re/insurance entities/branches actively and carefully review assumptions, selecting those that are considered most appropriate and seeking consistency among business activities. Valuations are updated at each balance sheet date as experience develops and more information becomes available. In-force business assets and liabilities include estimates for premiums as well as claims and benefit payments not yet received from ceding companies at the balance sheet date. In addition, the Group and its Swiss regulated re/insurance entities have certain assets and liabilities for which liquid market prices are not available.

All of the foregoing estimates are determined on a market-consistent basis using all relevant information available at the time of valuation. However, actual results could differ significantly from these estimates.

Please see also the *Cautionary note on forward-looking statements* and the *Note on risk factors* in this Report.

The financial information included in this Report is based on the following accounting frameworks:

- The consolidated financial statements of the Group are prepared in accordance with US Generally Accepted Accounting Principles (US GAAP) and reported in US dollars.
- The statutory financial statements of Swiss regulated legal entities are prepared in accordance with Swiss law and reported in Swiss francs (they are converted into US dollars for the SST balance sheet comparison with Swiss statutory balance sheet).
- SST information uses Swiss Re's internal model which has been approved by FINMA. The internal Economic Value Management (EVM) framework is the basis for preparing the SST balance sheets as both frameworks are based on market-consistent valuation principles. Valuation differences between EVM and SST mainly affect capital costs and deferred taxes. EVM is the Group-proprietary integrated economic valuation and steering framework, consistently measuring economic performance across all businesses. EVM and SST financial statements are reported in US dollars.

The risk exposure basis for the SST 2023 numbers in this Report is a projection for the period from 1 January to 31 December 2023 and is based on the economic balance sheet as of 31 December 2022. Potential SST model or data limitations identified during the SST process are reported to FINMA as part of the SST Report 2023 with an impact assessment whenever possible. All comparative information is based on the SST Report 2022 filed with FINMA in April 2022.

The reported solvency information as of 1 January 2023 (SST 2023) is consistent with the information provided in the SST Report 2023 for Group, SRZ and SRN. The SST Report 2023 is filed with FINMA in April 2023 and is subject to FINMA's review and approval.

Figures are rounded to the number of digits displayed in this Report. Due to rounding, numbers presented throughout this Report may not add up precisely to the totals provided and percentages may not precisely reflect the rounded figures as shown in the Report.

Audit

This Report has not been audited. The US GAAP financial statements of the Group and the statutory financial statements of Swiss Re Ltd and its Swiss regulated re/insurance entities/branches are audited. Please refer to the reports of the statutory auditor referenced in this Report.

Swiss Re Group

Management summary

Swiss Re's capital position remained very strong, with the Group SST 2023 ratio at 294%, well above the 200–250% target range. The increase of 71pp compared to SST 2022 was mainly driven by higher interest rates, as well as lower risk due to additional investment hedges and lower asset valuations. These effects were partially offset by a negative investment contribution, model updates and paid dividends.

This Report provides qualitative and quantitative information about the financial condition of the Group. This Report includes financial and risk management information already published in the *Group's 2022 Financial Report* available under *www.swissre.com/investors/financial-information*.

Solvency overview

Group SST 2023 in USD millions

Group SST 2022 in USD millions

SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

Business activities	In this section, we provide information about the Group's business model, the strategy and significant events. *> Read more*
Performance	We present the performance of the year under review based on the US GAAP financial statements. *> Read more*
Governance and risk management	This section provides an overview of the system of governance, key governing bodies, risk management systems and policies. *> Read more*
Risk profile	The main components of the total risk calculated under SST are discussed in this section. *> Read more*
Valuation	In this section, we provide the SST balance sheet and additional quantitative and qualitative explanations on differences to the US GAAP audited financial statements of the Group. *> Read more*
Capital management	The Group's capital management strategy and key changes in 2022 are discussed in this section. *> Read more*
Solvency	This section presents the SST calculation for the Group and includes explanations on changes relative to the prior year. *> Read more*

Business activities

Business information

For information on the Group strategy, please see the section *Our vision and strategy* in the 2022 Business Report on pages 16 and 17.

For information on the Group structure and shareholders, please see the *Group structure and shareholders* section in the 2022 Financial Report on pages 84 and 85.

For information on *net premiums earned and fee income from policyholders* by geography, see Note 2 to the financial statements included in the 2022 Financial Report on page 218.

For information on the *Group's significant subsidiaries and equity investees*, see Note 20 to the financial statements included in the 2022 Financial Report on pages 285–287.

For information on the *Group's use of special purpose vehicles*, see Note 21 to the financial statements (including all material balances related to variable interest entities) included in the 2022 Financial Report on pages 288–291.

Significant events

For information on significant events and disposals, please refer to the *Information policy section* on page 114 and *Note 10* to the financial statements (Disposals) included in the 2022 Financial Report on page 263.

Report of the statutory auditor

In 2022, KPMG AG was the auditor of Swiss Re Ltd and its subsidiaries. For more information on the Group´s auditor, please see the section *External auditors* in the 2022 Financial Report on pages 112 and 113. The *audit report of the statutory auditor* can be found in the 2022 Financial Report on pages 292–297.

Performance

The Group publicly discloses detailed financial results in the 2022 Financial Report (available on *www.swissre.com/investors/financial-information*). Please refer to the following specific sections for more information:

- *Summary of financial statements* on pages 14–15
- *Group results* on pages 16–19
- *Income statement* on page 190
- *Statement of comprehensive income* on page 191
- *Note 7 on Investments* on pages 240–249

Governance and risk management

Board of Directors and Executive Management

For information on the composition of the Board of Directors and Executive Management of Swiss Re Ltd as the ultimate parent company of the Group, see sections relating to the *Board of Directors and Executive Management* in the 2022 Financial Report on pages 88–109.

Governance and risk management

All information on *Swiss Re's risk management and risk governance* is publicly disclosed in the 2022 Financial Report, pages 48–75.

Swiss Re's Risk Management function is embedded throughout the Group and is an integral part of our business model. Risk Management is mandated to ensure that the Group and its legal entities have the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, Risk Management monitors and ensures adherence to applicable frameworks.

All risk-related activities, regardless of the legal entity in which they are undertaken, are subject to Swiss Re's risk management framework, which comprises the following major elements:

- *Risk policy and risk governance documentation* – the Group risk governance documents are organised hierarchically, across five levels, which are mirrored by equivalent documents at legal entity level; see 2022 Financial Report, page 60.
- *Key risk management principles*, which apply consistently across all risk categories at Group and legal entity level; see 2022 Financial Report, page 60.
- A description of *Swiss Re's risk culture* that promotes risk awareness, rigor and discipline across all risk management activities; see 2022 Financial Report, page 61.
- The *organisation of risk management*, including responsibilities at Board and executive level; see 2022 Financial Report, pages 62–63.
- *Swiss Re' s risk control framework*, which comprises a body of standards that establish an internal control system for taking and managing risk; see 2022 Financial Report, page 63.
- *Management of risk categories*, including the Group's risk landscape; see 2022 Financial Report, pages 66–67.
- The *Group's risk appetite framework*, including its overall risk appetite statement, risk tolerance and capacity limits. The risk appetite framework establishes the overall approach through which Swiss Re practices controlled risk-taking throughout the Group; see 2022 Financial Report, page 64.

Swiss Re's internal risk model provides a meaningful assessment of the risks to which the Group is exposed and is an important tool for managing our business. It determines the capital requirements for internal purposes and forms the basis for regulatory reporting under the SST and under Solvency II for our legal entities in the European Economic Area (EEA) and the United Kingdom. For more information, please see the *Internal control system and risk model* section in the Risk management (Online Only) download of the 2022 Financial Report.

Swiss Re regularly assesses its risk exposure across all risk categories and actively identifies emerging risks and threats as part of its risk identification process:

- Swiss Re is exposed to a broad *risk landscape*, see 2022 Financial Report, pages 66–67.

- Insurance risk management involves identifying, assessing and controlling risks that Swiss Re takes through its underwriting activities, including related risks such as lapse, inflation or uncertainty in pricing and reserving. For details on our *insurance risk management for property and casualty risks as well as life and health risks*, see 2022 Financial Report, pages 68–69.

- Financial risk management involves identifying, assessing and controlling risks inherent in the financial markets as well as counterparty credit risks, while monitoring compliance with Swiss Re's risk appetite and risk management standards. For details on our *financial risk management for financial market risks as well as credit risks*, see 2022 Financial Report, pages 70–71.

Swiss Re also assesses *other risks* such as liquidity risk, operational risk, strategic risk, regulatory risk, political risk, model risk, valuation risk, sustainability risk and emerging risk. These risks are not explicitly part of the Group's economic capital requirement, but are actively monitored and controlled due to their significance for Swiss Re. For more information, see 2022 Financial Report, pages 72–75.

Climate-related financial disclosure

Swiss Re regularly assesses the actual and potential impacts of climate-related risks and opportunities on its business, strategy and financial planning. Information on the Group's climate-related financial disclosures are published in the 2022 Financial Report (available on *www.swissre.com/investors/financial-information*). Please refer to the following specific sections for more information:
- Governance structure related to climate-related financial risks (FINMA Circular 2016/2 MN 13.3), 2022 Financial Report on page 152
- Climate-related financial risks (FINMA Circular 2016/2 MN 13.4), 2022 Financial Report on pages 154–158 and 163–164
- Climate risk management (FINMA Circular 2016/2 MN 13.5), 2022 Financial Report on pages 167–170
- Climate metrics and targets (FINMA Circular 2016/2 MN 13.6), 2022 Financial Report on pages 171–179
- Criteria and valuation methods for determining materiality of climate-related risks (FINMA Circular 2016/2 MN 13.7), 2022 Financial Report on pages 154, 161–162 and 169–171

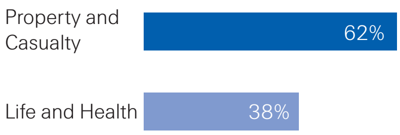
Risk profile

Swiss Re is exposed to insurance and financial risks that are calculated in its internal risk model, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for Swiss Re. These include operational, liquidity, model, valuation, regulatory, political, strategic and sustainability risks (see *Swiss Re's risk landscape*, 2022 Financial Report, pages 66–67).

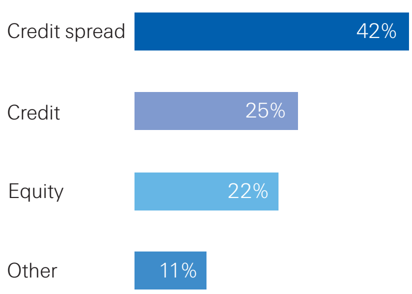
Property and casualty risk is mainly driven by underlying risks inherent in the business Swiss Re underwrites, in particular non-life claims inflation, natural catastrophe risk, man-made risk and costing and reserving risk. The main drivers of life and health insurance risk are lethal pandemic risk and mortality trend risk.

The Group's financial risk derives from financial market risk as well as from credit risk. Key drivers of financial market risk are credit spread and equity risk. Credit risk is mainly driven by the credit and surety business and default risk on capital market products.

Insurance risk split



Financial risk split



Total risk

Total risk is based on 99% tail value-at-risk (tail VaR) and represents the average unexpected loss that occurs with a frequency of less than once in 100 years over a one-year time horizon.

USD millions	SST 2022	SST 2023	Change since SST 2022
Property and casualty	12 426	13 679	1 253
Life and health	11 128	9 310	–1 818
Financial market	12 418	7 882	–4 536
Credit[1]	3 198	3 056	–142
Diversification	–16 431	–14 953	1 478
Total risk	**22 739**	**18 974**	**–3 765**

[1] Credit comprises credit default and migration risk from both asset management and underwriting. It excludes credit spread risk, which is part of financial market risk.

Total risk decreased to USD 19.0 billion, mainly driven by lower financial market risk. These shifts led to a decrease in diversification at risk category level.

- The increase in property and casualty risk is mainly driven by the inflation parameter update, partially offset by higher interest rates and the depreciation of major currencies against the US dollar. The increase is further supported by a cyber model change.

- Lower life and health risk mainly reflects the impact of higher interest rates and the depreciation of major currencies against the US dollar.

- Financial market risk decreased mainly due to the increase in investment hedges, the negative performance of credit and equity markets, the introduction of the new financial market risk model and the depreciation of major currencies against the US dollar.

- The decrease in credit risk is driven by the increase in interest rates, credit spread widening and the depreciation of major currencies against the US dollar, partially offset by the introduction of the new financial market risk model.

Swiss Re's internal model takes account of the accumulation and diversification between individual risks. The effect of diversification at the risk category level, shown in the table above, represents the difference between total risk (the Group's 99% tail VaR) and the sum of standalone tail VaR amounts for the individual risk categories. This amount does not reflect diversification within risk categories. The extent of diversification is largely determined by the selected level of aggregation – the higher the aggregation level, the lower the diversification effect.

Operational risk

Swiss Re uses a Group-wide risk matrix methodology and Swiss Re's Global Risk Register to capture operational risks. The matrix in particular focuses on risks approaching or exceeding Swiss Re's own risk tolerance as they require management actions. Adherence to risk tolerance is monitored and reported at least on a quarterly basis. The overall control environment within Swiss Re Ltd remains adequate.

Current key focus areas of the Group's operational risk management include: monitoring the availability and dependency on qualified and skilled employees, given the large number of change initiatives and projects, further strengthening Swiss Re's cyber defences, as well as the complexity of adapting to changing standards for financial reporting.

Other significant risks

For details on other significant risks, including liquidity, model, valuation, regulatory, political, strategic and sustainability risks, see the Group's 2022 Financial Report sections on *Liquidity management* on page 58, *Swiss Re's risk landscape* on pages 66–67, and *Management of other significant risks* on pages 72–75.

Risk concentration

Swiss Re uses 99% tail VaR to measure its risk concentrations. Additionally, risk concentrations are also measured via value at risk calculations for major natural catastrophe scenarios with a 200-year return period and stress calculations for credit default, as well as sensitivities to key financial market parameters.

The tables below provide details on potential annualised unexpected losses from insurance peak scenarios with a return period of 200 years as well as the potential annualised unexpected loss from a credit default event. The financial risk sensitivities are shown in terms of their impact on the SST ratio.

In SST 2023, the largest natural catastrophe exposure for Swiss Re Group derives from the Atlantic hurricane scenario with a USD 6.1 billion loss. Lethal pandemic and credit default losses are estimated to be at USD 3.5 billion and USD 2.3 billion, respectively.

Insurance risk stress tests: Annualised unexpected loss, 99.5% VaR in USD millions	SST 2023
Atlantic hurricane	6068
Californian earthquake	4534
Japanese earthquake	3456
European windstorm	2512
Lethal pandemic	3497

Excluding earned premiums for business written and reinstatement premiums that could be triggered as a result of the event.

Credit risk stress test: Annualised unexpected loss, 99.5% VaR in USD millions	SST 2023
Credit default	2319

Excluding earned premiums for business written and reinstatement premiums that could be triggered as a result of the event.

Among the financial market sensitivities shown below, the Group SST ratio is most sensitive to a 50-basis-point decrease in interest rates, which would result in an estimated decrease in the SST ratio of 13 percentage points.

Financial market SST ratio sensitivities	SST 2023
Interest rate +50bps	12pp
Interest rate –50bps	–13pp
Credit Spreads +50bps	–5pp
Credit Spreads –50bps	5pp
Equity values +25%	5pp
Equity values –25%	–5pp
Real estate values +25%	9pp
Real estate values –25%	–9pp

Risk mitigation

Swiss Re manages and controls its risks through an extended limit framework. The Group employs internal retrocession and funding agreements to efficiently manage capital across Swiss Re and ensure that risk-taking in individual legal entities is well diversified. Insurance risks are also mitigated through retrocession, insurance risk swaps or transferring risk to capital markets. For financial risks, Swiss Re uses financial market derivative instruments as well as financial market securities to hedge financial market and credit risk arising from investments and insurance liabilities.

Valuation

SST balance sheet

The SST balance sheet is prepared based on the same market-consistent valuation principles as applied in Swiss Re's internal EVM framework. EVM is therefore used as a basis for preparing the SST balance sheet and valuation adjustments to EVM mainly affect capital costs and deferred taxes. The difference between assets and liabilities is defined as the SST net asset value, which is the basis for the calculation of the SST risk-bearing capital (RBC).

The SST valuation methodology is further described in the > Appendix of this Report.

USD millions		Notes	SST 2022	SST 2023	Change since SST 2022
Market-consistent value of investments	Real estate		5 544	5 738	194
	Participations				n/a
	Fixed-income securities	1	86 879	74 474	–12 405
	Loans		2 345	2 470	125
	Mortgages		1 672	1 569	–103
	Equities	2	3 972	2 109	–1 863
	Other investments		**13 636**	**13 779**	**143**
	Collective investment schemes				n/a
	Alternative investments		5 157	4 804	–353
	Structured products				n/a
	Other investments		8 479	8 975	496
	Total investments		**114 048**	**100 139**	**–13 909**
Market-consistent value of other assets	Financial investments from unit-linked life insurance		468	330	–137
	Receivables from derivative financial instruments		219	365	147
	Deposits made under assumed reinsurance contracts	3	19 022	17 178	–1 844
	Cash and cash equivalents	4	5 047	4 073	–973
	Reinsurers' share of best estimate of provisions for insurance liabilities		**5 691**	**5 149**	**–542**
	Direct insurance: life insurance business (excluding unit-linked life insurance)		317	294	–23
	Reinsurance: life insurance business (excluding unit-linked life insurance)		1 252	997	–255
	Direct insurance: non-life insurance business		2 392	2 315	–77
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business		1 694	1 520	–174
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business		37	23	–14
	Fixed assets		86	67	–19
	Deferred acquisition costs				n/a
	Intangible assets				n/a
	Receivables from insurance business	5	16 848	18 008	1 160
	Other receivables		1 585	1 622	37
	Other assets		6 271	5 793	–478
	Unpaid share capital				n/a
	Accrued assets		83	64	–19
	Total other assets		**55 319**	**52 650**	**–2 668**
Total market-consistent value of assets			**169 367**	**152 789**	**–16 578**

USD millions		Notes	SST 2022	SST 2023	Change since SST 2022
BEL: Best estimate of liabilities (including unit-linked life insurance)	**Best estimate of provisions for insurance liabilities**		**94 420**	**86 095**	**–8 325**
	Direct insurance: life insurance business (excluding unit-linked life insurance)	6	2 611	707	–1 904
	Reinsurance: life insurance business (excluding unit-linked life insurance)	7	18 151	15 987	–2 164
	Direct insurance: non-life insurance business	8	15 921	15 032	-889
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business	9	57 737	54 369	–3 368
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Best estimate of provisions for unit-linked life insurance liabilities		**2 395**	**1 767**	**–628**
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business		2 395	1 767	–628
Market-consistent value of other liabilities	Non-technical provisions		2 214	2 473	260
	Interest-bearing liabilities	10	7 276	4 827	–2 449
	Liabilities from derivative financial instruments		248	423	176
	Deposits retained on ceded reinsurance		948	990	42
	Liabilities from insurance business		116	1 024	909
	Other liabilities	11	4 727	3 704	–1 023
	Accrued liabilities		340	313	-26
	Subordinated debts		6 421	6 456	35
Total BEL plus market-consistent value of other liabilities			**119 103**	**108 073**	**–11 030**
Market-consistent value of assets minus total from BEL			**50 263**	**44 716**	**–5 547**

Notes
1. The decrease in fixed income securities was mainly driven by unrealised losses reflecting higher interest rates as well as credit spread widening, partially offset by net purchases.
2. The decrease in equities was primarily due to net sales and unrealised losses.
3. The decrease in deposits made under assumed reinsurance contracts was mainly due to a reduction of funds withheld assets related to the variable annuity and US closed book business reflecting the run-off of the portfolio, coupled with a reduction in transactional business in the US and EMEA. This was partially compensated by higher deposits on funds withheld agreements for property and casualty business in the Americas.
4. The reduction in cash and cash equivalents was mainly driven by matured short-term debt positions as well as expired derivatives, partially offset by the issuance of new loans.
5. The increase in receivables from insurance business was mainly driven by profitable life reinsurance business and property lines, partially offset by dampened business volume in China due to the motor insurance reform.
6. The decrease in net best estimate of liabilities for direct life insurance liabilities (excluding unit-linked life insurance) was mainly due to the sale of Elips Life AG to Swiss Life on 1 July 2022.
7. The decrease in best estimate of liabilities for reinsurance life business (excluding unit-linked life business) was mainly driven by higher interest rates as well as changes in US closed book and variable annuity business reflecting the run-off of the portfolios and less transactional business in the US and EMEA. This was partially offset by a new reinsurance agreement with Swiss Life on business of Elips Life AG (also see Note 6), long-term mortality improvement assumption changes, adverse Asia critical illness assumption updates and COVID-19-related losses.
8. The decrease in best estimate of provisions for direct non-life insurance liabilities was primarily due to reserve releases in the US and higher interest rates.
9. The decrease in best estimate of provisions for reinsurance non-life liabilities was mainly due to higher interest rates and reserve releases, partially offset by large natural catastrophe and man-made losses.
10. The decrease in interest-bearing liabilities was primarily due to higher interest rates, repayments and widening of Swiss Re's own credit spread, partially offset by drawdowns on three subordinated credit facilities.
11. The decrease on other liabilities was mainly driven by reduced payables on securities lending and securities sold short.

SST balance sheet comparison with US GAAP

The SST balance sheet comparison with the audited financial statements provides insights into the main valuation and scope differences.

An overview of the main valuation and scope differences and the definition of the aggregated line items are included in the > *Appendix* of this Report.

Assets

USD millions	US GAAP	SST	Difference
Real estate	2 931	5 738	2 807
Investments in subsidiaries and affiliated companies			n/a
Fixed income securities	74 573	74 474	−99
Loans	2 631	2 470	−161
Mortgages	1 712	1 569	−143
Equity securities	2 114	2 109	−5
Other investments	17 701	13 779	−3 922
Investments for unit-linked and with-profit business	330	330	0
Cash and cash equivalents	4 077	4 073	−4
Funds held by ceding companies and other receivables from reinsurance	32 074	35 186	3 112
Reinsurance recoverable from retrocessions	6 507	5 149	−1 358
Other assets	26 026	7 911	−18 115
Total assets	**170 676**	**152 789**	**−17 887**

Real estate
Differences in valuation: In SST, real estate is measured at market value, while under US GAAP real estate is carried at depreciated cost.

Other investments
Differences in scope: In SST, some public equity investment funds are classified as part of the equity securities. Derivatives and securities lending are disclosed under other assets for SST reporting. For US GAAP, those financial instruments are reflected in other investments.

Differences in valuation: Equity accounted investments in private equity and hedge funds are valued at fair value in SST. US GAAP generally values such investments utilising net asset values subject to adjustments, as deemed necessary for restrictions on redemption.

Funds held by ceding companies and other receivables from reinsurance
Differences in valuation: In SST, funds held for which an interest is credited are valued by discounting future estimated cash flows at risk-free rates. Under US GAAP, funds held are generally accounted for at face value including accrued interest.

Reinsurance recoverable from retrocessions
Differences in valuation: Same principles apply as for re/insurance liabilities before retrocession described below.

Other assets

Differences in scope: Derivative and securities lending agreements assets are included in other assets for SST, whereas in US GAAP they are reported as part of other investments.

Differences in valuation: SST does not recognise deferred taxes, deferred acquisition costs, goodwill and other intangibles, which are reported in US GAAP.

Liabilities

USD millions	US GAAP	SST	Difference
Re/insurance liabilities before retrocession	121 090	86 095	–34 995
Unit-linked and with-profit liabilities	4 850	1 767	–3 083
Debt	11 038	11 283	245
Funds held under reinsurance treaties	6 921	990	–5 931
Other liabilities	13 968	7 939	–6 029
Total liabilities	**157 867**	**108 073**	**–49 794**

Re/insurance liabilities before retrocessions

Differences in scope: SST includes universal life type contracts under re/insurance liabilities. US GAAP discloses those contracts in policyholder account balances. As referred to in the table in the appendix, policyholder account balances for US GAAP are part of unit-linked business for the comparison. US GAAP accounts for those are reported under unit-linked liabilities.

Differences in valuation: In SST, re/insurance liabilities are valued using best estimates for both life and non-life business. US GAAP uses locked-in assumptions and makes allowance for possible adverse deviation for certain life business. Further differences arise from different treatment of discounting under the two frameworks. SST generally discounts all estimated cash flows based on current risk-free rates, whereas US GAAP does not discount for non-life business and generally uses locked-in historical discount rates to discount life business liabilities.

Unit-linked and with-profit liabilities

Differences in scope: SST unit-linked liabilities are compared with US GAAP policyholder account balances which include generally universal life type contracts in addition.

Debt

Differences in scope: SST shows all debt, including contingent capital instruments, as debt liability. US GAAP classifies certain contingent capital instruments as debt at amortised costs or as equity depending on the instruments' characteristics.

Differences in valuation: SST excludes own credit risk in the valuation of debt not qualified as SST supplementary capital. SST supplementary capital instruments are fair valued. US GAAP generally values debt instruments at amortised costs.

Other liabilities

Differences in valuation: Deferred tax liabilities are not valued in SST, whereas in US GAAP they are part of other liabilities.

Capital management

For information on the *Group's capitalisation structure*, please see the Financial strength and capital management section in the 2022 Financial Report on pages 52–57, *Capital structure* on pages 86–87 and *Note 11* to the financial statements (Debt and contingent capital instruments) on pages 264–266.

For the *Group Statement of shareholders' equity*, see pages 194–195 of the 2022 Financial Report.

For more details on *> Valuation* differences between shareholders' equity and SST net asset value, please refer to the Group Valuation section of this Report.

Solvency

For information on the Group's solvency information, risk-bearing capital, target capital and SST ratio, please see the *Financial strength and capital management* section on pages 48–75 of the 2022 Financial Report.

Swiss Re uses an internal risk model to determine the economic capital required to support the risks on the Group's book, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as the SST and Solvency II.

For more information, please see the *Internal control system and risk model* section in the Risk management (Online Only) download of the 2022 Financial Report.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process.

Since SST 2022, two major model changes have been implemented and approved by FINMA:

- Financial market risk – New approach which distinguishes normal financial market conditions and financial crisis situations, improves the stability of the risk measure and better reflects tail market risks.
- Cyber risk – Methodology and calibration improvements to better reflect the severity of cyber threats relating to critical infrastructure, denial of services or interruption of operations.

Model changes and parameter updates led to a decrease in the Group's SST ratio.

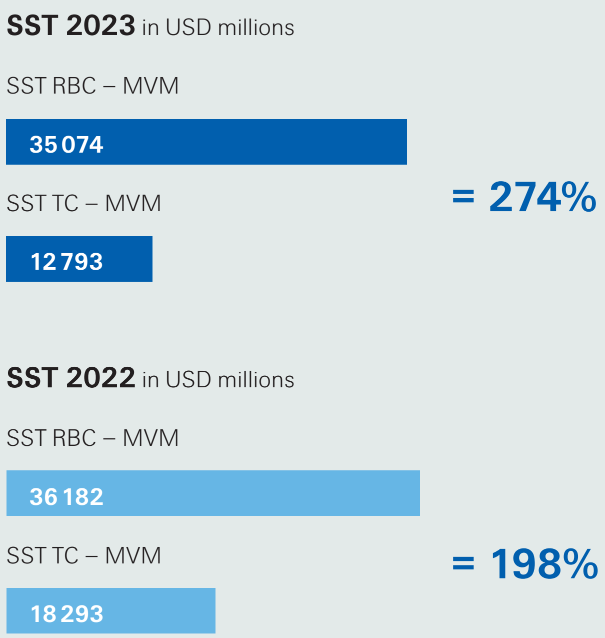
Swiss Reinsurance Company Ltd

Management summary

Swiss Reinsurance Company Ltd (SRZ)'s capital position remained very strong, with the SST 2023 ratio increasing to 274%, 76pp higher than in SST 2022. The increase was mainly driven by higher interest rates, as well as lower risk due to additional investment hedges and lower asset valuations. These effects were partially offset by a negative investment contribution, model updates and paid dividends.

This Report provides qualitative and quantitative information about the financial condition of SRZ. This Report includes financial information already published in *SRZ's 2022 Annual Report*, available on *www.swissre.com/investors/financial-information*.

Solvency overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

Business activities	In this section, we provide information about the business model, the strategy and significant events. > *Read more*
Performance	We present the performance of the year under review based on the Swiss statutory income statement. > *Read more*
Governance and risk management	This section provides an overview of the system of governance, key governing bodies, risk management systems and policies. > *Read more*
Risk profile	The main components of the total risk calculated under SST are discussed in this section. > *Read more*
Valuation	In this section, we provide the SST balance sheet and additional quantitative and qualitative explanations on differences to SRZ's audited statutory financial statements. > *Read more*
Capital management	SRZ's capital management strategy and key changes in 2022 are discussed in this section. > *Read more*
Solvency	This section presents SRZ's SST calculation and includes explanation of changes relative to the prior year. > *Read more*

Business activities

Reinsurance strategy and priorities

SRZ's vision is to "make the world more resilient", a key component of which is to close the protection gap – the difference between insured and total economic losses. This vision is supported by the mission to create smarter solutions for the clients through new perspectives, knowledge and capital.

SRZ operates within the strategy set out by the Swiss Re Group. The goals are consistent with the overall Swiss Re Group financial targets and the strategy is formed by the components of the Swiss Re Group strategy.

SRZ seeks to become the leading player in the wholesale reinsurance industry based on a combination of the underwriting knowledge and experience, geographic and product diversification, and financial strength, as well as appropriate allocation of capital to risk portfolios, to meet the Swiss Re Group's financial targets over the cycle.

In furtherance of strategic goals, SRZ will seek to focus on growth, through systematic capital allocation, as well as applying the risk knowledge to support capital allocation. As a global organisation with a wide product range and geographical reach, SRZ systematically allocates capital by balancing opportunities on a risk-adjusted basis to generate sustainable earnings and growth over the long-term. An annual top-down capital allocation underpins SRZ's business planning process; throughout the year, SRZ actively steers its deployed capacity to maximise return. SRZ can change the capital allocated to particular risk pools as markets move and it develops new insights. This activity is rooted in the ability to take a forward-looking perspective on the economics of risk pools and allocate capital accordingly.

SRZ intends to continue to emphasise differentiation, continue to focus on high growth markets, broaden and diversify its client base to increase access to risk, enhance research and development efforts, continue to focus on technology and finally maintain leadership in sustainability.

Property & Casualty Reinsurance business

Market environment

The global non-life reinsurance premiums grew by around 2% in real terms in 2022, driven by strength in commercial lines, which account for most of the demand from primary insurers. Demand from advanced markets grew by 1% year-over-year in real terms, while emerging markets expanded by 6%. Reinsurance price hardening continued and even gained momentum at the January to July 2022 renewals. Prices were higher year-over-year for both non-proportional and proportional reinsurance contracts in 2022, which supported premium growth and reinsurers' catastrophe-adjusted underwriting results.

Natural catastrophe losses were above average in 2022. This would make 2022 the fourth-costliest year on record for the insurance industry after 2005, 2011 and 2017. Hurricane Ian was the single largest loss event by far, which made landfall in western Florida in late September with extreme winds, torrential rain, and storm surge. A series of winter storms in Europe in February 2022 led to insured losses, putting this key peril back on the insurance industry radar. Australia experienced flooding in February and March that became the country's costliest-ever natural catastrophe. This was followed by numerous small to medium-sized hail- and thunderstorms in the US, and the most severe series of hailstorms ever observed in France.

Despite headwinds from elevated catastrophe losses, inflationary pressure on claims, and a challenging capital market environment, the sector's capital base remains very strong, allowing reinsurers to fulfil their role as the backbone of the insurance industry and to support societal resilience. With the successful January 2023 renewals exhibiting strong rate increases, higher retentions for primary insurers, and tighter terms and conditions, the profitability outlook for the reinsurance sector has significantly improved. Reinsurance industry premium income is forecast to grow by 7% in real terms in 2023, mainly driven by increased demand from property line of business.

Outlook

For property lines, natural catastrophe business has seen significant price increases in a hardening market. SRZ will continue to leverage these attractive market conditions to improve its absolute margin, increase attachment points and grow in line with its risk appetite throughout 2023. Low-attaching structures are generally less attractive for SRZ, due to the increased frequency of secondary perils. In specialty lines, there is positive momentum, and SRZ continues to capitalise on its leading franchise in these lines with selected growth in engineering. In other lines, SRZ will mainly focus on profitability, and will carefully manage accumulation to systemic risks such as war and recession.

The casualty reinsurance portfolio continues to focus on profitability and selective growth across all regions, while navigating a marketplace where demand and supply are in a fragile balance. Absolute margin has improved across the casualty portfolio, driven by disciplined growth, yield improvements, and prudent terms and conditions. In most sub-portfolios, loss trends are offset by rate improvements. Demand for transactions and solutions continues to provide a solid pipeline of new opportunities, which meet reinsurance's return requirements.

Life & Health Reinsurance business

Market environment

The global life and health reinsurance premiums declined by 5% in real terms in 2022. The underwriting of biometric and capital-light products continued to expand. Advanced markets grew in global reinsurance premiums, but growth in premiums was strongest in emerging markets, at 2% in 2022. This was largely driven by China where primary insurers' demand for reinsurance was high. In advanced markets, the life reinsurance market contracted by 3% in inflation-adjusted terms with the strongest decline in the advanced Asia-Pacific region.

In recent years life reinsurers have sought to increase revenues through large, individual risk transfer transactions that help primary insurers to stabilise their income and strengthen their balance sheets. The introduction of risk-based capital regimes has prompted much of this activity. In 2022, the high inflation, rising interest rate environment increased the capital cost associated with the risk of lapses, prompting new pockets of growth for reinsurance solutions. Longevity risk transfer is another growth area. The availability of longevity reinsurance has become key to the pricing of annuity transactions, as insurers offering the said transaction to pension funds typically look to simultaneously access reinsurance capacity to hedge at least part of the longevity risk inherent in these lines.

SRZ forecasts global life reinsurance premiums to increase by 2% in 2023 and by 2% in 2024 in real terms, as the primary market gradually strengthens. Emerging Asia is expected to continue driving global growth, boosted by regulatory changes and government targets, particularly in India, but deceleration in China could slow its medium-term expansion. North America, advanced Europe and advanced Asia are expected to contract again in 2023, but to grow from 2024. Advanced Asia-Pacific should expand above trend from 2023. SRZ expects further seasonal COVID-19 waves, but operating margins should stabilise as COVID-19 related claims normalise. The uncertainty surrounding long COVID-19 poses downside risk.

Outlook

The increase in life and health treaty reinsurance new business continues to emerge, driven by increased customer awareness, with greater growth expected in emerging markets. Cession rates on normal core business are expected to remain broadly stable in major markets, while mortality premiums for new business or in-force transactions are increasing as a response to COVID-19 related losses.

Recent increases in interest rates benefit the business in the long term. SRZ sees a continued strong focus from clients on capital, risk, and balance sheet optimisation in mature markets, leading to ongoing opportunities for large transactions. SRZ also sees opportunities to respond to the expanding need for health protection, driven by ageing societies, and is applying its risk knowledge to help reduce the protection gap in all regions.

Corporate Solutions’ business

Market environment

The global corporate solutions net premiums earned increased by 3%, benefitting from new business growth in selected focused portfolios along with continuous earn through of previously realised rate increases. Gross premiums written increased by 9%, driven by stable price momentum and new business growth in selected focus portfolios.

The continued profitability reflects a strong underwriting result and realised gains on insurance in derivative form. This enabled the Corporate Solutions’ business unit to absorb lower income from investment results, reserves related to the war in Ukraine and significantly less favourable prior-year development compared with 2021.

Total large losses of 2022 were of a similar magnitude to 2021. Large man-made losses were higher than in the prior-year, mostly related to the war in Ukraine, while large natural catastrophe losses were lower.

Outlook

Corporate Solutions’ future path is centred around capturing profitable growth while leveraging distinctive competitive strengths with a focused portfolio strategy that will build resilience in all market cycles.

The significant risk-adjusted price gains experienced in the commercial insurance market in 2020 and 2021 continued at low levels during 2022. SRZ expects rate hardening to regain momentum during 2023 as the global insurance industry faces multiple pressures. High inflation and large losses from both hurricane Ian and the war in Ukraine will continue to place upward pressure on rates to compensate for increased cost of capital. By contrast, as a result of declining market capacity, there is the possibility of an increase in retention layers, which together with a weakened macroeconomic outlook could reduce real premium growth.

Investments

Strategy and priorities

Financial investments are managed in accordance with SRZ’s Target Standard on Asset Management and SRZ’s investment guidelines, which are intended to ensure compliance with regulatory requirements. The general principle governing the management of investments in SRZ is the creation of economic value based on returns relative to the liability benchmark, while adhering to the investment guidelines and the general prudence principle. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows. A cash benchmark is used for the economic surplus.

Outlook

SRZ expects another challenging year for the global economy and financial markets in 2023. Global economic growth is forecast to slow from last year, while inflation is expected to stay above historic averages even though price increases have continued to decline in recent months. SRZ thus entered the year with a cautious outlook for global financial markets.

SRZ’s investment portfolio continues to remain well-diversified across asset classes and regions, with a strong focus on quality. Subject to market developments, SRZ aims to gradually increase credit exposure to lock in attractive spreads and yields. Private markets will remain an important pillar of the portfolio strategy and positioning, with deployment to occur as opportunities arise. SRZ will also continue its strong focus on environmental, social and governance (ESG) considerations across the entire investment process to help reach its ambitious Group-wide net-zero emissions target for 2050. Finally, the expected market volatility will again require SRZ to stay nimble and flexible in its investment positioning throughout the year.

Reinsurance and sub-holding company

SRZ, domiciled in Zurich, Switzerland, performs a dual role within the Swiss Re Group as both a reinsurance company and a sub-holding company. SRZ is a wholly owned subsidiary of Swiss Re Ltd, the ultimate parent company, domiciled in Zurich, Switzerland. In 2022, SRZ employed a worldwide staff at an average of 1 628 full time equivalents.

Claims on and obligations towards affiliated companies – Swiss statutory

CHF millions	2021	2022
Loans	9027	8153
Funds held by ceding companies	8875	8418
Premiums and other receivables from reinsurance	10304	11773
Other receivables	103	109
Other assets[1]	830[5]	332
Debt[2]	2551	4048
Liabilities from derivative financial instruments	106	68
Funds held under reinsurance treaties	7557	5816
Reinsurance balances payable	8125	8273
Other liabilities[3]	5120[5]	5647
Subordinated liabilities[4]	4055	5775

1 Thereof at the 2022 balance sheet date CHF 52 million (2021: CHF 12 million) were on the parent company Swiss Re Ltd.
2 Thereof at the 2022 balance sheet date CHF 2024 million (2021: CHF 1 965 million) were towards the parent company Swiss Re Ltd.
3 Thereof at the 2022 balance sheet date CHF 1 160 million (2021: CHF 1 425 million) were towards the parent company Swiss Re Ltd.
4 Thereof at the 2022 balance sheet date CHF 2 155 million (2021: CHF 392 million) were towards the parent company Swiss Re Ltd.
5 In 2021, intra-group balances related to cash pooling and securities lending and repurchase agreements were presented in the income statement on a gross basis. For comparison purposes, the previously reported figures in 2021 have been changed to a net presentation in line with the figures in 2022.

Share capital and major shareholder
The share capital of SRZ amounted to CHF 34 million. It is divided into 344 052 565 registered shares, each with a nominal value of CHF 0.10. The shares were fully paid-in and held directly by Swiss Re Ltd. As of 31 December 2022 and 2021, SRZ was a wholly owned subsidiary of Swiss Re Ltd.

List of major branch offices
- Swiss Reinsurance Company Ltd, Beijing Branch
- Swiss Reinsurance Company Ltd, Canadian Branch
- Swiss Reinsurance Company Ltd, India Branch
- Swiss Reinsurance Company Ltd, Israel Branch

Variable interest entities
SRZ and its subsidiaries enter into arrangements with variable interest entities (VIEs). For more information, please see *Note 17* of SRZ's consolidated 2022 Annual Report, page 92.

Significant events

Financial Year 2022

SRZ's net loss for 2022 amounted to CHF 581 million, mainly due to higher natural catastrophe losses, such as hurricane Ian in the US, losses related to the war in Ukraine and a strengthening of reserves due to inflation. The rising interest rate environment in 2022 resulted in significant releases of life and health reserves with a corresponding offsetting impact from value adjustments on shares in investment funds, as well as in higher net realised losses from fixed income securities.

Further, various assumption updates in the life and health business led to reserve increases, which were only partly offset by non-recurring gains from the restructuring of intra-group retrocession agreements in EMEA and Canada.

In addition, the financial year 2022 was characterised by significant foreign exchange impacts, affecting both SRZ's income statement and balance sheet, mainly as a result of the strengthening of the US dollar and the weakening of major other currencies against the Swiss franc.

With CHF 11 771 million the total shareholder's equity of SRZ remained strong as at 31 December 2022. The net decrease in 2022 of CHF 1 679 million was driven by the cash dividend payment for the financial year 2021 of CHF 1 107 million and the net loss for the financial year 2022 of CHF 581 million, partly offset by an increase in voluntary profit reserves from the merger with two direct subsidiaries of SRZ, which resulted in a net gain of CHF 9 million.

Report of the statutory auditor

In 2022, KPMG AG was the auditor of SRZ. For more information, please see the *Report of the statutory auditor* in SRZ's 2022 Annual Report, pages 127–132.

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Performance

Income statement – Swiss statutory

CHF millions	Total 2021	Total 2022	Life 2021	Life 2022	Accident & Health 2021	Accident & Health 2022
Premiums written gross	27998	30575	4705	5 394	3790	3 832
Premiums written retroceded	–4950	–5511	–1606	–1 722	–1248	–1 198
Premiums written net	**23048**	**25064**	**3099**	**3 672**	**2542**	**2 634**
Change in unearned premiums gross	–378	–679	10	-10	–47	13
Change in unearned premiums retroceded	–55	87	–2	–7	–4	–20
Premiums earned	**22615**	**24472**	**3107**	**3 655**	**2491**	**2 627**
Other reinsurance revenues	961	927	682	451	54	152
Total revenues from reinsurance business	**23576**	**25399**	**3789**	**4 106**	**2544**	**2 779**
Claims paid and claim adjustment expenses gross	–15669	–18587	–3639	–4 890	–2248	–2 119
Claims paid and claim adjustment expenses retroceded	3599	3747	1720	1 960	874	899
Change in unpaid claims and life and health benefits gross	–4778	–1377	–1405	1 910	–1220	–215
Change in unpaid claims and life and health benefits retroceded	646	–344	197	–683	288	–67
Change in unpaid claims for unit-linked life insurance						
Claims incurred	**–16202**	**–16561**	**–3127**	**–1 703**	**–2307**	**–1 502**
Acquisition and operating costs gross	–7406	–7595	–981	–1 151	–960	–919
Acquisition and operating costs retroceded	884	862	162	178	277	223
Acquisition and operating costs net	**–6522**	**–6733**	**–819**	**-973**	**–683**	**–696**
Other reinsurance expenses	–808	–520	–605	–435	–141	24
Total expenses from reinsurance business	**–23532**	**–23814**	**–4551**	**–3 111**	**–3131**	**–2 175**
Investment income[1]	1255	1367				
Investment expenses[1]	–620	–2804				
Investment result	**635**	**–1437**	**0**	**0**	**0**	**0**
Investment result from unit-linked life insurance						
Other financial income[1]	1665	3057				
Other financial expenses[1]	–2136	–2916				
Operating result	**208**	**289**	**0**	**0**	**0**	**0**
Interest expenses on debt and subordinated liabilities	–319	–437				
Other income	242	132				
Other expenses	–450	–541				
Extraordinary income and expenses						
Income before income tax expense	**–319**	**–557**	**0**	**0**	**0**	**0**
Income tax expense	–20	–24				
Net income	**–339**	**–581**	**0**	**0**	**0**	**0**

CHF millions	Motor 2021	Motor 2022	Marine, aviation, transport 2021	Marine, aviation, transport 2022	Property 2021	Property 2022	Casualty 2021	Casualty 2022	Miscellaneous 2021	Miscellaneous 2022
Premiums written gross	2867	2 586	1 115	1 242	8919	10 027	4538	4 812	2064	2 682
Premiums written retroceded	–66	–68	–155	–139	–1607	–2 036	–159	–233	–109	–115
Premiums written net	**2802**	**2 518**	**959**	**1 103**	**7313**	**7 991**	**4378**	**4 579**	**1955**	**2 567**
Change in unearned premiums gross	12	144	–16	–7	–381	–543	–33	–87	77	–189
Change in unearned premiums retroceded	–133	11	4	–10	55	82	19	20	6	11
Premiums earned	**2681**	**2 673**	**947**	**1 086**	**6987**	**7 530**	**4364**	**4 512**	**2038**	**2389**
Other reinsurance revenues	35	44	3	8	112	104	52	143	23	25
Total revenues from reinsurance business	**2716**	**2 717**	**950**	**1094**	**7098**	**7 634**	**4418**	**4655**	**2061**	**2414**
Claims paid and claim adjustment expenses gross	–1923	–1 988	–548	–611	–4370	–4 848	–1972	–2 820	–969	–1 311
Claims paid and claim adjustment expenses retroceded	201	71	77	73	623	683	60	39	44	22
Change in unpaid claims and life and health benefits gross	–155	–396	–143	–422	–410	–1 535	–1340	–669	–105	–50
Change in unpaid claims and life and health benefits retroceded	–66	–20	32	57	161	306	10	43	24	20
Change in unpaid claims for unit-linked life insurance										
Claims incurred	**–1943**	**–2333**	**–583**	**–903**	**–3995**	**–5394**	**–3242**	**–3407**	**–1005**	**–1319**
Acquisition and operating costs gross	–933	–841	–265	–305	–2173	–2 099	–1331	–1 410	–763	–870
Acquisition and operating costs retroceded	73	19	36	35	262	312	40	62	34	33
Acquisition and operating costs net	**–860**	**–822**	**–229**	**–270**	**–1911**	**–1 787**	**–1291**	**–1 348**	**–729**	**–837**
Other reinsurance expenses	1	6		–2	–63	-113				
Total expenses from reinsurance business	**–2802**	**–3149**	**–812**	**–1 174**	**–5969**	**–7294**	**–4533**	**–4 755**	**–1734**	**–2156**
Investment income[1]										
Investment expenses[1]										
Investment result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Investment result from unit-linked life insurance										
Other financial income[1]										
Other financial expenses[1]										
Operating result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest expenses on debt and subordinated liabilities										
Other income										
Other expenses										
Extraordinary income and expenses										
Income before income tax expense	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax expense										
Net income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

[1] In 2021, intra-group balances related to cash pooling and securities lending and repurchase agreements were presented in the income statement on a gross basis. For comparison purposes, the previously reported figures in 2021 have been changed to a net presentation in line with the figures in 2022.

Reinsurance result

Total revenues and expenses from reinsurance amounted a gain of CHF 1 585 million in 2022, compared to CHF 44 million in 2021.

Property & Casualty total revenues and expenses decreased from a gain of CHF 1 393 million in 2021 to a loss of CHF 14 million in 2022, mainly due to higher natural catastrophe losses, including hurricane Ian in the US, flooding in South Africa and Australia, as well as hailstorms in France, compared to the prior year. In addition, the 2022 result was impacted by large losses related to the war in Ukraine and a strengthening of reserves due to inflation, which overshadowed the strong underwriting performance and favourable prior year developments.

Life & Health total revenues and expenses increased from a loss of CHF 1 349 million in 2021 to a gain of CHF 1 599 million in 2022, reflecting significant reserve releases in 2022, following the rising interest rate environment, while the prior year suffered from large COVID-19 losses.

Premiums earned increased from CHF 22 615 million in 2021 to CHF 24 472 million in 2022. Premiums earned in property and casualty business increased, due to higher external business volume and retrocession agreements with affiliated companies in the US, including new business written with Swiss Re Corporate Solutions America Insurance Corporation, as well as to new business assumed from iptiQ EMEA P&C S.A. This was partly offset by higher business volume retroceded from SRZ's Canadian branch to Swiss Re Nexus Reinsurance Company Ltd. Premiums earned in life and health business increased, mostly following new retrocession agreements with Lumico Life Insurance Company and iptiQ Life S.A. and new external retrocession agreements. In addition, the premiums earned were positively impacted by higher business volume with Swiss Re Life and Health America Inc. in 2022 and the inception of new business written in Asia, in the second half of 2021.

Claims incurred increased from CHF 16 202 million in 2021 to CHF 16 561 million in 2022, mostly related to higher natural catastrophe losses, partly offset by significant releases of life and health reserves, following the rising interest rate environment, and lower COVID-19 losses, compared to the prior year. The comparison of the individual claims line items is affected by the restructuring of several intra-group retrocession agreements, as well as by various large life and health transactions creating substantial changes year-on-year. In aggregate, these various movements fully offset each other.

Property and casualty claims paid and claim adjustment expenses net increased from CHF 8 776 million in 2021 to CHF 10 690 million in 2022, mainly due to higher external business volume and retrocession agreements with affiliated companies in the US. Property and casualty change in unpaid claims net increased from CHF 1 992 million in 2021 to CHF 2 666 million in 2022, primarily driven by higher natural catastrophe losses and a strengthening of reserves due to inflation in 2022, compared to the prior year. This was partly offset by reserve releases from natural catastrophes of prior years, mainly in property business in the US, and the reduction of COVID-19 reserves in casualty business.

Life and health claims paid and claim adjustment expenses net increased from CHF 3 294 million in 2021 to CHF 4 150 million in 2022, primarily impacted by the restructuring of retrocession agreements with Swiss Re Europe S.A., UK branch, and the inception of new business written in Asia, in the second half of 2021. These impacts were reflecting the change in reinsurance receivables and payables to cover the setup of the respective technical provisions and were fully offset in life and health benefits net.

Change in unpaid claims and life and health benefits increased from a loss of CHF 2 140 million in 2021 to a gain of CHF 945 million in 2022, reflecting significant reserve releases in 2022, following the rising interest rate environment, while the prior year suffered from large COVID-19 losses. The setup of technical provisions gross and reinsurance recoverable on technical provisions retroceded, respectively, related to the restructuring of retrocession agreements with Swiss Re Europe S.A., UK branch, as well as to the inception of new business written in Asia, in the second half of 2021, led to additional net income. These restructuring and large transactions were fully offset in life and health claims paid and claim adjustment expenses net and change in unpaid claims net.

Acquisition and operating costs net increased from CHF 6 522 million in 2021 to CHF 6 733 million in 2022, mainly related to new intra-group retrocession agreements in life and health business in 2022. Acquisition costs in property and casualty business increased, due to higher external business volume in the US and retrocession agreements with Swiss Re Corporate Solutions America Insurance Corporation.

Investment result

Investment result decreased from a gain of CHF 635 million in 2021 to a loss of CHF 1 437 million in 2022. The decrease was driven by higher value adjustments on shares in investment funds, following the deterioration in market values, due to rising market yields in 2022. In the same context, SRZ additionally incurred higher net realised losses from fixed income securities in 2022, compared to the prior year. In contrary to this, loans and fixed income securities generated higher income benefitting from rising market yields in 2022.

Investment result – Swiss statutory

CHF millions	Income	Value readjustments	Realised gains	2022 Total
Investment income				
Investments in subsidiaries and affiliated companies	3			3
Fixed income securities	603		37	640
Loans	286			286
Equity securities	10	1	105	116
Shares in investment funds	30		50	80
Short-term investments	43			43
Alternative investments	128	3	17	148
Other investments	**201**	**3**	**67**	**271**
Income from investment services	51			51
Investment income	**1 154**	**4**	**209**	**1 367**

CHF millions	Expenses	Value adjustments	Realised losses	2022 Total
Investment expenses				
Investments in subsidiaries and affiliated companies		–2		–2
Fixed income securities		–4	–364	–368
Loans				
Equity securities		–25	–40	–65
Shares in investment funds		–2 099	–53	–2 152
Short-term investments			–58	–58
Alternative investments		–49		–49
Other investments	**0**	**–2 148**	**–111**	**–2 259**
Investment management expenses	–110			–110
Investment expenses	**–110**	**–2 179**	**–515**	**–2 804**
Investment result				**–1 437**

CHF millions	Income	Value readjustments	Realised gains	2021 Total
Investment income				
Investments in subsidiaries and affiliated companies	102			102
Fixed income securities	474		144	618
Loans	170			170
Mortgages				
Equity securities	18	7	169	194
Shares in investment funds	4		14	18
Short-term investments	–4		4	0
Alternative investments	110	6		116
Other investments	**110**	**6**	**18**	**134**
Income from investment services[1]	37			37
Investment income[1]	911	13	331	1 255

CHF millions	Expenses	Value adjustments	Realised losses	2021 Total
Investment expenses				
Investments in subsidiaries and affiliated companies		–251		–251
Fixed income securities			–93	–93
Loans				
Equity securities		–16	–18	–34
Shares in investment funds		–104		–104
Short-term investments			–1	–1
Alternative investments		–20		–20
Other investments	**0**	**–124**	**–1**	**–125**
Investment management expenses[1]	–117			–117
Investment expenses[1]	–117	–391	–112	–620
Investment result				635

[1] In 2021, intra-group balances related to cash pooling and securities lending and repurchase agreements were presented in the income statement on a gross basis. For comparison purposes, the previously reported figures in 2021 have been changed to a net presentation in line with the figures in 2022.

Governance and risk management

Board of Directors and Executive Management

Board of Directors
- Sergio P. Ermotti, Chairman
- Renato Fassbind, Vice Chairman
- Karen Gavan, Member of the Board of Directors
- Joachim Oechslin, Member of the Board of Directors
- Deanna Ong, Member of the Board of Directors
- Jay Ralph, Member of the Board of Directors
- Joerg Reinhardt, Member of the Board of Directors
- Philip K. Ryan, Member of the Board of Directors
- Sir Paul Tucker, Member of the Board of Directors
- Jacques de Vaucleroy, Member of the Board of Directors
- Susan L. Wagner, Member of the Board of Directors
- Larry Zimpleman, Member of the Board of Directors

Changes in 2022
- Raymond K. F. Ch'ien stepped down as a member of the Board of Directors as of 29 March 2022

Executive Management
- Christian Mumenthaler, Chief Executive Officer, Member of the Executive Committee
- Urs Baertschi, Chief Executive Officer Reinsurance EMEA/Regional President EMEA, Member of the Executive Committee
- Andreas Berger, Chief Executive Officer Corporate Solutions, Member of the Executive Committee
- John R. Dacey, Chief Financial Officer, Member of the Executive Committee
- Cathy Desquesses, Chief Human Resources Officer & Head Corporate Services, Member of the Executive Committee
- Guido Fürer, Chief Investment Officer, Member of the Executive Committee
- Hermann Geiger, Chief Legal Officer, Member of the Executive Committee
- Jonathan Isherwood, Chief Executive Officer Reinsurance Americas/Regional President Americas, Member of the Executive Committee
- Pravina Ladva, Chief Digital & Technology Officer, Member of the Executive Committee
- Thierry Léger, Chief Underwriting Officer, Member of the Executive Committee
- Paul Murray, Chief Executive Officer Reinsurance APAC/Regional President APAC, Member of the Executive Committee
- Moses Ojeisekhoba, Chief Executive Officer Reinsurance, Member of the Executive Committee
- Patrick Raaflaub, Chief Risk Officer, Member of the Executive Committee
- Philip Long, Appointed Actuary, not Member of the Executive Committee

Changes in 2022
- Pravina Ladva has been appointed as Chief Digital & Technology Officer and member of the Executive Committee as of 1 January 2022
- Russell Higginbotham stepped down as Chief Executive Officer Reinsurance APAC/Regional President APAC and member of the Executive Committee as of 31 March 2022
- Paul Murray has been appointed as Chief Executive Officer Reinsurance APAC/ Regional President APAC and member of the Executive Committee as of 1 April 2022

Governance and risk management

As a major legal entity within the Swiss Re Group that is designated as a so-called "Level I entity", SRZ is subject to enhanced governance, which includes the following requirements:

- Develop and maintain corporate and risk governance documentation that governs the responsibilities of the legal entity Board, committees and management
- Establish committee(s) covering Audit, as well as Finance and Risk, to support the legal entity Board in performing its oversight responsibility for risk and capital steering
- Designate a Chief Risk Officer and Chief Financial Officer

All risk-related activities of SRZ and its subsidiaries are subject to Swiss Re's risk management framework, which includes:

- An independent Risk Management function responsible for risk oversight and control across Swiss Re and comprises central departments that provide specialised risk expertise and oversight.
- A clearly defined risk control framework which comprises a body of standards that establish an internal control system for taking and managing risk.

Moreover, risk management activities at SRZ are complemented by Swiss Re's Group Internal Audit and Compliance units.

Swiss Re's 2022 Financial Report describes the governance and risk management framework for the Group and its legal entities. For more information, please refer to the *Group Governance and risk management section*.

Climate-related financial disclosure

SRZ regularly assesses the actual and potential impacts of climate-related risks and opportunities on its business and financial planning within the climate strategy and related frameworks set out by the Swiss Re Group. The financial risks from climate change related to insurance and investment activities of SRZ do not materially differ from the Swiss Re Group. There are only a few subsidiaries which are owned by the Swiss Re Group directly, but these entities do not change the assessment of climate related financial risks. Information on the Group's climate-related financial disclosures are published in the 2022 Financial Report (available on *www.swissre.com/investors/financial-information*). Please refer to the following specific sections for more information:

- Governance structure related to climate-related financial risks (FINMA Circular 2016/2 MN 13.3), 2022 Financial Report on page 152
- Climate-related financial risks (FINMA Circular 2016/2 MN 13.4), 2022 Financial Report on pages 154–158 and 163–164
- Climate risk management (FINMA Circular 2016/2 MN 13.5), 2022 Financial Report on pages 167–170
- Climate metrics and targets (FINMA Circular 2016/2 MN 13.6), 2022 Financial Report on pages 171–179
- Criteria and valuation methods for determining materiality of climate-related risks (FINMA Circular 2016/2 MN 13.7), 2022 Financial Report on pages 154, 161–162 and 169–171

Risk profile

SRZ is exposed to insurance and financial risks that are calculated in its internal risk model, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for the entity. These include operational, liquidity, model, valuation, regulatory, political, strategic and sustainability risks (see *Swiss Re´s risk landscape*, 2022 Financial Report, pages 66–67).

Property and casualty risk is mainly driven by non-life claims inflation, natural catastrophe, man-made risk and costing and reserving risk. The main drivers of life and health insurance risk are lethal pandemic risk and mortality trend risk.

The financial risk of SRZ derives from financial market risk as well as from credit risk. Key drivers of financial market risk are credit spread risk and equity risk. Credit risk is mainly driven by credit and surety and default risk on capital market products.

Total risk

Total risk is based on 99% tail value at risk (tail VaR) and represents the average unexpected loss that occurs with a frequency of less than once in 100 years over a one-year time horizon.

USD millions	SST 2022	SST 2023	Change since SST 2022
Property and casualty	12 428	13 680	1 252
Life and health	11 128	9 310	–1 818
Financial market	12 228	7 600	–4 628
Credit[1]	3 196	3 054	–142
Diversification	–16 423	–14 845	1 578
Total risk	**22 558**	**18 799**	**–3 758**

[1] Credit comprises credit default and migration risk from both asset management and underwriting.It excludes credit spread risk, which is part of financial market risk.

Total risk decreased to USD 18.8 billion, mainly driven by lower financial market risk. These shifts led to a decrease in diversification at risk category level.

- The increase in property and casualty risk is mainly driven by the inflation parameter update, partially offset by higher interest rates and the depreciation of major currencies against the US dollar. The increase is further supported by a cyber model change.
- Lower life and health risk mainly reflects the impact of higher interest rates and the depreciation of major currencies against the US dollar.
- Financial market risk decreased mainly due to the increase in investment hedges, the negative performance of credit and equity markets, the introduction of the new financial market risk model and the depreciation of major currencies against the US dollar.
- The decrease in credit risk is driven by the increase in interest rates, credit spread widening and the depreciation of major currencies against the US dollar, partially offset by the introduction of the new financial market risk model.

Swiss Re's internal model takes account of the accumulation and diversification between individual risks. The effect of diversification at the risk category level, shown in the table above, represents the difference between total risk (the company's 99% tail VaR) and the sum of standalone tail VaR amounts for the individual risk categories. This amount does not reflect diversification within risk categories. The extent of diversification is largely determined by the selected level of aggregation – the higher the aggregation level, the lower the diversification effect.

Operational risk

SRZ uses a Group-wide risk matrix methodology and Swiss Re's Global Risk Register to capture operational risks. The matrix in particular focuses on risks approaching or exceeding SRZ's own risk tolerance as they require management actions. Adherence to risk tolerance is monitored and reported at least on a quarterly basis. The overall control environment within SRZ remains adequate.

Current key focus areas of SRZ's operational risk management include: monitoring the availability and dependency on qualified and skilled employees, given the large number of change initiatives and projects, further strengthening SRZ's cyber defences, as well as the complexity of adapting to changing standards for financial reporting.

Other significant risks

For details on other significant risks, including liquidity, model, valuation, regulatory, political, strategic and sustainability risks, see the Group's 2022 Financial Report sections on *Liquidity management* on page 58, *Swiss Re s risk landscape* on pages 66–67, and *Management of other significant risks* on pages 72–75.

Risk concentration

Among tested financial market sensitivities, SRZ's SST ratio is most sensitive to a 50-basis point decrease in interest rates.

Risk mitigation

SRZ manages and controls its risks through an extended limit framework. Insurance risks are also mitigated through retrocession, insurance risk swaps or transferring risk to capital markets. For financial risks, SRZ uses financial market derivative instruments as well as financial market securities to hedge financial market and credit risk arising from investments and insurance liabilities.

SST balance sheet

Valuation

The SST balance sheet is prepared based on the same market-consistent valuation principles as applied in Swiss Re's internal EVM framework. EVM is therefore used as a basis for preparing the SST balance sheet and valuation adjustments to EVM mainly affect capital costs and deferred taxes. The difference between assets and liabilities is defined as the SST net asset value, which is the basis for the calculation of the SST RBC.

The SST valuation methodology is further described in the > *Appendix* of this Report.

USD millions		Notes	SST 2022	SST 2023	Change since SST 2022
Market-consistent value of investments	Real estate				n/a
	Participations	1	30651	30540	–111
	Fixed-income securities	2	25481	23550	–1931
	Loans	3	12284	10477	–1808
	Mortgages		85	236	151
	Equities	4	1454	937	–517
	Other investments		**21019**	**18699**	**–2319**
	Collective investment schemes	5	16624	14524	–2100
	Alternative investments		786	596	–190
	Structured products				n/a
	Other investments		3608	3579	–29
	Total investments		**90974**	**84439**	**–6535**
Market-consistent value of other assets	Financial investments from unit-linked life insurance				n/a
	Receivables from derivative financial instruments		316	373	57
	Deposits made under assumed reinsurance contracts	6	26622	22281	–4341
	Cash and cash equivalents		2000	1816	–184
	Reinsurers' share of best estimate of provisions for insurance liabilities	**7**	**11693**	**9927**	**–1766**
	Direct insurance: life insurance business (excluding unit-linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit-linked life insurance)		7839	5804	–2036
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business		3854	4123	270
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
	Fixed assets		4	3	–1
	Deferred acquisition costs				n/a
	Intangible assets				n/a
	Receivables from insurance business	8	15095	16888	1793
	Other receivables		530	601	70
	Other assets	9	5246	4634	–612
	Unpaid share capital				n/a
	Accrued assets		85	7	–78
	Total other assets		**61590**	**56530**	**–5060**
Total market-consistent value of assets			**152564**	**140969**	**–11595**

USD millions		Notes	SST 2022	SST 2023	Change since SST 2022
BEL: Best estimate of liabilities (including unit-linked life insurance)	**Best estimate of provisions for insurance liabilities**		**77 280**	**69 307**	**–7 973**
	Direct insurance: life insurance business (excluding unit-linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit-linked life insurance)	10	22 608	17 912	–4 697
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business	11	54 672	51 395	–3 277
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Best estimate of provisions for unit-linked life insurance liabilities		**0**	**0**	**0**
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
Market-consistent value of other liabilities	Non-technical provisions		935	1 353	418
	Interest-bearing liabilities	12	3 383	4 931	1 548
	Liabilities from derivative financial instruments		457	311	–146
	Deposits retained on ceded reinsurance	13	12 633	8 528	–4 104
	Liabilities from insurance business		6 110	6 926	816
	Other liabilities		7 874	8 030	157
	Accrued liabilities		54	49	–5
	Subordinated debts	14	7 198	7 250	52
Total BEL plus market-consistent value of other liabilities			**115 922**	**106 685**	**–9 237**
Market-consistent value of assets minus total from BEL			**36 642**	**34 284**	**–2 358**

Notes

1. The decrease in participations was mainly driven by negative investment contribution from subsidiaries as well as negative foreign exchange movements due to the depreciation of major currencies against the US dollar. These were largely offset by a decrease in market value margin of subsidiaries, mainly driven by the increase in interest rates.
2. The decrease in fixed income securities was mainly driven by unrealised losses reflecting higher interest rates, as well as by negative foreign exchange impacts reflecting the depreciation of major currencies against the US dollar. This was further driven by the transfer of fixed income securities to Swiss Re Nexus Reinsurance Company Ltd (SRN) following the unwind of the funds withheld in the intra-group retrocession from SRZ Canadian branch. These were partially offset by reinvested proceeds from the reduction of securities lending and repurchase positions as well as cash, following the strategic asset allocation to take advantage of rising market yields, and from portfolio transfers.
3. The decrease in loans stemmed predominantly from partial repayments of several loans by other Group companies. The higher interest rates further contributed to the decline in value of the loans.
4. The decrease in equities reflected the market downturn as well as an overall reduction in investment in equities.
5. The decrease in collective investment schemes mainly reflected the underperformance of the underlying investments due to higher yields as well as negative foreign exchange impacts. These were partially offset by the contribution into a new investment fund.
6. The decrease in deposits made under assumed reinsurance contracts reflected the impact of rising interest rates on funds withheld and on policy loans in corporate-owned life insurance. This was also driven by the run-off of the in-force portfolio of the US traditional life and health business. Additionally, this decrease was supported by the reduction in share from the US property and casualty intra-group retrocession.
7. The decrease in reinsurers' share of best estimate liabilities of provisions for insurance liabilities stemmed mainly from life and health business driven by rising interest rates in the intra-group retrocession to SRN. This was partially compensated by property and casualty due to higher volume in internal retrocession business of SRZ China branch as well as higher external retrocession following hedging requirements.
8. The increase in receivables from insurance business was mainly driven by the intra-group retrocession to SRN as well as by iptiQ and property and casualty.
9. The decrease in other assets was mainly driven by the decrease in securities lending and by negative foreign exchange impacts due to the depreciation of major currencies against the US dollar.
10. The decrease in best estimate of provisions for life insurance liabilities was predominantly driven by a large increase in interest rates. Furthermore, the decrease was supported by the run-off of the US traditional business and by the UK portfolio which was more heavily weighted towards longevity. The decrease was as well supported by the overall depreciation of major underlying currencies against the US dollar. These were partially offset by an increase in critical illness reserves in Asia due to assumption updates.
11. The decrease in best estimate of provisions for non-life insurance liabilities was predominantly driven by a large increase in interest rates and by the overall depreciation of major underlying currencies against the US dollar. These were partially compensated by an increase in the US and in Europe reflecting inflation as well as large man-made losses and natural catastrophes in 2022.
12. The increase in interest-bearing liabilities was driven by three new large intra-group long-term debts with Swiss Re Europe Holdings S.A., Swiss Re Finance Midco (Jersey) Limited and Swiss Re Asia Holding Pte. Ltd.

13. The decrease in deposits retained on ceded reinsurance reflected the impact of rising interest rates on funds withheld and on policy loans in corporate-owned life insurance, both related to the intra-group retrocession to SRN. The decrease was as well driven by the secondary impact of lower Swiss statutory reserves on funds withheld. Additionally, the decline was driven by the release of the funds withheld balance in life and health intra-group retrocession from SRZ Canadian branch.
14. The slight increase in subordinated debts resulted from the issuance of three new instruments in 2022, which was offset by the drop in market value due to rising interest rates and the redemption of one instrument.

SST balance sheet comparison with Swiss statutory

The SST balance sheet comparison with the audited Swiss statutory financial statements provides insights into the main valuation and scope differences.

Assets

USD millions	Swiss Statutory	SST	Difference
Real estate			n/a
Investments in subsidiaries and affiliated companies	28 371	30 540	2 169
Fixed income securities	26 533	23 550	–2 983
Loans	10 052	10 477	425
Mortgages		236	236
Equity securities	509	937	428
Other investments	20 350	18 699	–1 651
Investments for unit-linked and with-profit business			n/a
Cash and cash equivalents	356	1 816	1 461
Funds held by ceding companies and other receivables from reinsurance	37 368	39 168	1 800
Reinsurance recoverable from retrocessions	14 077	9 927	–4 150
Other assets	7 148	5 617	–1 530
Total assets	**144 763**	**140 969**	**–3 794**

An overview of the main valuation and scope differences and the definition of the aggregated line items are included in the *> Appendix* of this Report.

Investments in subsidiaries and affiliated companies

Differences in scope: SST only includes the investments in fully consolidated companies, while statutory reporting includes investments in non-consolidated companies too. In SST, private equity funds are reported as investments in subsidiaries and affiliated companies while in statutory reporting these are included in other investments.

Differences in valuation: SST reports investments in subsidiaries and affiliated companies at market-consistent value. In statutory reporting, investments in subsidiaries and affiliated companies are carried at cost, less necessary and legally permissible depreciation, fixed at historic FX rates. Furthermore, in statutory reporting, for valuation purposes, subsidiaries are grouped when a close business link exists and a similarity in nature is given.

Fixed income securities

Differences in scope: The distinction between fixed income securities, short-term investments and cash and cash equivalent is based on the remaining duration at time of purchase in SST, and on initial duration in statutory reporting.

Differences in valuation: SST carries fixed income securities at market value. In statutory reporting, fixed income securities are valued at their amortised cost less necessary depreciation to address other than temporary market value decreases.

Loans
Differences in valuation: In SST, intra-group loans are valued by discounting future estimated cash flows at risk-free rates, while under statutory reporting those loans are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value. Infrastructure and commercial mortgage loans are carried at their amortised cost less necessary depreciation to address other than temporary market value decreases.

Mortgages
Differences in scope: Under statutory reporting external commercial mortgage loans are reported under Loans.

Equity securities
Differences in scope: In SST, Swiss Re Ltd shares are not valued, whereas they are part of equity securities for statutory reporting. For SST, some shares in public equity investment funds are included in equity securities. Under statutory reporting, those shares are part of other investments.

Differences in valuation: SST values equity securities at market value. In statutory reporting, equity securities are carried at the lower of cost or market value.

Other investments
Differences in scope: The distinction between short-term investments, included in other investments, fixed income securities and cash and cash equivalent is based on the remaining duration at time of purchase in SST, and on initial duration in statutory reporting. In SST, other investments include investments in non-consolidated subsidiaries and affiliated companies, while in statutory reporting these are reported as investments in subsidiaries and affiliated companies. In statutory reporting, other investments include private equity funds while in SST these are reported as investments in subsidiaries and affiliated companies.

Differences in valuation: SST reports other investments such as investment funds, private equities or hedge funds at market value. In statutory reporting, these investments are generally valued at the lower of cost or market value.

Cash and cash equivalents
Differences in scope: The distinction between cash and cash equivalent, short-term investments and fixed income securities is based on the remaining duration at time of purchase in SST, and on initial duration in statutory reporting.

Funds held by ceding companies and other receivables from reinsurance
Differences in scope: In statutory reporting, receivables from reinsurance include an additional provision for bad debts, while in SST this is part of the best estimate liabilities.

Differences in valuation: In SST, funds held by ceding companies for which an interest is credited are valued by discounting future estimated cash flows at risk-free rates. Under statutory reporting, funds held are generally measured at the consideration received or at market value of the underlying assets. Policy loans for corporate-owned life insurance, included in funds held, are valued by discounting future estimated cash flows at risk-free rates as well. Under statutory reporting, those loans are carried at nominal value. In statutory reporting, receivables from reinsurance include the receivable on deposit accounted business, while in SST this is part of the best estimate liabilities.

Re/insurance recoverable from retrocessions
Differences in valuation: Same principles apply as for re/insurance liabilities before retrocession described below.

Other assets

Differences in valuation: In SST, other assets are measured at fair value. In statutory reporting, other assets are generally carried at nominal value. Derivative financial instruments in statutory reporting are generally accounted based on the lower of cost or market principle under Swiss Company Law. Derivative deals where SRZ enters into two identical, but opposite directed derivatives are recorded at market value. In addition, assets in derivative financial instruments that have an observable market price and are traded in an active and liquid market are recorded at market value. Deferred acquisition costs are not valued for SST. In SST, assets related to securities lending and repurchase agreements are represented on a gross basis on the balance sheet with a corresponding payable in liabilities, whereas in statutory reporting these positions are presented on a net basis under certain criteria.

Liabilities

USD millions	Swiss Statutory	SST	Difference
Re/insurance liabilities before retrocession	90 338	69 307	–21 031
Unit-linked and with-profit liabilities			n/a
Debt	12 460	12 181	–279
Funds held under reinsurance treaties	6 763	8 528	1 765
Other liabilities	22 477	16 669	–5 808
Total liabilities	**132 038**	**106 685**	**–25 352**

Re/insurance liabilities before retrocession

Differences in valuation: SST uses best estimates to value the re/insurance liabilities without specific margin for prudence. Statutory reporting values reinsurance liabilities at best estimates and for life and health business requires provisions for adverse deviations (PADs). For non-life business, statutory reporting allows for an equalisation provision. Other valuation differences arise from the discounting of the liability cash flows. In SST, liabilities are generally discounted using current market risk-free rates. Under statutory reporting, discounting of life and health technical provisions generally uses asset-consistent yields, whereas there is generally no discounting for non-life business. It should also be noted that in some instances certain additional methodological differences may exist between the two valuation bases. For more details on the general differences in valuation of re/insurance liabilities, please refer to the table in the methodology section in the Appendix.

Debt

Differences in valuation: SST excludes own credit risk in the valuation of debt not qualified as SST supplementary capital. SST supplementary capital instruments are fair valued. In statutory reporting, debt is carried at redemption value.

Funds held under reinsurance treaties

Differences in valuation: Same principles apply as for funds held by ceding companies before retrocession described above.

Other liabilities

Differences in valuation: In SST, no specific provision is made for currency fluctuations. In statutory reporting, a provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the revaluation of the balance sheet at year-end. Derivative financial instruments are measured at fair value under SST. In statutory reporting, derivatives are generally valued based on the lower of cost or market principle under Swiss Company Law. Derivative deals where SRZ enters into two derivatives that are identical but with opposite direction, are recorded at market value. In addition, liabilities in derivative financial instruments which have an observable market price and are traded in an active and liquid market are recorded at market value.

Capital management

SRZ has become the main direct wholly owned operating subsidiary of Swiss Re Ltd. SRZ in turn holds separate holding companies for the Business Units Reinsurance and Corporate Solutions, as well as for the Division iptiQ.

The risk tolerance respectability criteria for the Swiss Re Group are set out in the Group Risk Policy. The Group and SRZ Boards are responsible for approving the risk tolerance criteria, as well as for monitoring and reviewing risk tolerance. To ensure the resilience of SRZ as the main operating entity from a capital and liquidity perspective, Swiss Re's risk tolerance criteria include resilience limits for SRZ to ensure that the main operating entity is able to withstand capital and liquidity stresses.

Change in shareholder's equity – Swiss statutory

CHF millions	Share capital	Legal capital reserves	Legal profit reserves	Voluntary profit reserves	Retained earnings brought forward	Net income for financial year	Total shareholder's equity
Shareholder's equity 1.1.2021	34	5 761	650	3 727	45	1 586	11 803
Allocations relating to the dividend paid		–469		2 069	–14	–1 586	0
Dividend for the financial year 2020				–469			–469
Swiss Re Corporate Solutions Ltd. merger		515					515
Contribution in-kind in by Swiss Re Ltd		630		1 310			1 940
Net income for the financial year						–339	–339
Shareholder's equity 31.12.2021	34	6 437	650	6 637	31	–339	13 450
Shareholder's equity 1.1.2022	34	6 437	650	6 637	31	–339	13 450
Allocations relating to the dividend paid		–1 107		1 107	–339	339	0
Dividend for the financial year 2021				–1 107			–1 107
Contribution in-kind in 2022				9			9
Net income for the financial year						–581	–581
Shareholder's equity 31.12.2022	**34**	**5 330**	**650**	**6 646**	**–308**	**–581**	**11 771**

Shareholder's equity

Shareholder's equity decreased from CHF 13 450 million as of 31 December 2021 to CHF 11 771 million as of 31 December 2022.

The net decrease reflected the cash dividend payment for the financial year 2021 of CHF 1 107 million and the net loss for the financial year 2022 of CHF 581 million, partly offset by an increase in voluntary profit reserves from the merger with two direct subsidiaries of SRZ, which resulted in a net gain of CHF 9 million.

Solvency

SRZ uses an internal risk model to determine the economic capital required to support the risks on the SRZ's book, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as SST and Solvency II.

For more information, please see the *Internal control system and risk model* section in the Risk management (Online Only) download of the 2022 Financial Report.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process.

Since SST 2022, two major model changes have been implemented and approved by FINMA:

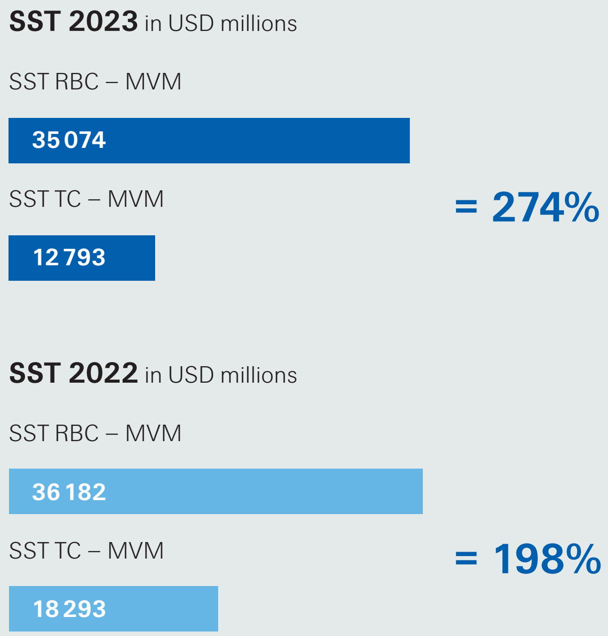
- Financial market risk – New approach which distinguishes normal financial market conditions and financial crisis situations, improves the stability of the risk measure and better reflects tail market risks.
- Cyber risk – Methodology and calibration improvements to better reflect the severity of cyber threats relating to critical infrastructure, denial of services or interruption of operations.

Solvency

SRZ's capital position remained very strong, with the SST 2023 ratio increasing to 274%, 76pp higher than in SST 2022. The increase was mainly driven by higher interest rates, as well as lower risk due to additional investment hedges and lower asset valuations. These effects were partially offset by a negative investment contribution, model updates and paid dividends.

The ratio is calculated as SST risk-bearing capital (SST RBC) minus market value margin (MVM), divided by SST target capital (SST TC) minus MVM.

Solvency overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

SST risk-bearing capital

The SST RBC is derived from the SST net asset value (SST NAV), which is the difference between the market consistent value of assets and best estimate of liabilities, according to the valuation methodology prescribed under SST. For this purpose, the SST NAV is adjusted for the items shown in the table below.

USD millions	SST 2022	SST 2023	Change since SST 2022
SST net asset value	**36 642**	**34 284**	**–2 358**
Deductions	–1 782	–1 749	33
SST core capital	**34 860**	**32535**	**–2 325**
Supplementary capital	6 877	6 882	5
SST risk-bearing capital (SST RBC)	**41 737**	**39 417**	**–2 320**
Market value margin (MVM)	5 555	4 343	–1 212
SST RBC – MVM	**36 182**	**35 074**	**–1 108**

The decrease in SST NAV to USD 34.3 billion was mainly driven by negative investment contribution, paid dividends, foreign exchange development and an adverse underwriting contribution, partially offset by positive movements from MVM of subsidiaries.

The overall contribution from underwriting activities was negative, mainly reflecting unfavourable underwriting results from Group items and Life & Health Reinsurance. This was partially offset by positive underwriting performance from Corporate Solutions and Property & Casualty Reinsurance:

- The Property & Casualty Reinsurance positive underwriting contribution was mainly driven by profitable new business, partially offset by large natural catastrophe and man-made loss experience, including Hurricane Ian, flooding in Australia and South Africa, storms in Europe and winter storm Elliott. Reserves adjustments for inflation further weakened the result.

- The Life & Health Reinsurance negative underwriting contribution was mainly driven by adverse impact of assumptions updates. This was partially offset by transactional business in the Americas.

- Corporate Solutions positive underwriting contribution was mainly driven by robust underlying business performance and strong new business growth in selected focus portfolios, as well as favourable claims experience. This was partially offset by reserves adjustments for inflation and the war in Ukraine.

- The Group items negative underwriting contribution was mainly driven by continued investments in the iptiQ business, Group overhead expenses, termination of unprofitable business as well as adverse assumption updates and experience variances in iptiQ.

The negative investment contribution was driven by higher interest rates, credit spread widening and equity mark-to-market losses.

The dividend payment to Swiss Re Ltd led to a decline in the SST NAV.

The decrease in the market value margin of subsidiaries was mainly driven by the increase in interest rates.

Negative foreign exchange impacts were mostly driven by the depreciation of major currencies against the US dollar.

Deductions mainly reflect projected dividend (to be paid in 2023) as well as deferred taxes on real estate.

Supplementary capital remained overall stable as the positive impact of the issuance of three new instruments was offset by market value movements and the redemption of one instrument during the year.

A description of the change in market value margin, which represents the capital costs for the run-off period, is provided together with the SST target capital comments below.

SST target capital

To derive SST target capital, total risk is adjusted for the line item Other impacts as shown below.

USD millions	SST 2022	SST 2023	Change since SST 2022
Total risk	**22 558**	**18 799**	**–3 758**
Other impacts	1 290	–1 664	–2 954
SST target capital (TC)	**23 847**	**17 136**	**–6 711**
Market value margin (MVM)	5 555	4 343	–1 212
SST target capital – MVM	**18 293**	**12 793**	**–5 500**

SST target capital declined to USD 17.1 billion, driven by the decrease in total risk (see *Risk profile* for details) and in market value margin (included in Other impacts).

Other impacts mainly reflect market value margin, the impact from business development over the forecasting period and requirements from FINMA that are not included in total risk because they are not consistent with Swiss Re's own risk view.

The decrease in market value margin is mainly driven by the increase in interest rates.

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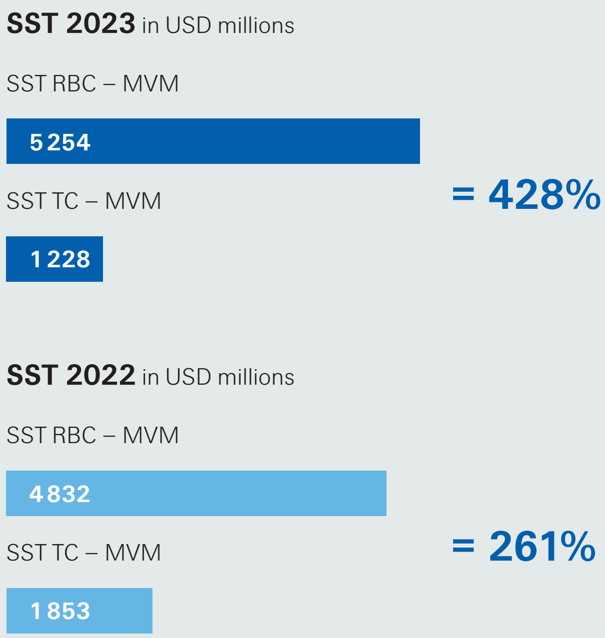
Swiss Re Nexus Reinsurance Company Ltd

Management summary

In SST 2023, the SST ratio of Swiss Re Nexus Reinsurance Company Ltd (SRN or the Company) increased to 428%, 167pp higher than in SST 2022. The increase was mainly driven by the net impact of higher interest rates, despite a negative contribution to the SST RBC, and positive underwriting contribution.

This Report provides qualitative and quantitative information about the financial condition of SRN.

Solvency overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

Business activities	In this section, we provide information about the business model, the strategy and significant events. > *Read more*
Performance	We present the performance of the year under review based on the Swiss statutory income statement. > *Read more*
Governance and risk management	This section provides an overview of the system of governance, key governing bodies, risk management systems and policies. > *Read more*
Risk profile	The main components of the total risk calculated under SST are discussed in this section. > *Read more*
Valuation	In this section, we provide the SST balance sheet and additional quantitative and qualitative explanations on differences to the audited statutory financial statements of SRN. > *Read more*
Capital management	SRN's capital management strategy and key changes in 2022 are discussed in this section. > *Read more*
Solvency	This section presents SRN's SST calculation and includes explanations on changes compared to the prior year. > *Read more*

Business activities

Reinsurance business

Strategy and priorities

SRN, domiciled in Zurich, Switzerland, is a wholly owned subsidiary of Swiss Re Reinsurance Holding Company Ltd, whose ultimate parent company is Swiss Re Ltd, both domiciled in Zurich, Switzerland. SRN acts as operating reinsurance carrier to facilitate a sustainable intra-group retrocession (IGR) structure for Swiss Re's global reinsurance franchise. SRN has no employees of its own.

Life & Health Reinsurance business

Market environment

The global life and health reinsurance premiums declined by 5% in real terms in 2022. The underwriting of biometric and capital-light products continued to expand. Advanced markets generated a growth in global reinsurance premiums, but growth in premiums was strongest in emerging markets, at 2% in 2022.

In recent years life reinsurers have sought to increase revenues through large, individual risk transfer transactions that help primary insurers to stabilise their income and strengthen their balance sheets. The introduction of risk-based capital regimes has prompted much of this activity. In 2022, the high inflation, rising interest rate environment increased the capital cost associated with the risk of lapses, prompting new pockets of growth for reinsurance solutions. Longevity risk transfer is another growth area. The availability of longevity reinsurance has become key to the pricing of annuity transactions, as insurers offering the said transactions to pension funds typically look to simultaneously access reinsurance capacity to hedge at least part of the longevity risk inherent in these lines.

Forecasted, global life reinsurance premiums increase by 2% in 2023 and by 2% in 2024 in real terms, as the primary market gradually strengthens. North America, advanced Europe and advanced Asia are expected to contract again in 2023, but to grow from 2024. SRN expects further seasonal COVID-19 waves, but operating margins should stabilise as COVID-19 related claims normalise. The uncertainty surrounding long COVID-19 poses downside risk.

Outlook

The increase in life and health treaty reinsurance new business continues to emerge, driven by increased customer awareness, with greater growth expected in emerging markets. Cession rates on normal core business are expected to remain broadly stable in major markets, while mortality premiums for new business or in-force transactions are increasing as a response to COVID-19 related losses. Recent increases in interest rates benefit the business in the long term.

Property & Casualty Reinsurance business

Market environment

The global non-life reinsurance premiums grew by around 2% in real terms in 2022, driven by strength in commercial lines, which account for most of the demand from primary insurers. Demand from advanced markets grew by 1% year-over-year in real terms, while emerging markets expanded by 6%. Reinsurance price hardening continued and even gained momentum at the January to July 2022 renewals. Prices were higher year-over-year for both non-proportional and proportional reinsurance contracts in 2022, which supported premium growth and reinsurers' catastrophe-adjusted underwriting results.

Natural catastrophe losses were above average in 2022. This would make 2022 the fourth-costliest year on record for the insurance industry after 2005, 2011 and 2017. Hurricane Ian was the single largest loss event by far, which made landfall in western Florida in late September with extreme winds, torrential rain, and storm surge. A series of winter storms in Europe in February 2022 led to insured losses, putting this key peril back on the insurance industry radar. Australia experienced flooding in February and March that became the country's costliest-ever natural catastrophe. This was followed by numerous small to medium-sized hail- and thunderstorms in the US, and the most severe series of hailstorms ever observed in France.

Despite headwinds from elevated catastrophe losses, inflationary pressure on claims, and a challenging capital market environment, the sector's capital base remains very strong, allowing reinsurers to fulfil their role as the backbone of the insurance industry and to support societal resilience. With the successful January 2023 renewals exhibiting strong rate increases, higher retentions for primary insurers, and tighter terms and conditions, the profitability outlook for the reinsurance sector has significantly improved. Reinsurance industry premium income is forecast to grow by 7% in real terms in 2023, mainly driven by increased demand from property line of business.

Outlook

For property lines, natural catastrophe business has seen significant price increases in a hardening market. Even though non-life business is minor in SRN's portfolio, SRN will continue to leverage these attractive market conditions to improve its absolute margin, increase attachment points and grow in line with its risk appetite throughout 2023. Low-attaching structures are generally less attractive for SRN, due to the increased frequency of secondary perils. SRN will mainly focus on profitability, and will carefully manage accumulation to systemic risks such as war and recession.

The casualty reinsurance portfolio continues to focus on profitability and selective growth across all regions, while navigating a marketplace where demand and supply are in a fragile balance. Absolute margin has improved across the casualty portfolio, driven by disciplined growth, yield improvements, and prudent terms and conditions. In most sub-portfolios, loss trends are offset by rate improvements.

Investments

Strategy and priorities

Financial investments are managed in accordance with the Swiss Re's Targeted Standard on Asset Management and SRN's investment guidelines, which are intended to ensure compliance with regulatory requirements. The general principle governing the management of investments in SRN is the creation of economic value based on returns relative to the liability benchmark, while adhering to the investment guidelines and the general prudence principle. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows. A cash benchmark is used for the economic surplus.

Outlook

SRN expects another challenging year for the global economy and financial markets in 2023. Global economic growth is forecasted to slow from last year, while inflation is expected to stay above historic averages even though price increases have continued to decline in recent months. SRN thus entered the year with a cautious outlook for global financial markets.

Reinsurance and sub-holding companies

SRN, domiciled in Zurich, Switzerland, is a wholly owned subsidiary of Swiss Re Reinsurance Holding Company Ltd, whose ultimate parent company is Swiss Re Ltd, both domiciled in Zurich, Switzerland.

Claims on and obligations towards affiliated companies – Swiss statutory

CHF millions	2021	2022
Funds held by ceding companies	7 629	5 745
Premiums and other receivables from reinsurance	1 423	1 366
Other receivables	272	1 067
Reinsurance balances payable	615	834
Other liabilities	34	27

None of these balances are towards the parent company Swiss Re Reinsurance Holding Company Ltd.

Share capital and major shareholder

The share capital of SRN amounted to CHF 10 million. It is divided into 10 000 registered shares, each with a nominal value of CHF 1 000. The shares were fully paid-in and held directly by Swiss Re Reinsurance Holding Company Ltd. As of 31 December 2022, SRN was a wholly owned subsidiary of Swiss Re Reinsurance Holding Company Ltd.

Variable interest entities

SRN has no off-balance sheet positions or risks transferred to special purpose vehicles.

Significant events

Net income for 2022 amounted to CHF 834 million, compared to a loss of CHF 297 million in 2021, driven by life and health reserve releases due to reduction in margins, rising interest rates, restructuring of a reinsurance contract as well as other assumption updates.

In 2022, SRN executed several intra-group transactions, completing the restructuring of recent years that established SRN as an intra-group risk carrier, particularly for business in the Reinsurance Life & Health segment retroceded from Swiss Reinsurance Company Ltd (SRZ). Effective 1 January 2022, SRN transferred its remaining iptiQ EMEA and US business as well as its Elips Life business in the US to SRZ.

In addition, SRN was impacted by the restructuring of the retrocession agreements between the Swiss Re Europe S.A. UK branch and SRZ, and the subsequent retrocession of the corresponding business to SRN via a quota-share agreement, as well as by the recapture of universal life business by the SRZ Canadian branch, following the recapture by an external client. Furthermore, funds withheld assets related to the Canada L&H business were partly released following changes in regulatory capital requirements and replaced by assets transferred from SRZ Canadian branch.

These transactions generated a net loss at inception of CHF 378 million. Due to a new retrocession agreement with SRZ Canadian branch, SRN increased its property and casualty portfolio in 2022.

With CHF 2 853 million, the total shareholder's equity of SRN remained strong as at 31 December 2022.

Report of the statutory auditor

In 2022, KPMG AG was the auditor of SRN. For more information, please see the *Report of the statutory auditor*.

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Performance

Income statement – Swiss statutory

	Total		Life		Accident & Health		Motor		Property		Casualty		Miscellaneous	
CHF millions	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Reinsurance														
Premiums written gross	2 267	2 234	1 590	1 617	427	365	247	–104	3	342		24		–10
Premiums written retroceded	–287	–72	–66	–133	–4		–217	114		–53				
Premiums written net	**1 980**	**2 162**	**1 524**	**1 485**	**423**	**365**	**30**	**10**	**3**	**288**	**0**	**24**	**0**	**–10**
Change in unearned premiums gross	–17	54	3	7	69	2	–88	128	–1	–68		–12		–3
Change in unearned premiums retroceded	77	–116					77	–114		–2				
Premiums earned	**2 040**	**2 100**	**1 527**	**1 492**	**492**	**367**	**19**	**24**	**2**	**218**	**0**	**12**	**0**	**–13**
Other reinsurance revenues[2]	593	455	551	471	42	–16								
Total revenues from reinsurance business[2]	**2 633**	**2 555**	**2 078**	**1 963**	**534**	**351**	**19**	**24**	**2**	**218**	**0**	**12**	**0**	**–13**
Claims paid and claim adjustment expenses gross	–2 721	–2 419	–1 945	–1 883	–746	–399	–29	-99	–1	–35				–3
Claims paid and claim adjustment expenses retroceded	–57	178	–148	83	66	6	25	89						
Change in unpaid claims and life and health benefits gross	592	1 428	277	1 092	419	345	–101	98	–3	–97		–7		–3
Change in unpaid claims and life and health benefits retroceded	263	–161	242	–65	–67	–7	88	–90						
Change in unpaid claims for unit-linked life insurance														
Claims incurred	**–1 923**	**–974**	**–1 574**	–773	**–328**	**–55**	**–17**	**–1**	**–4**	**–132**	**0**	**–7**	**0**	**–6**
Acquisition and operating costs gross[1]	–467	–333	–292	–177	–148	–106	–26	–1	–1	–45		–3		–1
Acquisition and operating costs retroceded	46	39	22	39	1		23							
Acquisition and operating costs net[1]	**–421**	**–294**	**–269**	–138	**–148**	**–106**	**–3**	**–1**	**–1**	**–45**	**0**	**–3**	**0**	**–1**
Other reinsurance expenses	–638	–434	–619	–336	–19	–98								
Total expenses from reinsurance business[1]	**–2 982**	**–1 702**	**–2 462**	**–1 247**	**–494**	**–259**	**–20**	**–2**	**–5**	**–177**	**0**	**–10**	**0**	**–7**
Investment income	50	64												
Investment expenses[2]	–16	–47												
Investment result[2]	**34**	**17**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Investment result from unit-linked life insurance														
Other financial income	10	6												
Other financial expenses	–10	–39												
Operating result[1]	**–315**	**837**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest expenses on debt and subordinated liabilities														
Other income	22	2												
Other expenses[1]	–4	–5												
Extraordinary income and expenses														
Income before income tax expense	**–297**	**834**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income tax expense														
Net income/loss	**–297**	**834**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

[1] Operating costs are shown as expenses from reinsurance business for the first time in 2022. For comparison reasons, acquisition and operating costs as well as other expenses reported in 2021 are adjusted accordingly.

[2] Reported in 2021 allocated investment return has been discontinued in 2022, figures are adjusted for the piror period.

Reinsurance results

Total revenues and expenses from reinsurance business amounted to a gain of CHF 853 million in 2022, compared to a loss of CHF 349 million in 2021.

Life & Health Reinsurance result increased from a loss of CHF 346 million in 2021 to a gain of CHF 808 million in 2022. The increase was largely driven by the release of reserves due to reduction in margins, rising interest rates, restructuring of a reinsurance contract as well as other assumption updates. Furthermore, SRN incurred a loss in the prior year from the inception of the intra-group retrocession agreement for the Canada L&H business, which was higher than the net loss stemming from the various intra-group transactions in 2022.

Property & Casualty Reinsurance result increased from a loss of CHF 3 million in 2021 to a gain of CHF 45 million in 2022, following the new retrocession agreement with SRZ Canadian branch, only partly offset by the setup of an equalisation provision.

Premiums earned increased from CHF 2 040 million in 2021 to CHF 2 100 million in 2022, mainly driven by the intra-group retrocession agreement for Canada L&H business, novated from Swiss Re Europe S.A. to SRN, effective 1 July 2021, as well as from newly incepted property and casualty business retroceded from the SRZ Canadian branch, effective in 2022. This was partly offset by the loss of iptiQ and Elips Life business transferred to SRZ.

Other reinsurance revenues decreased from CHF 593 million in 2021 to CHF 455 million in 2022, mainly due to the one-off gain in 2021 from the inception of the external retrocession covering the Canada L&H in-force business.

Claims incurred decreased from CHF 1 923 million in 2021 to CHF 974 million in 2022. The comparison of the individual claims line items is affected by the restructuring of several intra-group retrocession agreements in both years, creating substantial changes year-over-year. In aggregate, these various movements fully offset each other. The decrease of life and health benefits was mainly related to the Canada and SRZ's global life and health reserve releases due to reduction in margins, rising interest rates, restructuring of a reinsurance contract as well as other assumption updates.

Acquisition and operating costs net decreased from CHF 421 million in 2021 to CHF 294 million in 2022 driven by lower acquisition costs following the transfer of iptiQ business to SRZ, partly offset by higher operating costs following the restructuring in recent years.

Other reinsurance expenses decreased from CHF 638 million in 2021 to CHF 434 million in 2022. The decrease is driven by the prior year's loss at inception of the retrocession agreement for the Canada L&H business, partly offset by this year's intra-group restructuring.

Investment result

Investment result decreased from CHF 34 million in 2021 to CHF 17 million in 2022, as a result of rising market yields leading to higher net realised losses and write-downs on fixed income securities, only partly offset by higher income generated from fixed income securities and short-term investments, due to the increase in assets following the funds withheld unwind for the Canada business and higher market yields.

Investment result – Swiss statutory

CHF millions	Income	Value readjustments	Realised gains	2022 Total
Investment income				
Fixed income securities	50			50
Other investments	13			13
Income from investment services	1			1
Investment income	**64**	**0**	**0**	**64**

CHF millions	Expenses	Value readjustment	Realised losses	2022 Total
Investment expenses				
Fixed income securities		–18	–12	–29
Other investments				0
Investment management expenses	–17			–17
Investment expenses	**–17**	**–18**	**–12**	**–47**
Investment result				**17**

CHF millions	Income	Value readjustments	Realised gains	2021 Total
Investment income				
Fixed income securities	27		23	50
Other investments				0
Income from investment services				0
Investment income	27	0	23	50

CHF millions	Expenses	Value readjustments	Realised losses	2021 Total
Investment expenses				
Fixed income securities			–7	–7
Other investments				0
Investment management expenses	–9			–9
Investment expenses	–9	0	–7	–16
Investment result[1]				34

[1] Reported in 2021 allocated investment return has been discontinued in 2022. 2021 figures of the investment result of CHF 27million have been changed and the respective published line items were removed accordingly.

Governance and risk management

Board of Directors and Executive Management

Board of Directors

- Giovanni Gentile, Chairman
- Torben Thomsen, Member of the Board of Directors
- Knut Pohlen, Member of the Board of Directors
- Rejean Besner, Member of the Board of Directors
- Felix Stutz, Member of the Board of Directors
- Christian Herzog, Member of the Board of Directors

Changes in 2022

Giovanni Gentile has been elected as new Chairman and member of the Board of Directors as of 15 September 2022. Claudia Cordioli stepped down as Chair and as member of the Board of Directors as of 14 September 2022.

Executive Management

- Sebastian Strasser, Chief Executive Officer
- Chris Mehta, Chief Risk Officer, Member of the Executive Committee
- Urs Spring, Chief Financial Officer, Member of the Executive Committee
- Colin Bannister, Appointed Actuary, not Member of the Executive Committee

Changes in 2022

Michael Bird stepped down as Appointed Actuary effective 31 October 2022 and was succeeded by his deputy Colin Bannister who was elected by the Executive Committee and approved by FINMA as of 1 November 2022. Michael Bird continues to support SRN as deputy actuary.

Governance and risk management

As a major legal entity within the Swiss Re Group that is designated as a so-called "Level I" classified legal entity, SRN is subject to enhanced governance which includes the following requirements:

- Develop and maintain corporate and risk governance documentation that governs the responsibilities of the legal entity Board, committees and management

- Establish committee(s) covering Audit, as well as Finance and Risk, to support the legal entity Board in performing its oversight responsibility for risk and capital steering

- Designate a Chief Risk Officer and Chief Financial Officer

All risk-related activities of SRN are subject to Swiss Re's risk management framework, which includes:

- An independent Risk Management function responsible for risk oversight and control across Swiss Re and comprises central departments that provide specialised risk expertise and oversight.

- A clearly defined risk control framework which comprises a body of standards that establish an internal control system for taking and managing risk.

Moreover, risk management activities at SRN are complemented by Swiss Re's Group Internal Audit and Compliance units.

Swiss Re's 2022 Financial Report describes the governance and risk management framework for the Group and its legal entities. For more information, please refer to the *Group Governance and risk management section > Read more*.

Risk profile

SRN is exposed to insurance and financial risks, as well as other risks that are not explicitly part of the economic capital requirement but are actively monitored and controlled due to their significance for the entity. These include operational, liquidity, model, valuation, regulatory, political, strategic and sustainability risks (see *Swiss Re's risk landscape*, 2022 Financial Report, pages 66–67).

Life and health risk is mainly driven by mortality trend, lethal pandemic and lapse risk. Property and casualty risk mainly arises from natural catastrophe and terrorism risk.

The financial risk of SRN derives from both financial market risk and credit risk. Key drivers of financial market risk are foreign exchange and credit spread risk. Credit risk is mainly driven by the default risk on capital market products.

Total risk

Total risk is based on 99% tail value-at-risk (tail VaR) and represents the average unexpected loss that occurs with a frequency of less than once in 100 years over a one-year time horizon.

USD millions	SST 2022	SST 2023	Change since SST 2022
Property and casualty	582	706	124
Life and health	1 838	1 238	–600
Financial market	711	546	–165
Credit[1]	122	95	–27
Diversification	–1 201	–1 071	130
Total risk	**2 052**	**1 514**	**–538**

[1] Credit comprises credit default and migration risk from both asset management and underwriting. It excludes credit spread risk, which is part of financial market risk.

Total risk decreased to USD 1.5 billion, mainly driven by lower life and health and financial market risk, partially offset by higher property and casualty risk.

- The decrease in life and health risk was mainly driven by the impact of higher interest rates, as well as the depreciation of major currencies against the US dollar.
- The increase in property and casualty risk mainly reflects the impact of the increased retention on the outgoing retrocession, as well as higher natural catastrophe risk from business growth. These effects were partially offset by the depreciation of major currencies against the US dollar.
- Financial market risk decreased, mainly driven by the introduction of the new financial market risk model, the increase in interest rates and credit spread widening.
- Credit risk decreased, mainly driven by higher interest rates and credit spread widening.

Swiss Re's internal model takes account of the accumulation and diversification between individual risks. The effect of diversification at the category level, which is shown in the table above, represents the difference between total risk (the company's 99% tail VaR) and the sum of standalone tail VaR amounts for the individual risk categories. This amount does not reflect diversification within risk categories. The extent of diversification is largely determined by the selected level of aggregation – the higher the aggregation level, the lower the diversification effect.

Operational risk

SRN uses a Group-wide risk matrix methodology and Swiss Re's Global Risk Register to capture operational risks. The matrix in particular focuses on risks approaching or exceeding SRN's own risk tolerance as they require management actions. Adherence to risk tolerance is monitored and reported at least on a quarterly basis. The overall control environment within SRN remains adequate. Current key focus areas of SRN's operational risk management include further strengthening of the Group's cyber defences.

Other significant risks

For details on other significant risks, including liquidity, model, valuation, regulatory, political, strategic and sustainability risks, see the Group's 2022 Financial Report sections on *Liquidity Management* on page 58, *Swiss Re's risk landscape* on pages 66–67, and *Management of other significant risks* on pages 72–75.

Risk concentration

Among tested financial market sensitivities, SRN's SST ratio is most sensitive to a 50-basis point decrease in interest rates.

Risk mitigation

SRN manages and controls its risks through a limit framework.

Valuation

SST balance sheet

The SST balance sheet is prepared based on the same market-consistent valuation principles as applied in Swiss Re's internal EVM framework. EVM is therefore used as a basis for preparing the SST balance sheet and valuation adjustments to EVM mainly affect capital costs and deferred taxes. The difference between assets and liabilities is defined as the SST net asset value, which is the basis for the calculation of the SST RBC.

The SST valuation methodology is further described in the > *Appendix* of this Report.

USD millions		Notes	SST 2022	SST 2023	Change since SST 2022
Market-consistent value of investments	Real estate				n/a
	Participations				n/a
	Fixed-income securities	1	1 351	2 153	802
	Loans				n/a
	Mortgages				n/a
	Equities				n/a
	Other investments		**174**	**433**	**259**
	Collective investment schemes				n/a
	Alternative investments				n/a
	Structured products				n/a
	Other investments	2	174	433	259
	Total investments		**1 526**	**2 587**	**1 061**
Market-consistent value of other assets	Financial investments from unit-linked life insurance				n/a
	Receivables from derivative financial instruments				n/a
	Deposits made under assumed reinsurance contracts	3	12 375	8 149	–4 226
	Cash and cash equivalents	4	454	199	–255
	Reinsurers' share of best estimate of provisions for insurance liabilities		**20**	**–143**	**–163**
	Direct insurance: life insurance business (excluding unit-linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit-linked life insurance)		–219	–143	76
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business		240		–240
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
	Fixed assets				n/a
	Deferred acquisition costs				n/a
	Intangible assets				n/a
	Receivables from insurance business		1 464	1 587	124
	Other receivables	5	311	1 174	863
	Other assets				n/a
	Unpaid share capital				n/a
	Accrued assets				n/a
	Total other assets		**14 624**	**10 967**	**–3 658**
Total market-consistent value of assets			**16 150**	**13 553**	**–2 596**

USD millions		Notes	SST 2022	SST 2023	Change since SST 2022
BEL: Best estimate of liabilities (including unit-linked life insurance)	**Best estimate of provisions for insurance liabilities**	6	**8 787**	**6 358**	**–2 429**
	Direct insurance: life insurance business (excluding unit-linked life insurance)				n/a
	Reinsurance: life insurance business (excluding unit-linked life insurance)		8 510	6 209	–2 301
	Direct insurance: non-life insurance business				n/a
	Direct insurance: health insurance business				n/a
	Reinsurance: non-life insurance business		277	150	–127
	Reinsurance: health insurance business				n/a
	Direct insurance: other business				n/a
	Reinsurance: other business				n/a
	Best estimate of provisions for unit-linked life insurance liabilities		**0**	**0**	**0**
	Direct insurance: unit-linked life insurance business				n/a
	Reinsurance: unit-linked life insurance business				n/a
Market-consistent value of other liabilities	Non-technical provisions		14	4	–10
	Interest-bearing liabilities				n/a
	Liabilities from derivative financial instruments				n/a
	Deposits retained on ceded reinsurance				n/a
	Liabilities from insurance business	7	503	820	317
	Other liabilities		39	31	–8
	Accrued liabilities				n/a
	Subordinated debts				n/a
Total BEL plus market-consistent value of other liabilities			**9 342**	**7 213**	**–2 129**
Market-consistent value of assets minus total from BEL			**6 807**	**6 340**	**–467**

Notes
1. The increase in fixed income securities reflected the funds withheld unwind in the life and health IGR from the Canadian branch of SRZ, partially offset by the impact of rising interest rates.
2. The increase in other investments was mainly related to the purchase of short-term investment products, mainly reallocated from cash and cash equivalents.
3. The decrease in deposits made under assumed reinsurance contracts reflected the impact of rising interest rates on funds withheld and on policy loans in corporate-owned life insurance. The decrease was as well driven by the impact of higher best estimate liabilities on policy loans, and lower funds withheld with SRZ. Additionally, the decline was driven by the release of the funds withheld balance in life and health IGR from the Canadian branch of SRZ.
4. The decrease in cash and cash equivalents was mainly related to the purchase of short-term investment products.
5. The increase of other receivables was mainly related to a higher cash pooling balance, largely denominated by US dollar and British pound.
6. The decrease of best estimate of provisions for insurance liabilities was predominantly driven by the large increase in interest rates. The decline was further driven by the decrease in the US closed book business reflecting the run-off of the portfolio.
7. The increase of liabilities from insurance business was mainly related to the US closed book business.

SST balance sheet comparison with Swiss statutory

The SST balance sheet comparison with the audited Swiss statutory financial statements provides insights on the main valuation and scope differences.

An overview of the main valuation and scope differences and the definition of the aggregated line items are included in the > Appendix of this Report.

Assets

USD millions	Swiss Statutory	SST	Difference
Real estate			n/a
Investments in subsidiaries and affiliated companies			n/a
Fixed income securities	2272	2153	–118
Loans			n/a
Mortgages			n/a
Equity securities			n/a
Other investments	628	433	–195
Investments for unit-linked and with-profit business			n/a
Cash and cash equivalents	6	199	193
Funds held by ceding companies and other receivables from reinsurance	7705	9736	2031
Reinsurance recoverable from retrocessions	186	–143	–329
Other assets	1200	1174	–25
Total assets	**11997**	**13553**	**1556**

Fixed income securities
Differences in scope: The distinction between fixed income securities, short-term investments and cash and cash equivalents is based on the remaining duration at time of purchase in SST, and on initial duration in statutory reporting.

Differences in valuation: SST carries fixed income securities at market value. In statutory reporting, fixed income securities are valued at amortised cost less necessary depreciation to address other than temporary market value decreases.

Other investments
Differences in scope: The distinction between short-term investments, included in other investments, fixed income securities and cash and cash equivalents is based on the remaining duration at time of purchase in SST, and on initial duration in statutory reporting.

Cash and cash equivalents
Differences in scope: The distinction between cash and cash equivalents, short-term investments and fixed income securities is based on the remaining duration at time of purchase in SST, and on initial duration in statutory reporting.

Funds held by ceding companies and other receivables from reinsurance
Differences in valuation: In SST, funds held by ceding companies for which an interest is credited are valued by discounting future estimated cash flows at risk-free rates. Under statutory reporting, funds held are generally measured at the consideration received or at market value of the underlying assets. Furthermore, in SST policy loans for corporate-owned life insurance, included in the funds held, are valued by discounting future estimated cash flows at risk-free rates as well. Under statutory reporting, those loans are carried at nominal value. In statutory reporting, receivables from reinsurance include the receivables on deposit accounted business, while in SST this is part of the best estimate liabilities.

Re/insurance recoverable from retrocessions
Differences in valuation: Same principles apply as for re/insurance liabilities before retrocession de- scribed below.

Other assets

Differences in valuation: In SST, other assets are measured at fair value. In statutory reporting, other assets are generally carried at nominal value. Derivative financial instruments in statutory reporting are generally accounted based on the lower of cost or market principle under Swiss Company Law. Deferred acquisition costs are not valued for SST.

Liabilities

USD millions	Swiss Statutory	SST	Difference
Re/insurance liabilities before retrocession	7 933	6 358	–1 575
Unit-linked and with-profit liabilities			n/a
Debt			n/a
Funds held under reinsurance treaties			n/a
Other liabilities	980	855	–125
Total liabilities	**8 913**	**7 213**	**–1 700**

Re/insurance liabilities before retrocession

Differences in valuation: SST uses best estimates to value the re/insurance liabilities without specific margin for prudence. Statutory reporting values reinsurance liabilities at best estimates and for life and health business requires provisions for adverse deviations (PADs). For non-life business, statutory reporting allows for an equalisation provision. Other valuation differences arise from the discounting of the liability cash flows. In SST, liabilities are generally discounted using current market risk-free rates. Under statutory reporting, discounting of life and health technical provisions generally uses asset-consistent yields, whereas there is generally no discounting for non-life business. It should also be noted that in some instances certain additional methodological differences may exist between the two valuation bases.

For more details on the general differences in valuation of re/insurance liabilities, please refer to the table in the methodology section in the > *Appendix*.

Other liabilities

Differences in valuation: In SST, no specific provision is made for currency fluctuations. In statutory reporting, a provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. Derivative financial instruments are measured at fair value under SST. In statutory reporting, derivatives are generally valued based on the lower of cost or market principle under Swiss Company Law.

Capital management

SRN has established a capital target based on SST capital, in line with the Group approach to capitalising subsidiaries. This is used as a basis for capital planning and determining capital management actions. The entity is expected to operate in a range around the target (subject to any other constraints), with any deficits addressed through capital contributions from Group or other actions.

Change in shareholder's equity – Swiss statutory

CHF millions	Share Capital	Legal capital reserves	Voluntary profit reserves	Net income for the financial year	Total Shareholders' equity
Shareholder's equity 1.1.2021	10	284	3438	–1416	2316
Allocations relating to AGM decision 2020		–279	–1137	1416	
Net income/loss for the financial year				–297	–297
Shareholder's equity 31.12.2021	10	5	2301	–297	2019
Shareholder's equity 1.1.2022	10	5	2301	–297	2019
Allocations relating to AGM decision 2021			–297	297	
Net income/loss for the financial year				834	834
Shareholder's equity 31.12.2022	**10**	**5**	**2004**	**834**	**2853**

Shareholder's equity

Shareholder's equity increased from CHF 2019 million as of 31 December 2021 to CHF 2853 million as of 31 December 2022.

The increase reflected further various restructuring initiatives which resulted in a positive development of the net income for the financial year 2022.

Solvency

SRN uses an internal risk model to determine the economic capital required to support the risks on SRN's book, as well as to allocate risk-taking capacity to the different lines of business. The model also provides the basis for capital cost allocation in Swiss Re's EVM framework, which is used for pricing, profitability evaluation and compensation decisions. In addition to these internal purposes, the model is used to determine regulatory capital requirements under economic solvency frameworks such as the SST and Solvency II.

For more information, please see the *Internal control system and risk model* section in the Risk management (Online Only) download of the 2022 Financial Report.

In 2017, FINMA approved Swiss Re's internal model and its components for SST reporting purposes under their revised model review process.

Since SST 2022, two major model changes have been implemented and approved by FINMA:

- Financial market risk – New approach which distinguishes normal financial market conditions and financial crisis situations, improves the stability of the risk measure and better reflects tail market risks.

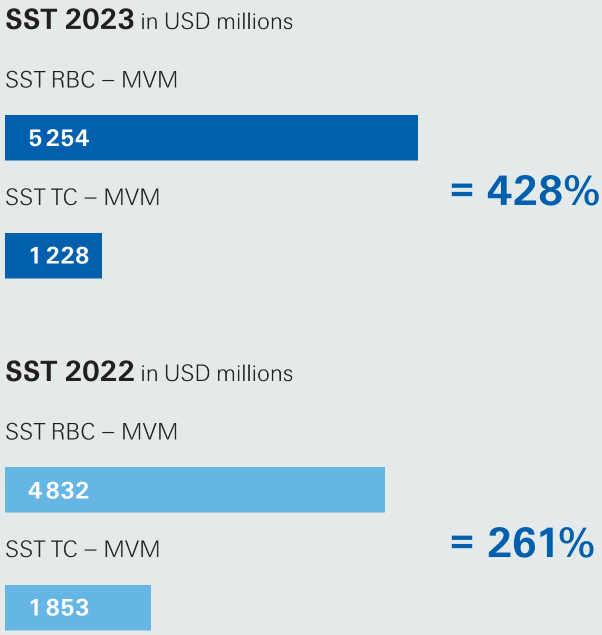
- Cyber risk – Methodology and calibration improvements to better reflect the severity of cyber threats relating to critical infrastructure, denial of services or interruption of operations.

Solvency

In SST 2023, the SST ratio of SRN increased to 428%, 167pp higher than in SST 2022. The increase was mainly driven by the net impact of higher interest rates, despite a negative contribution to the SST RBC, and positive underwriting contribution.

The ratio is calculated as SST risk-bearing capital (SST RBC) minus market value margin (MVM), divided by SST target capital (SST TC) minus MVM.

Solvency overview



SST RBC: SST risk-bearing capital
SST TC: SST target capital
MVM: Market value margin

SST risk-bearing capital

The SST RBC is derived from the SST net asset value (SST NAV), which represents the difference between the market consistent value of assets and best estimate of liabilities, according to the valuation methodology prescribed under SST. For this purpose, the SST NAV is adjusted for the items shown in the table below.

USD millions	SST 2022	SST 2023	Change since SST 2022
SST net asset value	**6 807**	**6 340**	**–467**
Deductions			n/a
SST core capital	**6 807**	**6 340**	**–467**
Supplementary capital			n/a
SST risk-bearing capital (SST RBC)	**6 807**	**6 340**	**–467**
Market value margin (MVM)	1 975	1 086	–889
SST RBC – MVM	**4 832**	**5 254**	**422**

The decrease of SST NAV to USD 6.3 billion was largely driven by a negative investment contribution, mainly due to higher interest rates, as well as negative foreign exchange impacts. These movements were partially offset by a positive underwriting contribution, mainly driven by positive life and health experience across all regions and profitable business growth.

No dividend projection is included for SST 2023.

SRN has no supplementary capital.

A description of the change in MVM, which represents the capital costs for the run-off period, is provided together with the SST target capital comments below.

SST target capital

To derive SST TC, total risk is adjusted for the line item Other impacts as shown below.

USD millions	SST 2022	SST 2023	Change since SST 2022
Total risk	**2 052**	**1 514**	**–538**
Other impacts	1 777	800	–976
SST target capital (TC)	**3 828**	**2 314**	**–1 514**
Market value margin (MVM)	1 975	1 086	–889
SST target capital – MVM	**1 853**	**1 228**	**–626**

SST TC decreased to USD 2.3 billion due to lower total risk (see *Risk profile* for details) and MVM (reflected under Other impacts).

Other impacts mainly reflect market value margin, the impact from business development over the forecasting period and requirements from FINMA that are not included in total risk because they are not consistent with Swiss Re's own risk view.

The decrease in MVM was mainly driven by the increase in interest rates.

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Swiss Re International SE, Luxembourg, Zurich branch

Management summary

Swiss Re International SE, Luxembourg, Zurich branch (SRI SE Zurich branch), domiciled in Zurich, Switzerland, is a re/insurance branch within the Swiss Re Group. SRI SE Zurich branch engages in Swiss domestic and foreign re/insurance business.

SRI SE Zurich branch is part of Swiss Re International SE, Luxembourg which is regulated by the Commissariat aux Assurances, the Luxembourg insurance supervisory authority. SRI SE Zurich branch is also locally supervised by FINMA, the Swiss insurance supervisory authority. Information about the solvency position of Swiss Re International SE, Luxembourg is disclosed according to Luxembourg regulations only. Swiss regulations do not require the disclosure of solvency information of SRI SE Zurich branch in this Report.

This Report provides qualitative and quantitative information about the statutory financial condition of SRI SE Zurich branch.

Business activities

In this section, we provide information about the business model, the strategy and significant events. > *Read more*

Performance

We present the performance of the year under review based on the Swiss statutory income statement. > *Read more*

Business activities

Re/insurance strategy and priorities

Strategy and priorities

Swiss Re International SE, through its branches, conducts re/insurance business and is committed to deliver long-term profitability and economic growth. It offers customised, innovative and multi-line, multi-year risk transfer solutions, taking into account the unique needs of local markets and specialty industries.

SRI SE Zurich branch's future path is centred around capturing profitable growth while leveraging distinctive competitive strengths with a focused portfolio strategy that will build resilience in all market cycles. This will be further supported by strategic investments to capture existing market opportunities and expand through innovative risk solutions, international programmes and data/digital solutions and services that help address customer pain points and industry inefficiencies.

Outlook

Market conditions suggest that positive pricing momentum will continue into 2023 across many lines and regions, however, may have reached its hard cycle peak especially for shorter-tail types of business already. Inflation-driven higher claims development in all lines of business, continued social inflation in the US and increasing interest rates will be the main factors for uncertainty going into 2023. In addition there is also risk coming from an economic downturn, given the current geopolitical situation.

Investments

Strategy and priorities

Financial investments are managed in accordance with Swiss Re's Targeted Standard on Asset Management and SRI SE Zurich branch's investment guidelines, which are intended to ensure compliance with regulatory requirements. The general principle governing investment management in SRI SE Zurich branch is the creation of economic value on the basis of returns relative to the liability benchmark, while adhering to the investment guidelines and the general prudence principle. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows.

Outlook

SRI SE Zurich branch expects another challenging year for the global economy and financial markets in 2023. Global economic growth is forecast to slow from last year, while inflation is expected to stay above historic averages even though price growth has continued to decline in recent months. The expected market volatility will require us to stay nimble and flexible in our investment positioning throughout the year. In respect to the investment strategy, we adhere to the investment guidelines and the general prudence principle, with a continued focus on Environmental, Social and Corporate Governance (ESG) criteria.

Re/insurance and holding company

SRI SE Zurich branch is a re/insurance branch within the Swiss Re Group domiciled in Zurich, Switzerland. It is a branch of Swiss Re International SE, Luxembourg.

Claims on and obligations towards affiliated companies – Swiss statutory

CHF thousands	Affiliated companies 2021	Affiliated companies 2022
Premiums and other receivables from re/insurance	8951	27413
Other receivables	113	11166
Re/insurance balances payable	95957	88218
Other liabilities	15126	36516

Other liabilities contain CHF 20.1 million provisions securing the long-term prosperity of the Branch.

In 2022, KPMG AG was the auditor of SRI SE Zurich branch. For more information, please see the *Report of the statutory auditor*.

Performance

Income statement – Swiss statutory

CHF millions	2021	2022
Premiums written gross	182	178
Premiums written retroceded	–165	–162
Premiums written net	**17**	**16**
Change in unearned premiums gross	–4	8
Change in unearned premiums retroceded	4	–7
Premiums earned	**17**	**17**
Other re/insurance revenues	–1	
Total revenues from re/insurance business	**16**	**17**
Claims paid and claim adjustment expenses gross	–76	–130
Claims paid and claim adjustment expenses retroceded	69	117
Change in unpaid claims gross	–23	–20
Change in unpaid claims retroceded	20	18
Change in unpaid claims for unit-linked life insurance		
Claims incurred	**–10**	**–14**
Acquisition and operating costs gross	–30	–28
Acquisition and operating costs retroceded	28	28
Acquisition and operating costs net	**–2**	**0**
Other re/insurance expenses		
Total expenses from re/insurance business	**–12**	**–14**
Investment income		1
Investment expenses		
Investment result	**0**	**0**
Investment result from unit-linked life insurance		
Other financial income		1
Other financial expenses		
Operating result	**4**	**4**
Interest expenses on debt and subordinated liabilities		
Other income	3	
Other expenses		
Extraordinary income and expenses		
Income before income tax expense	**7**	**5**
Income tax expense		
Net income	**7**	**4**

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Income statement – Swiss statutory

																		Direct inland business / Direct foreign business
	Total		Personal accident		Health		Motor		Transport		Fire, natural catastrophe, property		General liability		Miscellaneous		Total	
CHF millions	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Premiums written gross	159	161							1	1	12	16	10	9	8	12	128	122
Premiums written retroceded	–144	–150							–1	–1	–12	–15	–9	–9	–7	–11	–115	–114
Premiums written net	**15**	**11**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**1**	**1**	**1**	**13**	**8**
Change in unearned premiums gross	–2	12									–1		–1	1		2		10
Change in unearned premiums retroceded	2	–11							1		2			–1	–1	–2		-8
Premiums earned	**15**	**12**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**1**	**0**	**1**	**0**	**1**	**13**	**9**
Other re/insurance revenues	–1														–1			
Total revenues from re/insurance business	14	12	0	0	0	0	0	0	1	0	1	1	0	1	–1	1	13	9
Claims paid and claim adjustment expenses gross	–58	–110							–1	–1	–8	–5		–1	–4		–45	–102
Claims paid and claim adjustment expenses retroceded	53	100							1	1	8	5		1	3		41	93
Change in unpaid claims gross	–29	–35								1	4	2	–4	4	3	–1	–32	–40
Change in unpaid claims retroceded	26	32								–1	–4	–2	4	–4	–3	1	29	37
Change in unpaid claims for unit-linked life insurance																		
Claims incurred	–8	–13	0	0	0	0	0	0	0	0	0	0	0	0	–1	0	–8	–12
Acquisition and operating costs gross	–28	–27								–2	–1	–7		–7	–1	–4	–26	–8
Acquisition and operating costs retroceded	24	26								2	1	7		7	1	4	22	8
Acquisition and operating costs net	**–4**	**–1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**–4**	**0**
Other re/insurance expenses																		
Total expenses from re/insurance business	–12	–13	0	0	0	0	0	0	0	0	0	0	0	0	–1	0	–12	–13

															Indirect business	
	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
CHF millions	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Premiums written gross	23	17							5	–2	18	19				
Premiums written retroceded	–21	–12							–4	2	–17	–16		2		1
Premiums written net	**2**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**2**	**0**	**3**	**0**	**1**
Change in unearned premiums gross	–2	–4							–3	2	1	–6				
Change in unearned premiums retroceded	2	3							3	–2	–1	5				
Premiums earned	**2**	**4**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**1**	**0**	**3**	**0**	**0**
Other re/insurance revenues																
Total revenues from re/insurance business	2	4	0	0	0	0	0	0	1	0	1	1	0	3	0	0
Claims paid and claim adjustment expenses gross	–18	–21									–18	–20				
Claims paid and claim adjustment expenses retroceded	16	18									16	18		–1		
Change in unpaid claims gross	6	15							–1		7	15				
Change in unpaid claims retroceded	–6	–14							1		–7	–13				
Change in unpaid claims for unit-linked life insurance																
Claims incurred	–2	–2	0	0	0	0	0	0	0	0	–2	–1	0	–1	0	0
Acquisition and operating costs gross	–2	–1									–2	–1				
Acquisition and operating costs retroceded	4	2									4	3				–1
Acquisition and operating costs net	**2**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**2**	**0**	**0**	**0**	**–1**
Other re/insurance expenses																
Total expenses from re/insurance business	0	–1	0	0	0	0	0	0	0	0	0	1	0	–1	0	–1

Technical result amounted to a profit of CHF 2.7 million in 2022, compared to a profit of CHF 4.4 million in 2021.

Premiums earned slightly decreased by CHF 0.1 million year-on-year. Increases in credit & surety and aviation line of business were more than offset by property, liability and engineering line of business.

Claims incurred increased by CHF 4.2 million to CHF 14.4 million in 2022, mainly due to higher claims in liability and aviation line of business. This was partially offset by a decrease in property line of business.

The equalisation provision remained unchanged compared to prior year at CHF 4.6 million.

Acquisition and operating costs improved by CHF 2.0 million. While operating costs decreased by CHF 2.3 million, commissions increased by CHF 0.4 million year-on-year.

Investment result – Swiss statutory

CHF thousands	Income	Value readjustments	Realised gains	2021 Total
Investment income				
Fixed-income securities	27			27
Other investments (Short-term investments)	–71		3	–68
Investment income	–44	0	3	–41
	Expenses	Value adjustments	Realised losses	2021 Total
Investment expenses				
Fixed-income securities				
Other investments (Short-term investments)				
Investment management expenses	–8			–8
Investment expenses	–8	0	0	–8
Investment result	–52	0	3	–49

CHF thousands	Income	Value readjustments	Realised gains	2022 Total
Investment income				
Fixed-income securities	152			152
Other investments (Short-term investments)	380		4	384
Investment income	**532**	**0**	**5**	**537**
	Expenses	Value adjustments	Realised losses	2022 Total
Investment expenses				
Fixed-income securities				
Other investments (Short-term investments)			–23	–23
Investment management expenses	–182			–182
Investment expenses	**–182**	**0**	**–23**	**–205**
Investment result	**–350**	**0**	**–18**	**331**

Change in capital and retained earnings – Swiss statutory

CHF thousands	Current account with Branch's head office	Retained earnings brought forward	Net result	Total
Beginning balance 1.1.2021	33458	267	−1649	32076
Allocation to retained earnings		−1649	1649	0
Capital repatriation	−13000			−13000
Net result for the financial year			6623	6623
Net capital and retained earnings 31.12.2021	20458	−1382	6623	25699
Beginning balance 1.1.2022	20458	−1382	6623	25699
Allocation to retained earnings		6623	−6623	0
Capital repatriation				
Net result for the financial year			4365	4365
Net capital and retained earnings 31.12.2022	**20458**	**5241**	**4365**	**30064**

iptiQ EMEA P&C S.A., Luxembourg, Zurich branch

Management summary

iptiQ EMEA P&C S.A., Zurich branch (iptiQ EMEA P&C Zurich branch), domiciled in Zurich, Switzerland, is an insurance branch within the Swiss Re Group. iptiQ EMEA P&C Zurich branch engages in personal lines insurance business in Switzerland. iptiQ EMEA P&C Zurich branch is part of iptiQ EMEA P&C S.A. which is regulated by the Commissariat aux Assurances, the Luxembourg insurance supervisory authority.

iptiQ EMEA P&C Zurich branch is also locally supervised by FINMA, the Swiss insurance supervisory authority. Information about the solvency position of iptiQ EMEA P&C S.A. is disclosed according to Luxembourg regulations only. Swiss regulations do not require the disclosure of solvency information of iptiQ EMEA P&C Zurich branch in this Report.

This Report provides qualitative and quantitative information about the statutory financial condition of iptiQ EMEA P&C Zurich branch.

Business activities

In this section, we provide information about the business model, the strategy and significant events. *> Read more*

Performance

We present the performance of the year under review based on the Swiss statutory income statement. *> Read more*

Business activities

Re/insurance strategy and priorities

Strategy and priorities

iptiQ EMEA P&C S.A. has identified opportunities to provide simple, transparent and targeted insurance covers for non-life risks accessible through attractive digital user journeys. In the digital age, customer needs are becoming more diverse and require customised products rather than the standard product bundles still predominant in European markets. iptiQ EMEA P&C S.A. sees an attractive opportunity in offering both, simple and transparent products comprising individual product modules that are bundled together as well as customised covers related to the business-to-business partners' products (eg modern covers, embedded covers, single item covers), consequently focusing on customers' specific situations and their needs.

In addition to the unmet protection needs of the customers, many companies with large existing retail customer bases are searching for ways of further monetising their customer bases while expanding the scope of offerings they provide. Insurance is one such potential offering. It requires deep product and risk management as well as servicing expertise and capabilities. These companies are looking for partners such as iptiQ EMEA P&C S.A. to supply them with digitally enabled and customisable insurance offerings that fit their specific journeys and customer needs and provide additional value to their core business.

Outlook

In 2023, iptiQ EMEA P&C Zurich branch is expected to continue with its strategy to offer bespoke white label personal lines property and casualty insurance products to customers through a broader set of business-to-business partners. This includes focusing on the growth of its motor insurance portfolio.

Investments

Strategy and priorities

The general principle governing the management of the investments in iptiQ EMEA P&C Zurich branch is the creation of economic value on the basis of returns relative to the liability benchmark, while adhering to the investment guidelines and the prudent person principle. The liability benchmark is determined by approximating an investable benchmark from projected liability cash flows. A cash benchmark is used for the economic surplus. In light of the fact that the business of iptiQ EMEA P&C Zurich branch has been growing, it is planned to gradually include government and government-related bonds and thereafter corporate bonds.

Outlook

iptiQ EMEA P&C Zurich branch expects another challenging year for the global economy and financial markets in 2023. Global economic growth is forecast to slow from last year, while inflation is expected to stay above historic averages even though price increases have continued to decline in recent months. ipitQ EMEA P&C Zurich branch thus entered the year with a cautious outlook for global financial markets.

Re/insurance and holding company

iptiQ EMEA P&C Zurich branch, domiciled in Zurich, Switzerland, is an insurance branch within the Swiss Re Group. iptiQ EMEA P&C Zurich branch is part of iptiQ EMEA P&C S.A.

Claims on and obligations towards affiliated companies – Swiss statutory

CHF	Affiliated companies 2021	Affiliated companies 2022
Premiums and other receivables from reinsurance	314 495	655 104
Other receivables	12 432	
Re/insurance balances payable	153 829	459 085
Other liabilities	872 278	619 965

Report of the statutory auditor

In 2022, KPMG Audit S.à.r.l. was the auditor of iptiQ EMEA P&C S.A., Luxembourg, Zurich branch. For more information, please see the *Report of the statutory auditor*.

Performance

Income statement – Swiss statutory

CHF	2021	2022
Premiums written gross	291 498	943 341
Premiums written ceded	–262 376	–849 698
Premiums written net	**29 122**	**93 643**
Change in unearned premiums gross	–69 098	–528 181
Change in unearned premiums ceded	62 189	475 522
Premiums earned	**22 213**	**40 985**
Other re/insurance revenues		
Total revenues from insurance business	**22 213**	**40 985**
Claims paid and claims adjustment expenses gross	–124 474	–317 940
Claims paid and claims adjustment expenses ceded	111 220	286 658
Claims paid and claim adjustment expenses net	**–13 254**	**–31 282**
Change in profit commissions	–20 011	
Change in unpaid claims gross	–51 028	–131 927
Change in unpaid claims ceded	45 926	118 745
Change in unpaid claims net	**–25 113**	**–13 183**
Claims incurred	**–38 367**	**–44 465**
Acquisition costs gross	–304 886	–351 770
Operating costs ceded	–4 000 790	–2 954 336
Acquisition and operating costs ceded	307 513	593 784
Acquisition costs and administration expenses net	**–3 998 164**	**–2 712 322**
Total expenses from insurance business	**–4 036 530**	**–2 756 786**
Insurance result	**–4 014 317**	**–2 715 802**
Invenstments		
Investment income	3 077	2 827
Investment expenses	–8 008	–13 994
Investment result	**–4 931**	**–11 167**
Other financial expenses		**–64**
Operating result	**–4 019 249**	**–2 727 033**
Other income	3 554	2 898
Other expenses	–43 368	–477 166
Other income and expenses	–39 814	–474 268
Income before income tax expense	**–4 059 063**	**–3 201 301**
Income tax expense		
Net Income	**–4 059 063**	**–3 201 301**

	Total		Direct Inland Business									
			Credit and Suretyship		General Liability		Fire and other damage to property insurance		Other motor insurance		Motor vehicle liability insurance	
CHF	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Premiums written gross	291 498	943 341	5 799	6 306	109 658	160 515	176 041	259 026		383 614		133 880
Premiums written ceded	−262 376	−849 698	−5 211	−5 672	−98 874	−149 200	−158 291	−237 075		−340 065		−117 685
Premiums written net	**29 122**	**93 643**	**588**	**634**	**10 784**	**11 315**	**17 750**	**21 951**	**0**	**43 549**	**0**	**16 196**
Change in unearned premiums gross	−69 098	−528 181	−29	−122	−25 987	−25 609	−43 082	−40 625		−342 427		−119 398
Change in unearned premiums ceded	62 189	475 522	22	109	23 314	23 096	38 853	36 949		307 562		107 806
Premiums earned	**22 213**	**40 985**	**581**	621	**8 111**	**8 801**	**13 521**	**18 275**	**0**	**8 684**	**0**	**4 604**
Other re/insurance revenues												
Total revenues from insurance business	**22 213**	**40 985**	**581**	**621**	**8 111**	**8 801**	**13 521**	**18 275**	**0**	**8 684**	**0**	**4 604**
Claims paid and claim adjustment expenses gross	−124 474	−317 940			−58 051	−86 906	−66 423	−105 792		−44 484		−80 759
Claims paid and claim adjustment expenses ceded	111 220	286 658			51 965	74 158	59 255	97 934		40 192		74 375
Change in profit commissions	−20 011				−7 729		−12 282					
Change in unpaid claims gross	−51 028	−131 927	−647	852	−26 835	−42 861	−23 546	−40 490		−38 588		10 841
Change in unpaid claims ceded	45 926	118 745	583	−769	23 441	38 544	21 902	36 423		34 776		9 769
Claims incurred	**−38 367**	**−44 465**	**−64**	**83**	**−17 209**	**−17 065**	**−21 094**	**−11 924**	**0**	**−8 104**	**0**	**−7 455**
Acquisition costs gross	−304 886	−351 770	−6 065	−2 351	−114 695	−59 856	−184 127	−96 590		−143 049		−49 924
Operating costs gross	−4 000 790	−2 954 336	−79 591	−19 748	−1 505 049	−502 697	−2 416 151	−811 213		−1 201 394		−419 284
Acquisition and operating costs ceded	307 513	593 784	6 117	3 964	115 683	104 264	185 713	165 672		237 644		82 240
Acquisition and operating costs net	**−3 998 164**	**−2 712 322**	**−79 539**	**−18 135**	**−1 504 060**	**−458 289**	**−2 414 564**	**−742 131**	**0**	**−1 106 799**	**0**	**−386 967**
Other re/insurance expenses												
Total expenses from insurance business	**−4 036 531**	**−2 756 786**	**−79 603**	**−18 052**	**−1 521 269**	**−475 354**	**−2 435 658**	**−754 054**	**0**	**−1 114 903**	**0**	**−394 422**
Result from the insurance business	**−4 014 318**	**−2 715 802**	**−79 022**	**−17 432**	**−1 513 158**	**−466 552**	**−2 422 137**	**−735 779**	**0**	**−1 106 219**	**0**	**−389 819**

Total revenues and expenses from insurance business experienced a loss of CHF 2 715 802 in 2022, compared to a loss of CHF 4 014 317 in 2021.

The branch recorded a material growth in its gross written premium with an increase from CHF 291 498 in 2021 to CHF 943 341 in 2022. This is mainly due to the launch of the motor insurance product. Premiums earned increased from CHF 22 213 in 2021 to CHF 40 985 in 2022, while claims incurred decreased from CHF 38 367 in 2021 to CHF 44 465 in 2022. The main drive for the reduction in the annual loss is the reduction in operating costs, from CHF 4 000 790 to CHF 2 954 336 driven by the reduction in Group expenses recharge.

Investment result

Net investment loss increased from CHF 4 931 in 2021 to CHF 11 167 in 2022 compared to the prior year, mainly due to the decreasing fair values in the context of rising interest rates.

Investment result – Swiss statutory

CHF thousands	Income	Value adjustment	Realised gains and losses	2021 Total
Investment income				
Bonds	2 763			2 763
Short term investments	314			314
Investment income	**3 077**			**3 077**

	Expenses	Value adjustments	Realised gains and losses	2021 Total
Investment expenses				
Bonds		–4 064		–4 064
Short term investments		–200		–200
Investment management expenses	–3 744			–3 744
Investment expenses	**–3 744**	**–4 264**		**–8 008**
Investment result	**–668**	**–4 264**		**–4 931**

CHF thousands	Income	Value readjustments	Realised gains and losses	2022 Total
Investment income				
Bonds	2 827			2 827
Short term investments				
Investment income	**2 827**			**2 827**

	Expenses	Value adjustments	Realised losses	2022 Total
Investment expenses				
Bonds		–1 976		–1 976
Short term investments	–968	–3 136		–4 105
Investment management expenses	–7 913			–7 913
Investment expenses	**–8 881**	**–5 113**		**–13 994**
Investment result	**–6 054**	**–5 113**		**–11 167**

Change in capital and retained earnings – Swiss statutory

CHF	Current account with Branch's head office	Retained earnings brought forward	Net result	Total
Beginning balance 1.1.2021	3 505 572	–3 865 793		–360 221
Cash capital contribution	6 210 127			6 210 127
Net loss for financial year			–4 059 063	–4 059 063
Net capital and retained earnings 31.12.2021	**9 715 699**	**–3 865 793**	**–4 059 063**	**1 790 843**
Beginning balance 1.1.2022	9 715 699	–7 924 855		1 790 844
Cash capital contribution	1 500 000			1 500 000
Net loss for financial year			–3 201 301	–3 201 301
Net capital and retained earnings 31.12.2022	**11 215 699**	**–7 924 855**	**–3 201 301**	**89 543**

Appendix

This appendix provides further information on the SST methodology and the valuation for solvency purposes. The scope, the legal basis and the components of the SST calculation are explained. The main valuation and scope differences between the SST balance sheet and the audited financial statements are summarised.

Methodology and valuation

Introduction

The SST is the solvency regime applicable to re/insurance entities and groups domiciled in Switzerland. The key principles of the SST are defined in the Insurance Supervision Ordinance (ISO) and in the FINMA circular 2017/03 on SST.

Swiss Re Group and its Swiss regulated entities submit their SST Report to FINMA. The SST report 2023 is filed with FINMA in April 2023. The published SST ratio is subject to FINMA's review and approval. Swiss Re applies an internal model to calculate the SST ratio, which is also subject to FINMA's approval.

The calculation of the SST ratio includes forward-looking elements. For factors that could affect the SST ratio, see > *Note on risk factors* and > *Cautionary note on forward-looking statements*.

Key principles

The SST is a market-consistent and risk-based approach to determine available and required capital. An entity is solvent under SST if the available capital (the SST risk-bearing capital) is equal or higher than the required capital (the SST target capital).

The SST ratio determines the solvency position of an entity:

$$\frac{\text{SST risk-bearing capital} - \text{market value margin}}{\text{SST target capital} - \text{market value margin}}$$

The market value margin (ie, the run-off capital costs) is a reserve for capital costs included in the SST target capital. FINMA circular 2017/03 on SST requires that the market value margin is subtracted from the SST risk-bearing capital and the SST target capital, aligning the definition of the SST ratio more closely with Solvency II.

SST risk-bearing capital

The SST risk-bearing capital is the amount of capital that is available to protect the policyholders of an entity in case of a large and unexpected adverse event.

The SST risk-bearing capital is derived as follows:

SST net asset value

– Deductions

+ Supplementary capital

= SST risk-bearing capital

The SST net asset value is the value of an entity's assets minus the value of its liabilities. All traded assets and liabilities are mark-to-market, based on quoted prices in active markets or observable inputs. Non-traded assets and liabilities are valued on a market-consistent basis. Insurance liabilities are valued on a market-consistent basis by replicating future best-estimate expected cash flows with liquid financial market instruments. As the majority of the insurance liabilities do not contain embedded financial market risks other than interest-rate risk, the market-consistent value of liabilities is determined by discounting estimated future cash flows using prevailing risk-free interest rates. If insurance liabilities include embedded options or guarantees (eg variable annuities or interest sensitive life business), they are valued on a market-consistent basis using stochastic models and other appropriate valuation techniques. Own debt not qualified as SST supplementary capital is valued using risk-free discounting, whereas debt qualified as supplementary capital is fair valued.

Other assets are valued based on market-consistent valuations or using US GAAP valuations where appropriate. Other liabilities mainly consists of securities sold under agreements to repurchase, securities sold short, payables for securities in transit and other creditors. Since other liabilities are not in the focus of re/insurance activities, as a simplification their valuation is aligned with US GAAP. Hence, securities sold short are valued based on market-consistent valuations, other creditors are valued based on the nominal, and lastly securities sold under agreements to repurchase and payables for securities in transit are valued based on amortised cost. Deferred tax assets and liabilities are not valued under SST. The value of a participation is based on its SST net asset value including the market value margin.

The deductions from SST net asset value consist of projected dividends, capital repayments and deferred tax on real estate. No deductions are made for own shares and intangible assets, as these items are not valued in Swiss Re's SST balance sheet.

The supplementary capital consists of additional risk-absorbing capital instruments, such as hybrid debt. The eligibility of debt instruments as supplementary capital is defined in the ISO and subject to FINMA's approval.

SST target capital

The SST target capital represents the capital required to cover the risks assumed by the company. It is based on the company's total risk. In order to derive SST target capital, the total risk is adjusted for various items summarised under other impacts.

- An entity's total risk is measured in terms of 99% shortfall, ie the average unexpected loss at entity level that occurs with a frequency of less than once in 100 years over a one-year time horizon. All losses are a combination of insurance, financial market and credit losses, and accumulation as well as diversification between individual risks is taken into account.
- Other impacts include the minimum cost of holding capital after the one-year SST period until the end of a potential run-off period (market value margin) as required by SST, the impact from business development over the forecasting period, as well as requirements from FINMA that are not included in total risk as they are not consistent with Swiss Re's own risk view.

Market value margin

The SST target capital includes the minimum cost of holding capital after the one-year SST period until the end of a potential run-off period. Known as the MVM at the end of the risk assessment period, this represents the amount required to compensate a third party for the capital costs associated with running-off the insurance and reinsurance portfolio following a shortfall event. For a solo legal entity, only business assumed on the own book (including intra-group transactions) is considered; however, the consolidated view of Swiss Re Group also takes into account the business assumed through all its subsidiaries.

The MVM is calculated using the 99% shortfall on projected insurance and reinsurance exposure from the end of the solvency assessment period onwards, discounted back to the beginning of the period. The sum of the calculated present values is then multiplied by the 6% capital cost rate specified by FINMA.

SST balance sheet

This Report includes a comparison of the SST balance sheet with audited financial statements. The consolidated financial statements of the Group are prepared in accordance with US GAAP. The statutory financial statements of Swiss Reinsurance Company Ltd, Swiss Re Nexus Reinsurance Company Ltd, Swiss Re International SE, Luxembourg, Zurich branch and iptiQ EMEA P&C S.A., Luxembourg, Zurich branch are based on Swiss law.

Valuation and scope differences with audited financial statements

	SST	US GAAP	Statutory
Actuarial assumptions	Best estimate	Non-life business: reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims. Unearned premium reserves are calculated based on a "pro-rata" share of the estimated premium written, taking into account seasonality of risk when necessary Life and health business: assumptions are generally set when the contract is issued or purchased, making allowance for possible adverse deviation (PAD)	Non-life business: reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims. Unearned premium reserves are calculated based on a "pro-rata" share of the estimated premium written, taking into account seasonality of risk when necessary; allowance for equalisation reserves Life and health business: best estimate with additional provisions for possible adverse deviations (PAD)
Liability cash-flows	Discounted using risk-free rates; market-consistent valuation of options and guarantees	Non-life business: generally no discounting Life and health business: generally discounted based on book yields, with a PAD applied; generally no market-consistent valuation of embedded options and guarantees; for some derivative instruments (eg, variable annuities) a full stochastic valuation is carried out	Non-life business: generally no discounting Life and health business: generally discounted at historical yields of assets backing liabilities, with a PAD applied; generally no market-consistent valuation of embedded options and guarantees; for some derivative instruments (eg, variable annuities) a full stochastic valuation is carried out
Capital generation from new business	Recognised upfront for all business	Deferred over time	Deferred over time for positive expectation (unearned premium reserve), immediately for negative expectation
Explicit margin for risk	MVM is part of SST target capital. Valuation of subsidiaries on the balance sheet include MVM	No	No
Investment assets	Market values	Mostly market values, with some exceptions such as real estate investments and real estate for own use which are held at depreciated cost	Fixed income securities and short-term investment at amortised value, shares in investment funds at lower of cost or market value, loans at nominal value
Goodwill and intangibles	Not recognised	Recognised, goodwill subject to impairment test, some intangibles subject to amortisation and some to impairment	Normally no goodwill recognition; intangibles and potential goodwill amortised/depreciated on a straight line basis
Senior debt, subordinated debt and convertible instruments	Valuation at fair value excluding own credit risk, except for supplementary capital instruments which are valued at fair value with no adjustment[1]	Generally valued at amortised cost; for convertible instruments classification depends on the instrument's characteristics. It is either classified as debt at amortised costs or as equity	Generally valued at redemption value; all debt positions recognised as liabilities
Deferred taxes	No	Yes	No
Contract boundaries	Contracts incepted until 31 December 2022 as well as legal entity restructures and selected large transactions as of 1 January 2023	Contracts incepted until 31 December 2022	Contracts incepted until 31 December 2022
Minority interest	SST recognises minority interests in the proportional consolidation of assets and liabilities	Minority interest are recognised as part of the statement of shareholders' equity	No minority interests on standalone financial statement
Sub-consolidation principles for solo view	Some entities are sub-consolidated for SST reporting	Not applicable	No sub-consolidation applied for statutory reporting

[1] For the purpose of the balance sheet comparisons, SST may recognise subordinated debt and convertibles as supplementary capital for solvency assessment upon FINMA approval.

Comparison with audited financial statements

The balance sheet comparisons included in this Report are provided on an aggregated basis, which is explained in the following table (empty cells denote items that are not reflected in the respective view):

Account for comparison	SST accounts (as published)	US GAAP accounts (as published)	Statutory accounts (as published)
Assets:			
Real estate	■ Real estate	■ Investment real estate	
Investments in subsidiaries and affiliated companies	■ Participations		■ Investments in subsidiaries and affiliated companies
Fixed-income securities	■ Fixed-income securities	■ Fixed-income securities available-for-sale ■ Fixed-income securities trading	■ Fixed-income securities
Loans	■ Loans	■ Policy loans, mortgages and other loans[2]	■ Loans
Mortgages	■ Mortgages	■ Policy loans, mortgages and other loans[2]	■ Mortgages
Equity securities	■ Equities	■ At fair value through earnings	■ Equity securities
Other investments	■ Collective investment schemes ■ Alternative investments ■ Structured products ■ Other investments	■ Short-term investments, at fair value ■ Other invested assets	■ Shares in investment funds ■ Short-term investments ■ Alternative investments
Investments for unit-linked and with-profit business	■ Financial investments from unit-linked life insurance	■ Investments for unit-linked and with-profit business	
Cash and cash equivalents	■ Cash and cash equivalents	■ Cash and cash equivalents	■ Cash and cash equivalents
Funds held by ceding companies and other receivables from reinsurance	■ Deposits made under assumed reinsurance contracts ■ Receivables from insurance business	■ Premiums and other receivables ■ Funds held by ceding companies	■ Funds held by ceding companies ■ Premiums and other receivables from reinsurance
Reinsurance recoverable from retrocessions	■ Reinsurers' share of best estimate of provisions for insurance liabilities	■ Reinsurance recoverable on unpaid claims and policy benefits	■ Reinsurance recoverable from unpaid claims ■ Reinsurance recoverable from liabilities life and health ■ Reinsurance recoverable from unearned premiums ■ Reinsurance recoverable from provision for profit commission
Other assets	■ Receivables from derivative financial instruments ■ Other receivables ■ Fixed assets ■ Accrued assets ■ Other assets	■ Accrued investment income ■ Deferred acquisition costs ■ Acquired present value of future profits ■ Goodwill ■ Income taxes recoverable ■ Deferred tax assets ■ Other assets	■ Assets in derivative financial instruments ■ Tangible assets ■ Deferred acquisition costs ■ Intangible assets ■ Other receivables ■ Accrued income ■ Other assets

[2] This information is not disclosed separately under US GAAP. However, for the comparison, loan and mortgage figures are separated in order to align with the granularity of the SST accounts..

Account for comparison	SST accounts (as published)	US GAAP accounts (as published)	Statutory accounts (as published)
Liabilities:			
Reinsurance liabilities before retrocessions	■ Best estimate of provisions for insurance liabilities[3]	■ Unpaid claims and claim adjustment expenses ■ Liabilities for life and health policy benefits ■ Unearned premiums	■ Unpaid claims ■ Liabilities for life and health policy benefits ■ Unearned premiums ■ Provisions for profit commissions ■ Equalisation provision
Unit-linked and with profit liabilities	■ Best estimate of provisions for unit-linked life insurance liabilities[4]	■ Policyholder account balances[5]	
Debt	■ Interest-bearing liabilities ■ Subordinated debts	■ Short-term debt ■ Long-term debt	■ Debt ■ Subordinated liabilities
Funds held under reinsurance treaties	■ Deposits retained on ceded reinsurance	■ Funds held under reinsurance treaties	■ Funds held under reinsurance treaties
Other liabilities	■ Non-technical provisions ■ Liabilities from derivative financial instruments ■ Liabilities from insurance business ■ Accrued liabilities ■ Other liabilities	■ Reinsurance balances payable ■ Income taxes payable ■ Deferred and other non-current tax liabilities ■ Accrued expenses and other liabilities	■ Tax provisions ■ Provision for currency fluctuation ■ Other provisions ■ Liabilities from derivative financial instruments ■ Reinsurance balances payable ■ Accrued expenses ■ Other liabilities

[3] Excluding unit-linked life insurance.
[4] Before and after retrocession for direct insurance and active reinsurance.
[5] Policyholder account balances also includes some non-linked, non-participating universal life type contracts.

Drivers of change in SST net asset value

The change in SST net asset value presented in this Report is attributed to the following drivers:

- Underwriting contribution: consists of new business impacts based on best estimate cash flow projections and risk-free discounting, and impacts on in-force business from experience variances, assumption changes and reserve releases.
- Investment contribution: is derived from mark-to-market return on investments less the minimum risk benchmark return. The latter is the return on the theoretical investment portfolio that would minimise the financial market risk exposure of the entity.
- Market value margin of subsidiaries.
- Other contributions: consists particularly of other assets and liabilities and current taxes.
- Capital movements: consists of dividends paid and capital repatriation.
- Other, such as impact of foreign exchange movements.

The drivers of change in SST net asset value are prepared on a best-effort basis to support the analysis of the SST net asset value. The calculation of the SST net asset value is based on the EVM balance sheet and not the drivers identified above.

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "target", "aim", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend" and similar expressions, or by future or conditional verbs such as "will", "may", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re's (the "Group") actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause the Group to not achieve its published targets. Such factors include, among others:

- macro-economic events or developments including increased volatility of, and/or disruption in, global capital, credit, foreign exchange and other markets and their impact on the respective prices, interest and exchange rates and other benchmarks of such markets, and historically high inflation rates;
- the frequency, severity and development of, and losses associated with, insured claim events, particularly natural catastrophes, man-made disasters, pandemics, including the coronavirus ("COVID-19"), social inflation litigation, acts of terrorism or acts of war, including the ongoing war in Ukraine, and any associated governmental and other measures such as sanctions, expropriations and seizures of assets as well as the economic consequences of the foregoing;
- the Group's ability to comply with standards related to environmental, social and governance ("ESG"), sustainability and corporate social responsibility ("CSR") matters and to fully achieve goals, targets, or ambitions related to such matters;
- the Group's ability to achieve its strategic objectives;
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability, the intensity and frequency of which may also increase as a result of social inflation;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- mortality, morbidity and longevity experience;
- the cyclicality of the reinsurance sector;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the Group's inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group's inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;
- changes in legislation and regulation or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- matters negatively affecting the reputation of the Group, its board of directors or its management;
- the lowering, loss or giving up of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;

- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on the Group's business model;
- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities as well as changes in accounting standards, practices or policies;
- strengthening or weakening of foreign currencies;
- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group's hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-thanexpected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group's subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

These factors are not exhaustive. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

Note on risk factors

The operations, investments and other activities of Swiss Re Ltd ("SRL") and its subsidiaries (collectively, the "Group" or "Swiss Re") are subject to a range of risks that could adversely impact the Group's business, financial condition, results of operations, liquidity and cash flows.

General impact of adverse market conditions
Swiss Re's operations as well as its investment returns are subject to conditions in the financial markets and macroeconomic factors. Financial, credit and foreign exchange markets are experiencing continued periods of volatility reflecting a range of political, geopolitical, economic and other uncertainties, some of the more significant of which are inter-related, including high inflation.
For example, higher replacement costs may lead to higher replacement costs than anticipated following a claim. In Property&Casualty Reinsurance, due to inflation and supply chain issues, costs to rebuild and repair structures have significantly increased and, as a result, there is a risk that Swiss Re's reserves may not be adequate to address such claims in the future.

Further adverse developments or the continuation of adverse trends that, in turn, have a negative impact on financial markets and economic conditions, could limit the Group's ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to the Group and could adversely affect the confidence of the ultimate buyers of insurance and reinsurance.

Any of the foregoing factors, developments and trends could have a material adverse effect on the Group's investment and overall results, make it difficult to determine the value of certain assets in the Group's portfolio, make it more difficult to acquire suitable investments to meet its risk and return criteria and otherwise have a material adverse effect on its business and operations

Impact of the military conflict in Ukraine and other geopolitical developments
The ongoing military conflict in Ukraine, sanctions, and other potential impacts on the global economic environment and currencies may cause demand for the Group's products to be volatile (particularly in Europe), cause abrupt changes in the Group's customers' buying patterns, result in higher than usual insurance claims (including in relation to aviation insurance claims), interrupt the Group's ability to supply products to this region or to fulfil contractual obligations or limit customers' access to financial resources, which may impact such customers' ability to satisfy obligations to the Group. In the event geopolitical tensions fail to abate or deteriorate further, additional sanctions may be enacted, which may adversely impact the global economy and supply chain, banking and monetary systems, markets or customers for Swiss Re's products. This could adversely affect Swiss Re's results or operations.

Sustainability and environmental, social and governance ("ESG") activities and disclosures
Swiss Re's investors, shareholders, business partners, customers and other third parties, including regulators and public authorities, are increasingly focused on environmental, social and governance ("ESG"), sustainability and corporate social responsibility ("CSR") endeavours and reporting. Swiss Re's statutory ESG reporting requirements will be due for the first time in 2024 with respect to the 2023 financial year. In addition, Swiss Re has a Group Sustainability Strategy and a set of policies addressing ESG, sustainability, and CSR and is a founding member of the UN-convened Net-Zero Asset Owner Alliance and the UN-convened Net-Zero Insurance Alliance (together, the "Alliances"). As a founding member of the Alliances, Swiss Re demonstrated its commitment to transition its investment and underwriting portfolios to net-zero greenhouse gas emissions by 2050 and Swiss Re played an instrumental role in the development of the methodology for insurance associated emissions and the development of the target setting protocols, which in turn will be used by members of the Alliances as a basis to set independently sustainability

targets. Net zero means that for every tonne of greenhouse gas emissions that cannot be avoided, an equivalent amount of CO_2 needs to be removed from the atmosphere and stored permanently.

Swiss Re may be subject to greater scrutiny when it comes to its own CSR, ESG and or sustainability endeavours and reporting and commitment to transition its investment and underwriting portfolios to net-zero greenhouse gas emissions by 2050. If Swiss Re does not adapt to or comply with the evolving investor, shareholder, business partner or third party, including regulators and public authorities, expectations and CSR, ESG and/or sustainability recommendations, standards, norms, metrics or regulatory requirements and/or does not meet its CSR, ESG and/or sustainability targets, goals and/or ambitions, Swiss Re can be perceived to have not responded appropriately to CSR, ESG and/or sustainability recommendations, standards, norms, metrics or regulatory requirements. Furthermore, Swiss Re may suffer from reputational damage and/or litigation or regulatory proceedings, which could result in its financial condition, results of operations, business and prospects being materially and adversely affected. In addition, changes and uncertainty in relation to policies or regulations regarding sustainability, ESG or CSR matters as well as the fragmentation of ESG legislation globally, may result in potential litigation, higher regulatory and compliance costs and increased capital expenditures, which could result in Swiss Re's financial condition being materially and adversely affected.

In addition, Swiss Re's investors, shareholders, business partners and third parties look to ESG rating systems, or disclosure frameworks that have been developed by third party groups to allow comparisons between companies on ESG factors as they evaluate investment decisions as well as company disclosures. Swiss Re does not participate in all of the available rating systems, and would not necessarily score well in all of the available ratings systems. Further, the criteria used in these ratings systems change frequently, and Swiss Re cannot guarantee that it will be able to score well as criteria change. Failure to participate in certain third party ratings systems, failure to score well in those ratings systems or failure to provide certain ESG disclosures could result in reputational damage, which could result in Swiss Re's financial condition, results of operations, business and prospects being materially and adversely affected.

Risk of unexpected and unintended issues related to claims and coverage, including social inflation
As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to risk of claims and coverage developing in an adversely different manner than originally anticipated may continue to emerge. Such issues have adversely affected, and may in the future adversely affect, the Group's business by either requiring it to extend coverage beyond its underwriting intent or by increasing the number or size of claims against the Group. For example, the trend of social inflation has increased liability claims against the Group in recent years. There has been an increase in severity of awards and settlements affecting excess and umbrella layers, particular in the US, as well as an increase in commercial automotive and general liability claims. The Group has continued to pro-actively strengthen its reserves and has considered the latest information and outlook related to such claims, including in relation to economic and social inflation when making its reserve decisions. In addition, the Group closely monitors the intersection between social inflation, economic inflation and loss trend and intends to adjust its pricing accordingly. The Group intends to continue to manage its exposure to large corporate risks in line with its cautious view on social inflation. Despite the Group's various measures to address these issues, there remains uncertainty on how these unintended issues related to claims and coverage may impact the Group's business. If the Group's reserving and pricing is not adequate to cover these issues, there could be an additional adverse effect for the Group's business, financial condition or results of operations.

Swiss Re's group structure continues to evolve

In February 2023, Swiss Re announced plans to streamline its organisational structure. The reorganisation, which aims to simplify structures, improve efficiency and client experience, will be effective 3 April 2023, subject to regulatory approval. The current Reinsurance Business Unit will be split into Property&Casualty Reinsurance and Life&Health Reinsurance, with each having full authority over the respective underwriting and claims management processes. Urs Baertschi, currently Chief Executive Officer Reinsurance EMEA, will lead Property&Casualty Reinsurance, while Paul Murray, currently CEO Reinsurance Asia Pacific, will lead Life&Health Reinsurance. Moses Ojeisekhoba, currently CEO Reinsurance, will take over leadership of Global Clients and Solutions. This Business Unit will contain the client management teams servicing Swiss Re's global reinsurance clients, Public Sector Solutions, iptiQ and Reinsurance Solutions. Corporate Solutions continues as a Business Unit under the leadership of Andreas Berger.

The reorganisation may present financial, managerial and operational risks, including an interruption of, or loss of momentum in the activities of one or more of Swiss Re's Business Units. In addition, it is not guaranteed that the reorganisation will simplify Swiss Re's structures, improve efficiency and client experience and the reorganisation process may prove to be more complex, time consuming and require substantially more resources than originally anticipated. Any delays or difficulties encountered in connection with the reorganisation, could result in Swiss Re's financial condition, results of operations, business and prospects being materially and adversely affected.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits; risks that catastrophic events (including natural catastrophes, such as hurricanes, cyclones, tornadoes, windstorms, hail storms, wildfires, floods and earthquakes, as well as extreme space weather events such as solar storms and geomagnetic activity, and man-made disasters, such as acts of terrorism, cyberattacks and other disasters such as explosions, industrial accidents and fires, as well as diseases, pandemics, epidemics and humanitarian crises) are inherently unpredictable in terms of both their frequency and severity and have exposed, and may continue to expose, the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events, such as Hurricane Ian, which made landfall in Florida in September 2022); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues (including, in particular, social inflation); macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks, where accumulation risk is yet to be fully understood, which could have a range of consequences from operational disruption, to loss of proprietary or customer data, to greater regulatory burdens and potential liability); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure, including its information technology networks and systems. Any of the foregoing, as well as the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Financial and capital market risk

Volatility and disruption in the global financial markets could expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a higher interest rate environment is beneficial to the insurance and reinsurance industries, supporting earnings capacity via higher investment income. Additionally, an increase in interest rates results in an increase in the Group's Swiss Solvency Test ratio, while reducing US GAAP shareholders' equity. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

The Group is exposed to changes in the level and volatility of equity prices, as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity contracts, are wholly or partially exposed, directly and/or indirectly, to market fluctuations, including equity prices. To the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has an extensive hedging programme covering its existing variable annuity business, certain risks cannot be hedged, including actuarial, basis and correlation risks. Exposure to foreign exchange risk arises from changes in spot prices, forward prices and volatilities of currency rates.

The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools. These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks, including a possible mismatch between investments and liability benchmarks, that in turn can lead to reinvestment risk.

Legal, regulatory and tax risks

In the ordinary course of business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which determine the Group's rights and obligations under insurance, reinsurance or other contractual agreements. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and the Group may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with ceding companies, disputes with parties to which the Group transfers risk under reinsurance arrangements, disputes with other counterparties or other matters. The Group cannot predict the outcome of any of the foregoing, which could be material for the Group.

In the future, the Group could be involved in investigations and regulatory proceedings, which could result in adverse judgments, settlements, fines and other outcomes. These investigations and proceedings could relate to insurance or reinsurance matters, or could involve broader business conduct rules, including those in respect of market abuse, bribery, money laundering, sanctions, competition law, data protection and privacy or ESG, CSR and/or sustainability issues. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to litigation or enforcement actions arising from potential employee misconduct, including non-compliance with internal policies and procedures, negligence and malfeasance, such as undertaking or facilitating cyber-attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Changes in the legal, regulatory or tax environment
Swiss Re and its subsidiaries operate in a highly regulated environment, which continues to change over time. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve. While some regulation is national in scope, the global nature of the Group's business means that its operations are subject in effect to a patchwork of global, national and regional standards. Swiss Re and its subsidiaries are subject to group supervision and Swiss Re's subsidiaries are also subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, Luxembourg and Singapore. Swiss Re, as well as its Swiss regulated entities, is subject to the Swiss Solvency Test and, through its legal entities and branches organised in the European Economic Area ("EEA"), Solvency II.

While certain regulatory processes are designed in part to foster convergence and achieve recognition of group supervisory schemes, the Group continues to face risks of extraterritorial application of regulations, particularly as to group supervision and group solvency requirements. In addition, regulators in jurisdictions beyond those where the Group has core operations increasingly are playing a far greater oversight role, requiring more localised resources and, despite a predominantly local focus, also raise issues of a cross border nature. Furthermore, evolving regulatory schemes and requirements may be inconsistent or may conflict with each other, thereby subjecting the Group, particularly in light of the increasing focus on legal entities in isolation, to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs.

On the international level, certain large insurance companies were designated as global systemically important insurers ("G-SIIs") and reinsurance companies faced potential designation as G-SIIs. While the Financial Stability Board ("FSB") in consultation with the International Association of Insurance Supervisors ("IAIS") decided to discontinue the annual identification of G-SIIs, the IAIS will assess systemic risks through the holistic framework for systemic risk that entered into force in the beginning of 2020. The framework embraces an enhanced set of policy measures targeted at the exposures and activities that can lead to systemic risks from the insurance sector. The Group cannot predict what additional regulatory changes will be implemented as the IAIS systemic risk process evolves and what any such changes may mean for how the Group is structured in any particular jurisdiction and how aspects of its business may be affected.

Current discussions on domestic systemically important insurers ("D-SIIs") are ongoing in certain jurisdictions.

Large internationally active insurance groups ("IAIGs"), which is a designation compiled by the IAIS as identified by group-wide supervisors, may become subject to a risk-based group-wide global insurance capital standard ("ICS"). ICS Version 2.0 was adopted in November 2019, and is expected to take effect in 2025, following a five-year confidential reporting period during which no supervisory action will be taken on the basis of the monitoring. In November 2019, the IAIS also adopted the Common Framework for the Supervision of Internationally Active Insurance Groups ("ComFrame"), as well as some changes to a number of Insurance Core Principles ("ICPs") – principles and standards on supervision of insurers which apply to insurance companies regardless of size and international exposures. ComFrame strengthens ICP requirements for IAIGs and, *inter alia*, proposes that the group-wide supervisor, in consultation with the host supervisors, should exercise discretion in requiring IAIGs to submit recovery plans. Swiss Re has been classified as an IAIG.

The Group can neither predict which legislative and/or regulatory initiatives will be enacted or promulgated, nor their scope and content, their date of enactment or their implications for the industry, in general, and for the Group, in particular. The Group may be subject to changes in views of its supervisors in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if, for example, it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group's business. Notwithstanding the departure of the United Kingdom from the EU single market and customs union, continued uncertainty regarding the ways in which the future relationship between the United Kingdom and the European Union will evolve could also impact the legislative and/or regulatory regimes to which the Group is subject (including Solvency II), both in the United Kingdom and in the European Union.

Regulatory changes also could occur in areas of broader application, such as competition policy and tax laws. For example, changes in tax laws, or the interpretation of the tax laws or tax regulations in jurisdictions in which the Group does business, or withdrawals of tax rulings in jurisdictions such as Switzerland that have issued such rulings to Swiss Re, could increase the taxes the Group pays, or impact the attractiveness of products offered by the Group, the Group's investment activities or the value of deferred tax assets. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business (including due to increased capital requirements), reduce access to liquidity, limit the scope of current or future business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Risks relating to credit rating downgrades
Ratings are an important factor in establishing the competitive position of re/insurance companies. Third party rating agencies assess and rate the financial strength of re/insurers, such as Swiss Re. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be solicited or unsolicited.

The Group's solicited ratings reflect the current opinion of the rating agencies with whom we maintain an interactive rating relationship for the purpose of solicited ratings. One or more of the Group's ratings could be downgraded or withdrawn in the future, or the Group may decide to give up such rating voluntarily. In addition, unsolicited ratings may also be downgraded or withdrawn, such as the downgrade in April 2020 of unsolicited insurer financial strength and long-term issuer default ratings assigned to various entities within the Group. Rating agencies may, in their sole discretion, increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings and/or the ratings of its legal entities, which it cannot predict. In addition, changes to the process or methodology of issuing ratings, changes in regulation, or the occurrence of events or developments affecting the Group, could adversely affect the Group's existing ratings or make it more difficult for the Group to achieve improved ratings which it would otherwise have expected. In particular, it is possible that the Group's ratings could be negatively affected by a range of current challenges faced by the Group and the industry, such as the challenging market environment, the level of natural catastrophe losses, underwriting performance, changes in senior management, economic trends and financial market performance on the Group. Any of the foregoing, or a combination of the foregoing, could have a negative impact on the Group's business.

As financial strength ratings are a key factor in establishing the competitive position of re/insurers, a decline in ratings of Swiss Re and/or the ratings of its key rated legal entities could make re/insurance provided by the Group less attractive to clients relative to re/insurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase re/insurance only from re/insurers with certain ratings, or whose confidence in the Group is otherwise diminished. Certain larger re/insurance and derivative contracts may contain terms that would allow the ceding companies or counterparties to terminate the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Furthermore, ratings directly impact the availability and terms of unsecured financing (potentially impacting both the Group's ability to rollover existing facilities and/or obtain new facilities) and declines in the Group's ratings or the ratings of legal entities within the Group could also obligate the Group to provide collateral or other guarantees in the course of its business or trigger early termination of funding and/or derivative arrangements. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe.

Coronavirus

The global spread of the coronavirus and the disease it causes ("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. The global economy remains exposed to developments around the coronavirus. New developments, such as new strains of the virus which risk becoming vaccine-resistant, consequences brought by long-COVID 19, or recurring spreads of COVID-19, like the spread of COVID-19 that has taken place in China following the easing of strict lockdown measures in December 2022, could pose threats to the global economy. Nevertheless, the global insurance markets (as measured by premium growth) were less severely impacted by COVID-19 in 2022 than expected, attributed to digitalization, and increased consumers' risk awareness and so on. However, the global insurance industry remains exposed to adverse claims with regards to additional health care costs and higher mortality.

Legal challenges have been brought in a variety of jurisdictions, including, most notably, test cases brought in the United Kingdom by the Financial Conduct Authority, in respect of which the UK Supreme Court largely found on appeal in favour of holders of business interruption policies although certain issues remain to be decided and are pending in the UK courts. In Australia, a test case found largely in favour of insurance companies. Legal actions on a number of pandemic-related claims continue in a number of jurisdictions.

Many pandemic-related developments continue to interact with long-term trends on the insurance industry. It also remains to be seen how public-private partnership initiatives may evolve to address future pandemics.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that its management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements (such as assumptions related to the Group's capital requirements and anticipated liabilities), including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates (and could be adversely affected if premiums turn out to be lower, while claims stay the same). In addition, particularly with respect to catastrophic events, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations (in the case of accounting judgments), and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. Changes in accounting standards could impact future reported results or require restatement of past reported results. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters.

The Group uses non-GAAP financial measures in its external financial reporting. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles and should not be viewed as a substitute for measures prepared in accordance with US GAAP. Moreover, these may be different from, or otherwise inconsistent with, non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

The Group includes in its annual report a separate section in respect of its results, including financial statements, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM section"). Financial information included in the EVM section contains non-GAAP financial measures. The EVM principles differ significantly from US GAAP and, accordingly, the Group's results prepared in accordance with US GAAP will differ from its EVM results, and those differences could be material. The Group's annual EVM results can be more volatile than the US GAAP results because, among others, assets and liabilities are measured on a market consistent basis, profit recognition on new contracts is recognised at inception rather than over the lifetime of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in. The Group's EVM financial statements should not be viewed as a substitute for the Group's US GAAP financial statements.

Credit risk
If the credit markets were to deteriorate, the Group could experience losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. The Group could also face write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could face difficulties in valuing credit-related instruments. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material. The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks
The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include, among other things, payment of its obligations arising in its insurance and reinsurance businesses (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints. In addition, the Group has potential collateral requirements in connection with a number of

reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange rates and credit spreads; or by perceptions among market participants of the extent of the Group's liquidity needs.

Unexpected liquidity needs (including to meet collateral calls) could require the Group to increase levels of indebtedness or to liquidate investments or other assets. Should the Group require liquidity at a time when access to bank funding and the capital markets is limited, it may be unable to secure new sources of funding. The Group's ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations. In addition, the Group's ability to meet liquidity needs through the incurrence of debt may be limited by constraints on the general availability of credit in the case of bank funding, and adverse market conditions, in the case of capital markets debt. Failure to meet covenants in lending arrangements could further constrain access to liquidity. The Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or are otherwise not tradeable. Finally, any adverse ratings action against the Group could trigger a need for further liquidity (for example, by triggering termination provisions or margin calls/collateral delivery requirements in contracts to which Swiss Re is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action. See also "Risks relating to credit rating downgrades."

Counterparty risks

The Group is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Issuers or borrowers whose securities or loans the Group holds, trading counterparties, counterparties under swaps and other derivative contracts, clearing agents, clearing houses and other financial intermediaries may default on their obligations to the Group due to bankruptcy, insolvency, restructuring, regulatory intervention, lack of liquidity, adverse economic conditions, operations failure, fraud or other reasons, which could also have a material adverse effect on the Group. The Group has increased its allocation to higher return-generating strategies, including high-quality corporate debt and some alternative assets, which tend to also be subject to potentially greater counterparty risk than government bonds.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its insurance and reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

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