



Swiss Re
International SE Zürich branch

Predict.
Prepare.
Protect.



**Financial
Review**
2018

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) of the Swiss Re Group (Group) as well as its Swiss-regulated re/insurance entities: Swiss Reinsurance Company Ltd, Swiss Re Corporate Solutions Ltd, Swiss Re Life Capital Reinsurance Ltd and Swiss Re International SE, Luxembourg (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, which is part of the Annual Report available under www.swissre.com/investors/financial_information/. Readers of this Report should in addition 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 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 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 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 do not exist.

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.

Accounting and risk basis

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).

- 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 SST is a projection for the period from 1 January to 31 December 2019 and is based on the economic balance sheet as of 31 December 2018 and adjustments to reflect 1 January 2019 business shifts. Potential SST model or data limitations identified during the SST process are reported to FINMA as part of the SST Report 2019 with an impact assessment whenever possible. Risk figures are reported in US dollars.

The reported solvency information for 2019 is consistent with the information provided in the SST Report 2019 filed with FINMA in April 2019.

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 are audited. Please refer to the audit reports accompanying those financial statements and referred to in this Report.

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Swiss Re International SE

Zurich branch

Management summary

Swiss Re International SE, Luxembourg, Zurich branch (SRI SE Zurich branch), domiciled in Zurich, Switzerland, is a re/insurance entity within the Swiss Re Group. SRI SE Zurich branch engages in Swiss and foreign commercial 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. Information about the solvency position of SRI SE Zurich branches' mother company 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

SRI SE Zurich branch conducts re/insurance business and is committed to delivering 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.

Outlook

In 2018, the commercial insurance market was impacted by large natural-catastrophe events and an exceptionally high severity and frequency of large man-made losses in industrial business lines across all geographies. While rates and terms and conditions have improved, commercial risks, particularly in the large corporate segment, remain inadequately priced and the industry continues to be unprofitable overall. Corporate Solutions expects an accelerated market hardening and a reinforced focus on terms and conditions over the next 12 to 18 months.

Investments

Strategy and priorities

Financial investments are managed in accordance with Swiss Re's asset management policy 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. A cash benchmark is used for the economic surplus.

Outlook

In terms of the investment outlook for 2019, government bond yields are expected to rise from current levels. In particular, the Eurozone growth is set to stay solid and growth improvement is expected in the US, which is supported by expected improvements in US corporate earnings from the tax reform legislation.

Re/insurance and holding company

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

Claims on and obligations towards affiliated companies

CHF thousands	Parent companies 2017	Other Group companies 2017	Parent companies 2018	Other Group companies 2018
Premiums and other receivables from re/insurance	32 004	196	3 868	202
Other receivables	-12	37 143	-28	41 036
Re/insurance balances payable	50 752	48	39 203	-5 169
Other liabilities	43 883	1 026	39 060	4 575

Report of the statutory auditors

PricewaterhouseCoopers Ltd is the auditor of SRI SE Zurich branch. For more information, please see the Report of the statutory auditor.

Performance

CHF millions	Total	
	2017	2018
Premiums written gross	173	173
Premiums written retroceded	-157	-156
Premiums written net	16	17
Change in unearned premiums gross	-19	-8
Change in unearned premiums retroceded	17	7
Premiums earned	14	16
Other re/insurance revenues		
Total revenues from re/insurance business	14	16
Claims paid and claim adjustment expenses gross	-9	-10
Claims paid and claim adjustment expenses retroceded	8	9
Change in unpaid claims gross	-108	-172
Change in unpaid claims retroceded	97	160
Change in unpaid claims for unit-linked life insurance		
Claims incurred	-12	-13
Acquisition and operating costs gross	-55	-47
Acquisition and operating costs retroceded	58	45
Acquisition and operating costs net	3	-2
Other re/insurance expenses	-2	-4
Total expenses from re/insurance business	-11	-19
Investment income	3	3
Investment expenses		
Investment result	3	3
Investment result from unit-linked life insurance		
Other financial income		
Other financial expenses		-1
Operating result	6	-1
Interest expenses on debt and subordinated liabilities		
Other income		
Other expenses		
Extraordinary income and expenses		
Income before income tax expense	6	-1
Income tax expense	-1	
Net income	5	-1

CHF millions	Indirect business																
	Total		Personal accident		Health		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous		
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
Change in unpaid claims for unit-linked life insurance																	
Claims incurred	7	-24															
Acquisition and operating costs gross																	
Acquisition and operating costs retroceded																	
Acquisition and operating costs net																	
Other re/insurance expenses	-2	-4											-2	-4			
Total expenses from re/insurance business	5	-28															

Re/insurance result

Technical result amounted to a loss of CHF –2.9 million in 2018, compared to a gain of CHF 3.4 million in 2017.

Premiums earned increased by CHF 1.2 million to CHF 15.9 million in 2018, mainly due to change in unearned premiums of CHF 1.1 million, resulting from an increase in volume in US business.

Claims incurred increased by CHF –1.4 million to CHF –13.0 million in 2018. The increase was mainly driven by losses from US business.

As for the prior year, SRI SE Zurich branch left the equalisation provision unchanged.

Operating costs decreased by CHF 9.9 million to CHF –30.9 million, mainly due to a change in the cost recharge model resulting in lower recharges from Swiss Re Corporate Solutions.

Investment result

CHF thousands	Income	Value readjustments	Realised gains	2018 total
Investment income				
Fixed-income securities	1 143		34	1 177
Other investments (Short-term investments)	2 085		10	2 095
Investment income	3 228		44	3 272
	Expenses	Value adjustments	Realised losses	2018 total
Investment expenses				
Fixed-income securities			-110	-110
Investment management expenses	-322			-322
Other investments (Short-term investments)			-36	-36
Investment expenses	-322		-146	-468
Investment result	2 906		-102	2 804

CHF thousands	Income	Value readjustments	Realised gains	2017 total
Investment income				
Fixed-income securities	2 409			2 409
Other investments (Short-term investments)	542		10	552
Investment income	2 951		10	2 961
	Expenses	Value adjustments	Realised losses	2017 total
Investment expenses				
Fixed-income securities				
Investment management expenses	- 167			- 167
Other investments (Short-term investments)			-5	-5
Investment expenses	-167		-5	-172
Investment result	2 784		5	2 789

Net investment result remained unchanged at CHF 2.8 million in 2018 compared to the prior year. Investment income increased, mainly due to higher income from short-term investments, which was offset by an increase in investment expenses, due to higher investment management expenses and realised losses from fixed-income securities.

Change in capital and retained earnings

CHF thousands	Current account with branch's head office	Retained earnings brought forward	Net result	Total
Beginning balance 1.1.2017	16 351	-275	-5 853	10 223
Allocation to retained earnings		-5 853	5 853	0
Capital contribution				
Capital withdrawal				
Increase of payables	5 217			5 217
Reversal of FX impact on 2017 capital contribution	-908			-908
Net loss for financial year			5 217	5 217
Net capital and retained earnings 31.12.2017	20 660	-6 128	5 217	19 749
Beginning balance 1.1.2018	20 660	-6 128	5 217	19 749
Allocation to retained earnings		5 217	-5 217	0
Capital contribution	42 000			42 000
Capital withdrawal				
Decrease of payables	-3 044			-3 044
Net income for financial year			-1 194	-1 194
Net capital and retained earnings 31.12.2018	59 616	-911	-1 194	57 511

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 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 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:

$$\begin{aligned} & \text{SST net asset value} \\ & - \text{Deductions} \\ & + \text{Supplementary capital} \\ & = \text{SST risk-bearing capital} \end{aligned}$$

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 marked 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 agreement 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 agreement 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 dividends for the upcoming one-year period 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 requested by the Swiss Solvency Test, 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 with US dollar rates, as most of the long-tail business is written in that currency. 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 Corporate Solutions Ltd, Swiss Re Life Capital Reinsurance Ltd and Swiss Re International SE, 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 (unearned premium reserve)	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 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 cost or lower market value, loans at nominal value
Goodwill and intangibles	Not recognised	Recognised, goodwill subject to impairment test, intangibles subject to amortisation	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 cost 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 2018 as well as business shifts as of 1 January 2019	Contracts incepted until 31 December 2018	Contracts incepted until 31 December 2018
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 comparison, SST may recognise subordinated debt and convertibles as supplementary capital for solvency assessment upon FINMA approval.

Comparison with audited financial statements

The balance sheet comparison included in this Report is 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	<ul style="list-style-type: none"> ▪ Real estate 	<ul style="list-style-type: none"> ▪ Investment real estate 	
Investments in subsidiaries and affiliated companies	<ul style="list-style-type: none"> ▪ Investments in subsidiaries and affiliated companies 		<ul style="list-style-type: none"> ▪ Investments in subsidiaries and affiliated companies
Fixed-income securities	<ul style="list-style-type: none"> ▪ Fixed-income securities 	<ul style="list-style-type: none"> ▪ Available-for-sale, at fair value ▪ Trading 	<ul style="list-style-type: none"> ▪ Fixed-income securities
Loans	<ul style="list-style-type: none"> ▪ Loans 	<ul style="list-style-type: none"> ▪ Policy loans, mortgages and other loans² 	<ul style="list-style-type: none"> ▪ Loans
Mortgages	<ul style="list-style-type: none"> ▪ Mortgages 		<ul style="list-style-type: none"> ▪ Mortgages
Equity securities	<ul style="list-style-type: none"> ▪ Equity securities 	<ul style="list-style-type: none"> ▪ At fair value through earnings 	<ul style="list-style-type: none"> ▪ Equity securities
Other investments	<ul style="list-style-type: none"> ▪ Shares in investment funds ▪ Alternative investments ▪ Other investments 	<ul style="list-style-type: none"> ▪ Short-term investments, at fair value ▪ Other invested assets 	<ul style="list-style-type: none"> ▪ Shares in investment funds ▪ Short-term investments ▪ Alternative investments
Investments for unit-linked and with-profit business	<ul style="list-style-type: none"> ▪ Investments for unit-linked and with-profit business 	<ul style="list-style-type: none"> ▪ Investments for unit-linked and with-profit business 	
Cash and cash equivalents	<ul style="list-style-type: none"> ▪ Cash and cash equivalents 	<ul style="list-style-type: none"> ▪ Cash and cash equivalents 	<ul style="list-style-type: none"> ▪ Cash and cash equivalents
Funds held by ceding companies and other receivables from reinsurance	<ul style="list-style-type: none"> ▪ Funds held by ceding companies and other receivables from reinsurance 	<ul style="list-style-type: none"> ▪ Premiums and other receivables ▪ Funds held by ceding companies 	<ul style="list-style-type: none"> ▪ Funds held by ceding companies ▪ Premiums and other receivables from reinsurance
Other assets	<ul style="list-style-type: none"> ▪ Derivative financial instruments assets ▪ Other receivables ▪ Other assets 	<ul style="list-style-type: none"> ▪ Accrued investment income ▪ Reinsurance recoverable on unpaid claims and policy benefits ▪ Deferred acquisition costs ▪ Acquired present value of future profits ▪ Goodwill ▪ Income taxes recoverable ▪ Deferred tax assets ▪ Other assets 	<ul style="list-style-type: none"> ▪ Assets in derivative financial instruments ▪ Reinsurance recoverable from unpaid claims ▪ Reinsurance recoverable from liabilities life and health ▪ Reinsurance recoverable from unearned premiums ▪ Reinsurance recoverable from provision for profit commissions ▪ Tangible assets ▪ Deferred acquisition costs

- Intangible assets
- Other receivables
- Other assets
- Accrued income

Liabilities:

Reinsurance liabilities	<ul style="list-style-type: none"> ▪ Total best estimate value of insurance liabilities before retrocessions³ ▪ Total retrocessions⁴ 	<ul style="list-style-type: none"> ▪ Unpaid claims and claim adjustment expenses ▪ Liabilities for life and health policy benefits ▪ Unearned premiums 	<ul style="list-style-type: none"> ▪ Unpaid claims ▪ Liabilities for life and health policy benefits ▪ Unearned premiums ▪ Provisions for profit commissions ▪ Equalisation provision
Unit-linked and with profit liabilities	<ul style="list-style-type: none"> ▪ Unit-linked life insurance⁵ 	<ul style="list-style-type: none"> ▪ Policyholder account balances⁶ 	
Debt	<ul style="list-style-type: none"> ▪ Debt 	<ul style="list-style-type: none"> ▪ Short-term debt ▪ Long-term debt 	<ul style="list-style-type: none"> ▪ Debt ▪ Subordinated liabilities
Funds held under reinsurance treaties	<ul style="list-style-type: none"> ▪ Funds held under reinsurance treaties 	<ul style="list-style-type: none"> ▪ Funds held under reinsurance treaties 	<ul style="list-style-type: none"> ▪ Funds held under reinsurance treaties
Other liabilities	<ul style="list-style-type: none"> ▪ Non-technical provisions ▪ Derivative financial instruments liabilities ▪ Reinsurance balances payable ▪ Other liabilities 	<ul style="list-style-type: none"> ▪ Reinsurance balances payable ▪ Income taxes payable ▪ Deferred and other non-current tax liabilities ▪ Accrued expenses and other liabilities 	<ul style="list-style-type: none"> ▪ Tax provisions ▪ Provision for currency fluctuation ▪ Other provisions ▪ Liabilities from derivative financial instruments ▪ Reinsurance balances payable ▪ Other liabilities ▪ Accrued expenses

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.

³ Excluding unit-linked life insurance.

⁴ Excluding unit-linked life insurance.

⁵ Before and after retrocession for direct insurance and active reinsurance.

⁶ 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

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”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase”, “may fluctuate” and similar expressions, or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group’s 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 Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclical nature of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group’s investment assets;
- changes in the Group’s investment result as a result of changes in the Group’s investment policy or the changed composition of the Group’s investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- 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;
- any inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group’s ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, 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 business models;
- failure of the Group’s hedging arrangements to be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re Group companies, and developments adversely affecting the Group’s ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- extraordinary events affecting the Group’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;

- significant investments, acquisitions or dispositions, and any delays, unexpected costs, lower-than-expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cyber security 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

General impact of adverse market conditions

The operations of Swiss Re Ltd (“Swiss Re”) and its subsidiaries (collectively, the “Group”) as well as its investment returns are subject to market volatility and macro-economic factors, which are outside of the Group’s control and are often inter-related. Financial, credit and foreign exchange markets are experiencing continued periods of volatility reflecting a range of political, economic and other uncertainties, some of the more significant of which are inter-related.

These include the planned withdrawal of the United Kingdom from the European Union and significant uncertainty regarding the basis of that withdrawal and the future relationship between the United Kingdom and the European Union; the possible emergence of trade barriers and other protection policies across a range of economies, including a sustained trade war between the United States and China; geopolitical tensions more broadly; a prolonged slowdown in one or more of the principal global economies, particularly in China, and possible recession; continued challenges faced by the Eurozone; the tightening of monetary policy; sustained challenges to multilateral institutions and frameworks; the domestic political situation in the United States, various member states of the European Union and potentially other countries; and heightened scrutiny of technology companies.

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 an adverse effect on the Group’s investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group’s 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.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve. During this period, there has been a noticeable trend to extend the scope of reforms and oversight, which initially targeted banks, beyond such institutions to cover insurance and reinsurance operations.

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, the United Kingdom, Luxembourg and Germany. The Group is subject to the Swiss Solvency Test and, through its legal entities organised in the 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 extra-territorial 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. The effect of these trends could be exacerbated to the extent that the current political environment results in a return to more bilateral, and less harmonised, cross-border regulatory efforts.

While in recent years there has been an evolving focus on classifying certain insurance companies as systemically important, it is unclear whether and, if so, in what form reforms will be enacted. The Group could be designated as a global systemically important financial institution ("SIFI") under the framework for SIFIs developed by the Financial Stability Board, or as a systemically important insurer by the Financial Stability Oversight Council ("FSOC") in the United States. The International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, has published and since refined its methodology for identifying global systemically important insurers ("G-SIIs"). Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, including capital standards (the basic capital requirement for G-SIIs), which would have various implications for the Group, including additional compliance costs, reporting obligations and capital costs (in the form of capital charges or high loss absorption capacity), as well as heightened regulatory scrutiny in various jurisdictions. In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

The Group cannot predict which legislative and/or regulatory initiatives will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. The Group may be subject to changes in views of its regulators 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. Uncertainty regarding the future relationship between the UK and the EU could also impact the legislative and/or regulatory regimes to which the Group is subject, both in the United Kingdom and in the European Union.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. Changes to the US tax regime enacted in early 2018 prompted us to modify our operating model for our US business. 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.

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 low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. 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 they affect the value of equity securities themselves 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 business, are tied to financial market values; 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 that it believes is sufficient, certain risks cannot be hedged, including actuarial, basis and correlation risks. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

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 possible mismatch – that in turn can lead to reinvestment risk. 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.

Credit risk

If the credit markets were again to deteriorate and further asset classes were to be impacted, 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. If the credit markets were to deteriorate again, 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 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 incur indebtedness or liquidate investments or other assets. The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, 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 otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral-posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks

The Group is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Securities trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could have a material adverse effect on the Group.

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.

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. 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 revised downward or revoked at the sole discretion of the rating agencies.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of its ratings could be downgraded or withdrawn in the future, and market conditions could increase the risk of downgrade. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could make it more difficult for the Group to achieve improved ratings which it would otherwise have expected.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its business or trigger early termination of funding arrangements, potentially resulting in a need for additional liquidity. 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. These same factors could also impact the Group's insurance business.

Legal and regulatory 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 rights and obligations under insurance, reinsurance and 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.

The Group is also involved, from time to time, in investigations and regulatory proceedings, which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. 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 risks arising from potential employee misconduct, including non-compliance with internal policies and procedures 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.

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 hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); 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); cyclicity of the industry; risks related to emerging claims and coverage issues; macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks, 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.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, including 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, 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. In addition, particularly with respect to large natural catastrophes, 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, 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, including in this report. 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 substitutes 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 section in respect of its results, including financial statements, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM report"). Financial information included in the EVM report 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 other things, assets and liabilities are measured on a market-consistent basis, profit recognition on new contracts is recognised at inception rather than over the life time 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.

Risks related to the Swiss Re corporate structure

Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries. The Group expects that, over time, its structure will continue to evolve. In the future it may, for example, elect again (having accepted an equity investment within its Life Capital Business Unit from a third party) to partner with minority investors in or within one or more of the Group's Business Units or sub-groups within its Business Units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such Business Unit or sub-group, or may elect otherwise to dispose of interests in Group businesses or portions thereof, or to grow through acquisitions. To the extent it undertakes acquisitions, it is subject to the risks inherent in acquiring and integrating new operations.

Swiss Re Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com