

Deutsche Rückversicherung Switzerland Ltd

2022

ANNUAL REPORT



Deutsche Rückversicherung Switzerland Ltd

REPORT ON THE 22ND FINANCIAL YEAR

The invaluable alternative. Based in Zurich, Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a company within the Deutsche Rück Group. Deutsche Rückversicherung AG in Düsseldorf is the main shareholder in DR Swiss, with a holding of 71.25 %. VHV Holding AG in Hanover owns 23.75 % and Oberösterreichische Versicherung AG in Linz holds 5 % of the share capital. A valuable alternative on the market, DR Swiss offers its client partners stable and lasting reinsurance cover. With tailor-made solutions and a high level of flexibility, DR Swiss meets clients' specific needs through its highly experienced team and its profound, long-standing knowledge of the market.

DR Swiss Key Figures

in CHF thousand	2022	2021	Change in %
Gross premiums written	343,137	316,710	+8.3
Net premiums earned	337,079	310,764	+8.5
Net investment income	-1,072	24,501	-104.4
Acquisition and operating expenses for own account	7,622	6,785	+12.3
Result after tax	6,871	6,502	+5.7
Financial investments incl. cash deposits	939,961	991,847	-5.2
Gross technical provisions	640,278	656,279	-2.4
Net technical provisions	634,978	653,796	-2.9
Shareholders' equity incl. subordinated liabilities	258,992	260,552	-0.6
Loss ratio in % of net premiums earned	72.8	81.5	-10.7
Administrative expense ratio incl. amortisation in % of net premiums earned	2.3	2.4	-4.2
Employee headcount	30	26	

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Our Philosophy

CONTINUITY

- Reliable and long-lasting partnership approach
- Close cooperation leading to sustainable success for both parties

COMPETENCE

- Credible team with a high level of technical expertise and many years of professional experience
- Profound market knowledge

CONSISTENCY

- Reinsurance arrangements according to specific customer needs
- Strong financial security (“A+” rating from Standard & Poor’s; stable group of shareholders)

CLIENT FOCUS

- Tailor-made solutions with great flexibility
- Excellent administration, fast service and prompt claims payment
- Direct negotiations with the decision-makers

DR Swiss Organisation

BOARD OF DIRECTORS

Prof. Frank Walthes, Chairman
Peter Rainer, Deputy Chairman
Dr Chérif Chentir
Dr Andreas Jahn
Dr Alena Kouba
Othmar Nagl (until 31 December 2022)
Ulrich-Bernd Wolff von der Sahl

SHAREHOLDERS

71.25 % Deutsche Rückversicherung AG, Düsseldorf
23.75 % VHV Holding AG, Hanover
5.00 % Oberösterreichische Versicherung AG, Linz

STATUTORY AUDITOR

PricewaterhouseCoopers AG, Zurich

EXECUTIVE MANAGEMENT

Frank Schaar (Managing Director)
Achim Bosch

SENIOR MANAGEMENT

Andreas Aemisegger
Pietro Lodigiani
Heinz Lussi (until 31 December 2022)
Peter Lusti
Urs Meier
Dr Mirjam Meyer (from 17 November 2022)
Dr Stefan Ostermeier
Juan Serra
Frank Versluis
Dr Edward Vliegen

RATING

A+, Standard & Poor's

Management Report

GENERAL BUSINESS PERFORMANCE

Gross premiums written grew by 8.3 % to CHF 343.1 million in the 2022 financial year, compared with CHF 316.7 million in the previous year. This increase in premiums was primarily due to strong growth in market business and to reinstatement premiums in continuity business.

In original currency, i.e. at constant exchange rates, premiums would have risen by 15.8 %. The mean exchange rate of the euro against the Swiss franc, which is authoritative for determining liquid items, rose by 7.6 % compared to the previous year. The euro exchange rate at the end of the year, which is used to calculate provisions, was up 4.9 %.

Premiums earned for own account increased by 8.5 % to CHF 337.1 million (previous year CHF 310.8 million).

Retrocession premiums rose by 21.4 % to CHF 2.7 million (previous year CHF 2.3 million) as a result of the growth of the protected portfolio and the increase of the liability limit under the “NatCat-XL” retrocession programme.

Original claims expenditure fell by 14.2 % year on year in gross terms to CHF 229.4 million (previous year CHF 267.5 million) and by 14.7 % in net terms to CHF 226.1 million (previous year CHF 265.0 million). This resulted in a loss ratio of 67.1 % (previous year 85.3 %).

Net claims paid amounted to CHF 233.3 million and were thus up 2.3 % compared with the previous year's figure of CHF 227.9 million.

Western European insurance markets were affected by several loss events due to windstorms and hail in 2022. A series of storms in the second half of February led to claims expenditure of CHF 14.6 million in gross terms and CHF 13.3 million in net terms, after retrocession, for DR Swiss. This mainly related to Germany, the Benelux countries, France and the UK. In May and June 2022 there was a series of three hail events in France. The two smaller events cost CHF 0.6 million and CHF 0.8 million, respectively, while the event that caused the most damage, on 18 June 2022, resulted in losses of around CHF 4.9 million for DR Swiss.

Total costs (excluding own administrative expenses) rose by 12.4 % in both gross and net terms to CHF 73.6 million (previous year CHF 65.4 million). The expense ratio thus rose to 21.8 % of premiums earned for own account (previous year 21.1 %). External costs paid (i.e. commissions and profit shares paid without any change in provisions for profit shares) increased to CHF 74.4 million (previous year CHF 66.1 million).

Administrative expenses for 2022 totalled CHF 7.6 million, a year-on-year increase of 12.3 %, which was due to a rise in the employee headcount. CHF 6.6 million of this sum related to personnel expenses.

In total, the net technical profit before own administrative expenses came up to CHF 18.1 million or 5.4 % of premiums earned for own account. The previous year's technical loss had amounted to CHF 8.1 million or 2.6 %.

The economic recovery following the pandemic came to an abrupt end in the last financial year. Gaps still exist in production and supply chains and have been reduced only slowly. The war of aggression launched by Russia against Ukraine in February caused the next shock, leading to massive energy price rises, which further fuelled inflation. This situation prompted central banks to begin raising interest rates. China has now abandoned its "zero-COVID strategy" and millions of Chinese people are infected. The COVID-19 variants in circulation there are assumed to be similar to those in Europe and the USA. The gradual lifting of safeguards in China should boost economic growth.

The US central bank has raised interest rates at considerable pace. While the three-month money market rates for USD stood at around 0.2 % at the beginning of the year, by the end of 2022 they were at about 4.75 %. The European Central Bank took a slightly more moderate approach, raising these rates from around -0.55 % to about 2.15 %. 10-year USD interest rates rose by 2.2 % to 3.8 %, while the equivalent EUR rates increased by 270 basis points to 3.2 %. The 10-year CHF swap rate was up 2 percentage points at 2.1 %.

Prices on the main stock markets fell sharply, with indices such as the SPI, DAX and S&P 500 losing up to 25 % by October. A countermovement finally began in November, which mitigated the losses slightly.

Gold, which provides protection against crises and inflation, remained very stable despite considerable volatility. At the end of the year, the price (in USD) was at about the same level as a year earlier. Energy prices soared as a result of the war in Europe. While the price of a barrel of crude oil temporarily climbed around 50 % to over USD 120, gas prices multiplied. These two energy prices ended the year at almost the same level as at the beginning, probably due to intensive searches for alternative energy sources. The euro lost almost 8 % against the Swiss franc at its lowest point, while the US dollar gained more than 10 %. As the countermovement began on capital markets, currency distortions returned to normal from November onwards. The euro was down only about 4.6 % by the end of the year, while the rebound of the US dollar was reduced to 1.2 %.

Investment income came to CHF -13.3 million, which was not only below the previous year's figure of CHF 24.5 million, but also significantly lower than the target. This result includes a charge of CHF 3.9 million due to the switching of two asset classes (active equity funds and bond funds) to the lower of cost or market valuation method, as well as the allocation of own asset management costs of CHF 0.6 million to investment income for the first time. Our fund segments in the areas of real estate in CHF, bonds and equities developed negatively. The Other Investments portfolio once again generated income. The private equity investment portfolio, which is also still fairly new, delivered a return, with price gains of around CHF 3.5 million.

Net income for the year after tax amounted to CHF 6.9 million in 2022, an improvement on the previous year's figure of CHF 6.5 million. This will enable us to pay an appropriate dividend.

ASSETS

Due to the strength of the Swiss franc and the turbulence on financial markets, which was mainly the result of the war in Ukraine and high inflation, the value of our investments – at their carrying amounts – fell by around CHF 48.6 million to CHF 882.9 million over the course of the year, despite significant cash inflows from underwriting. Liquidity also fell slightly by CHF 3.2 million to CHF 57.1 million. We reduced our direct holdings of fixed-interest securities slightly. In bond funds, we reduced our high-yield investment. The share of equities in the portfolio fell, partly owing to disposals. This segment has increased in value considerably as a result of capital calls in the area of infrastructure energy. We further expanded our investments in private equity as planned. Other investments were considerably lower at the end of the year, due to repayments.

ANNUAL AVERAGE NUMBER OF FULL-TIME EQUIVALENTS

The average number of full-time equivalents at DR Swiss in 2022 was 23.0.

RATING: A+

The rating agency Standard & Poor's once again confirmed its rating of "A+" and maintained its outlook of "stable" for the Deutsche Rück Group and thus for DR Swiss as well. According to the report by Standard & Poor's, the Deutsche Rück Group has a solid, sustainable capitalisation at "AAA" level, a strong competitive position and secure earnings. This is supported by risk-commensurate underwriting and an effective retrocession structure.

SUSTAINABLE INVESTMENT

At DR Swiss, we are aware of our responsibility to the environment and society and integrate sustainability criteria into our investment processes. That is why, as part of the Deutsche Rück Group, we signed up to the investors' initiative PRI (Principles for Responsible Investment) on 17 September 2019. PRI is a globally recognised financial initiative for responsible investment created as a spin-off from the UN partner organisations Global Compact and UNEPFI. The objective of the principles is to facilitate a better understanding of the impact that investment decisions have on environmental aspects, social issues and factors relating to good corporate governance.

EVENTS AFTER THE BALANCE SHEET DATE

At the present time and taking into account current business performance, there are no discernible developments that could have a significant and lasting negative impact on DR Swiss' assets, financial position or earnings.

RISK ASSESSMENT

Risk management: Strategic framework

The risk strategy, which is derived from the business strategy, defines the risks that must be accepted in the course of normal business activities and documents the level of risk tolerance stipulated by the Board of Directors and reviewed annually. This is based on the company's risk-bearing resources and on basic strategic considerations.

The Board of Directors and first-tier management are included on an ongoing basis in regular discussions of strategic risks.

Identification of risks and risk management organisation

All risks affecting DR Swiss are categorised in a risk map. Responsibility for each identified risk is clearly defined. Identified risks with regard to currentness, completeness and relevance are evaluated once a year in a controlled process.

Measurement and evaluation of risks

The annual assessment is recorded in a report and the results are presented to the Board of Directors. As well as key risk indicators at the level of the company as a whole, material risks relating to underwriting and investment are managed through additional processes. Investment risk monitoring is essentially based on regular meetings of the investment committee and related reporting. Ad hoc reporting is carried out for extraordinary developments relating to major and accumulated losses in the property insurance divisions. Major losses above the reporting threshold of EUR 250,000 are also consolidated and reported to the Board of Directors.

Investment strategy

The strategic asset allocation is determined as part of an annual process involving the investment committee and the Board of Directors.

Risk control functions within the risk management process

The Board of Directors' responsibility for the organisation of the company, strategic management, supervision of the executive management and the organisation of accounting and financial control as established in section 716a of the Swiss Code of Obligations (Obligationenrecht, CO) means that the Board of Directors bears overall responsibility for dealing with risks affecting the company. The Board of Directors receives regular updates regarding developments in the risk strategy, which is to be defined annually.

Significant risks

Risks can in principle arise in all areas, functions and processes. We structure risks in accordance with three different risk categories:

1. Reinsurance risks
2. Investment and credit risks
3. Operational risks

1. Reinsurance risks

The premium/claims risk is the risk that costs or benefits due could turn out to be higher than was assumed when the premiums were calculated.

The reserve risk describes the risk that emerges when the provision for outstanding claims is not adequate, as losses incurred are not yet known or insufficient reserves have been set up to cover known losses. Reserves may have been calculated with insufficient allowance or no allowance at all for extraordinary events resulting in exceptionally high loss frequencies or amounts.

Natural hazard/accumulation risks, such as windstorms, floods, earthquakes or hail, pose the biggest risks to DR Swiss. Risk exposure in this area is therefore actively managed as part of the underwriting process.

Tools for limiting risks

DR Swiss uses various tools to control and limit risks in reinsurance. The most important tools are outlined below.

Underwriting guidelines and limits: Underwriting guidelines set out detailed rules on which reinsurance treaties can be underwritten and up to what amount. The underwriting guidelines also stipulate that the double-checking principle must be applied throughout. Limits of indemnity are also specified and monitored regularly. Moreover, ongoing profitability measurements and accumulation checks ensure that risks remain manageable.

Retrocession cover: DR Swiss has protected itself since 2020 with cover for market business that is exposed to NatCat risks.

Monitoring technical provisions: Provisions for uncertain liabilities stemming from obligations assumed are regularly checked by the responsible actuary using recognised and established actuarial methods. The run-off is monitored on an ongoing basis.

2. Investment and credit risks

Investment activities give rise to the following investment and credit risks:

Market price risks: These can arise from potential losses due to unfavourable changes in market prices, particularly on the equity, real estate and interest rate markets. In economic terms, changes in interest rates affect not only the assets side but also the liabilities side of the balance sheet. Any mismatch between the maturity structures of assets and liabilities gives rise to an economic risk.

Credit and creditworthiness risks: The value of existing receivables may go down as a result of changes in the assessment of the creditworthiness of issuers or contractual partners.

Liquidity risks: Untimely inflows and outflows of liquidity may make unscheduled disposals of investments necessary. Depending on how tradable the various investments are, this can lead to opportunity costs of varying magnitude and/or to losses, due to reductions in price.

Currency risks: Changes in exchange rates may lead to losses due to a mismatch between investments and technical obligations with respect to underwriting. Even if an investment strategy based on matching maturities is followed, risks may still exist as a result of misjudgements with regard to the level of claims provisions.

Tools for controlling and monitoring investment and credit risks

Our investment management is based on the principles of adequate profitability combined with a high level of security. Along with the necessary distribution of risk, adequate liquidity of investments must be maintained at all times. These principles are monitored by means of ongoing reporting with regular valuation of portfolios. Our portfolio manager works in accordance with investment guidelines that are regularly reviewed and adjusted to the changing environment.

Stress tests and value-at-risk analyses for assessing market risks

We measure market price risks for portfolios of fixed-income securities and equities using stress tests that simulate the effects of unexpected fluctuations in the market. As well as stress tests that are prescribed by the regulator, DR Swiss analyses historic events and maps their development on its current investment portfolio. In addition, market risks for all assets and all liabilities that are subject to market risks are assessed and managed by means of value-at-risk analyses based on an economic scenario generator.

Minimum rating for the containment of credit risks

For fixed-income investments, the company carries out a credit assessment of the issuers/issues – based on ratings from recognised rating agencies, for example – and its own additional assessment of their creditworthiness. If no external rating information is available, the company calculates its own internal rating based on suitable documents.

The minimum limit for new direct investments is generally a rating of “BBB–”. Issuer risks are also widely spread. At the same time, we take into account upper limits for each issuer, which we monitor and adjust on an ongoing basis.

Liquidity planning

We counter risks arising from unforeseeable liquidity requirements by ensuring a balanced maturity structure for our investments. Anticipated inflows and outflows of liquidity are reflected in ongoing investment planning.

Investment policy

Falling interest rates lead to increases in the market value of fixed-income securities, while rising interest rates lead to a decline in their market value. The high proportion of fixed-income securities in its portfolio means that DR Swiss is in principle exposed to this risk. By adjusting the management of investment maturities to liabilities, we can hold securities until they mature and thereby avoid balance sheet losses.

Foreign currency items on the liabilities side are matched on the assets side of the balance sheet.

3. Operational risks

Operational risks are risks in business systems or processes that are caused by human conduct or technical failure or that are due to external influences. Compliance risks are risks resulting from non-compliance with contractual agreements or general legal conditions.

Instruments for controlling operational risks

Operational risks are controlled and managed using an internal control system and through specific reports that form part of the overall risk report. Internal Auditing carries out independent investigations to supplement internal risk analyses of the organisation and processes.

IT security concepts and emergency plans

Employees responsible for security in data processing ensure that a comprehensive security concept is in place. Modern hardware and software helps to ensure the availability and integrity of all systems and programs. Regular checks on network security, constant refinement of the security concept and emergency plans ensure data security and make sure that the systems used are available at all times. A crisis communications concept ensures efficient communication in an emergency.

OPPORTUNITIES REPORT

As a subsidiary of Deutsche Rückversicherung AG and an independent company within the Deutsche Rück Group, we are an invaluable alternative on the market and offer our client partners stable and lasting reinsurance cover. This means that opportunities and risks for our business are correspondingly diverse. In the section “Outlook for 2023”, we provide an assessment of opportunities and a forecast for the development of our business, based on realistic assumptions about general conditions.

Developments on financial markets and hedge transactions in conjunction with natural catastrophes remain fraught with uncertainty.

OUTLOOK FOR 2023

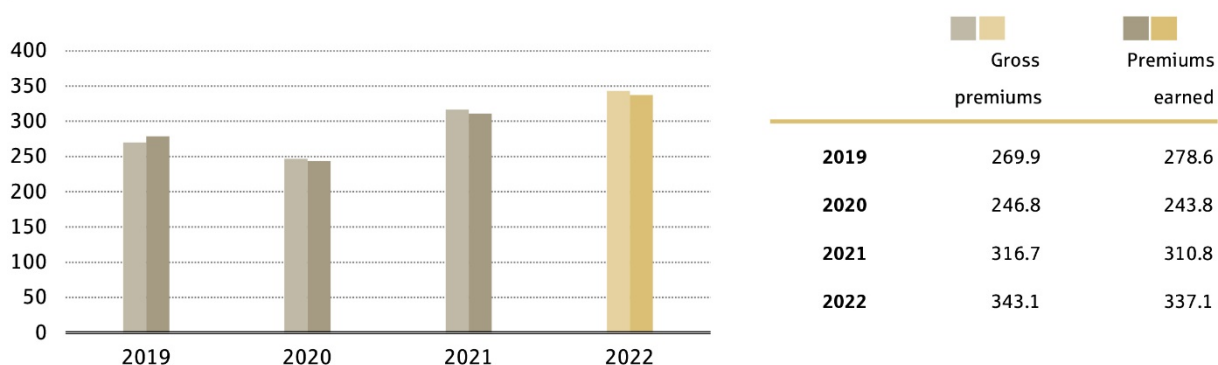
The monetary environment is likely to remain restrictive for a while, until the US central bank is certain that it has inflation under control. Inflation could fall as early as the beginning of the second quarter due to the base effect. However, it is important that the Fed does not lower interest rates too early, to prevent second-round effects. The balancing act required of the European Central Bank is incomparably more difficult. The ECB must combat inflation with higher interest rates, but must not raise interest rates too sharply, to avoid getting highly indebted countries into difficulties.

Following corrections to interest rates and equities, general levels are still not very attractive, but are considerably more interesting than 12 months ago. As negative interest rates are no longer an issue, investments in bonds with longer maturities are definitely an alternative once again. The geopolitical situation in Europe, particularly the war between Russia and Ukraine, will hopefully stabilise as quickly as possible.

Multi-Year Financial Summary

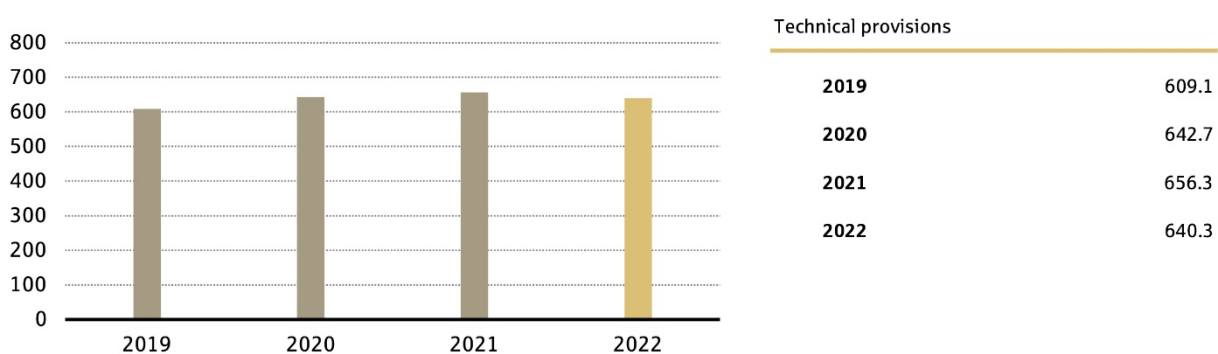
PREMIUMS

in CHF million



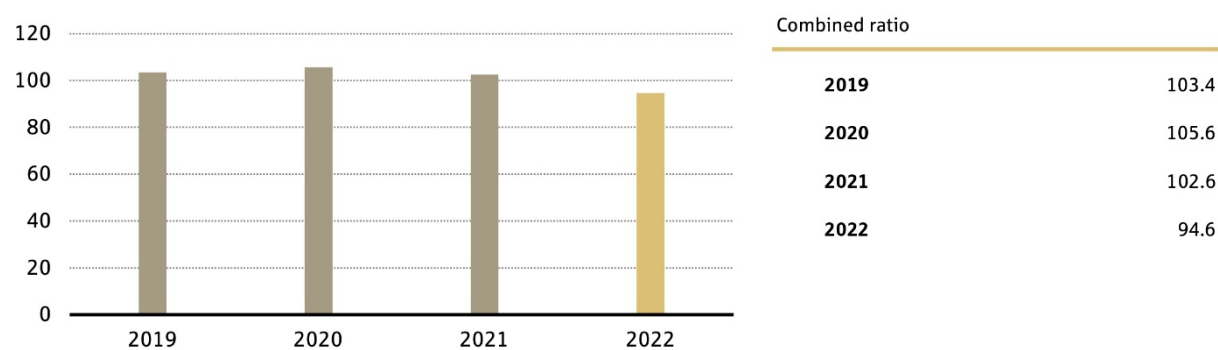
GROSS TECHNICAL PROVISIONS

in CHF million

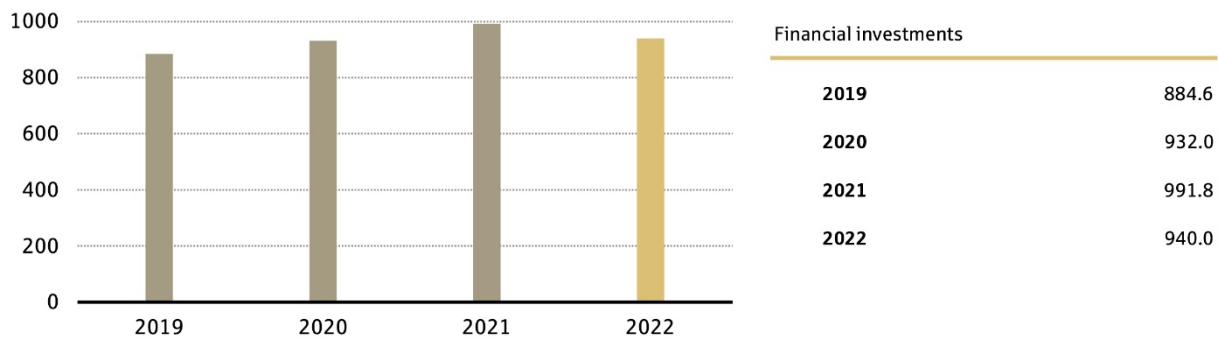


COMBINED RATIO (ON EARNED PREMIUMS)

in %, excl. own administrative expenses



FINANCIAL INVESTMENTS INCL. CASH DEPOSITS in CHF million

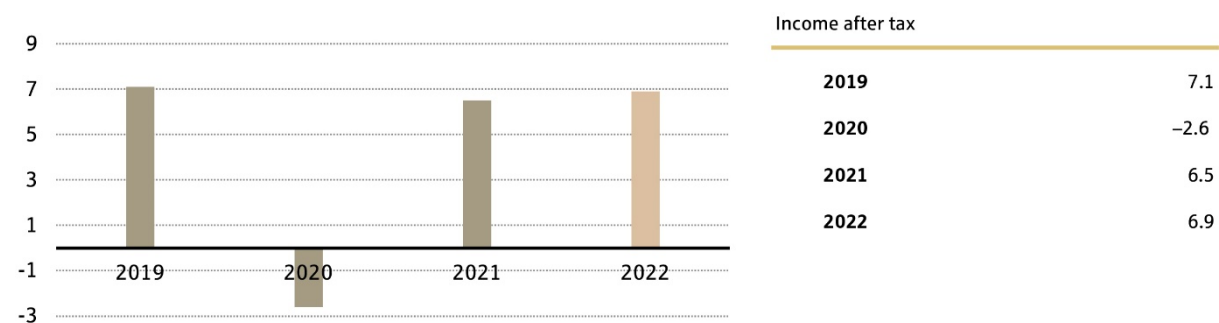


ASSET ALLOCATION AS AT 31 DECEMBER 2022 in %



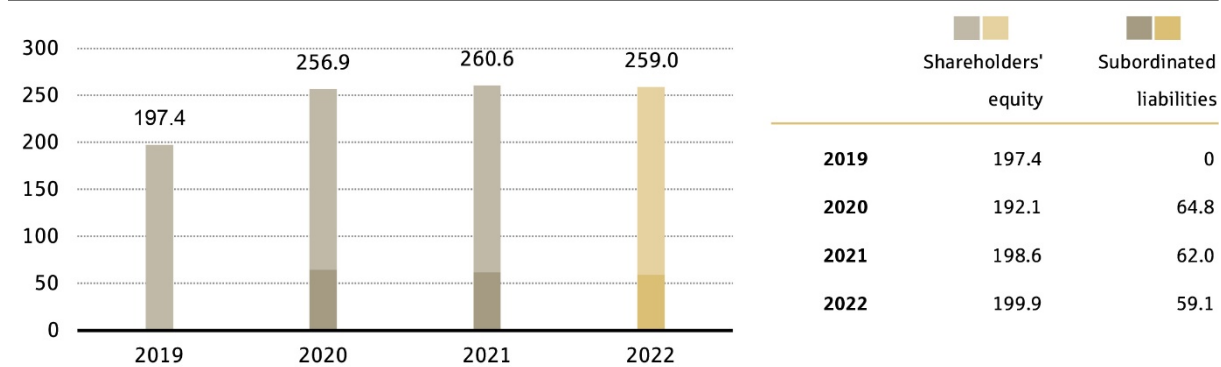
INCOME AFTER TAX

in CHF million



SHAREHOLDERS' EQUITY INCL. SUBORDINATED LIABILITIES

in CHF million



Annual Financial Statements

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Balance Sheet as at 31 December 2022

ASSETS		
in CHF thousand	2022	2021
Investments	882,876	931,542
Fixed-income securities	604,626	625,543
Other investments	278,250	305,999
Real estate funds	66,346	71,230
Equity funds	44,356	65,717
Commodities funds	11,107	16,079
Infrastructure energy funds	52,365	34,100
Private equity	50,049	42,581
Sundry investments	54,027	76,292
Deposits from reinsurance assumed	32,134	30,570
Cash and cash equivalents	57,085	60,305
Share in technical provisions from reinsurance	5,300	2,483
Retroceded reserves for outstanding claims	5,300	2,483
Other assets	403	508
Intangible assets	26	26
Reinsurance receivables	21,829	12,218
Receivables from shareholders	291	292
Receivables from third parties	21,538	11,926
Other receivables	494	207
Accrued income and prepaid expenses	5,130	2,552
Total ASSETS	1,005,277	1,040,411

LIABILITIES AND SHAREHOLDERS' EQUITY		
in CHF thousand	2022	2021
Gross technical provisions	640,278	656,279
Gross unearned premiums	13,738	10,704
Gross reserves for outstanding claims	580,330	597,568
Gross provisions for profit commissions	46,210	48,007
Non-technical provisions	3,659	13,750
Fluctuation reserves for financial investments	250	12,500
Provisions for currency fluctuations	3,409	1,250
Payables to insurance and reinsurance companies	100,696	108,167
Payables to shareholders	6,209	8,694
Payables to third parties	94,487	99,473
Other liabilities	318	400
Accrued expenses and deferred income	1,334	1,263
Subordinated liabilities	59,082	61,986
Total liabilities	805,367	841,845
Share capital	157,900	157,900
Legal capital reserves	11,203	11,203
Legal retained earnings	22,658	21,358
Voluntary profit reserves	1,223	1,223
Profit carried forward from previous year	55	380
Net income for the year	6,871	6,502
Total shareholders' equity	199,910	198,566
Total LIABILITIES AND SHAREHOLDERS' EQUITY	1,005,277	1,040,411

Income Statement

For the period 1 January to 31 December 2022

TECHNICAL ACCOUNT		
in CHF thousand	2022	2021
Gross premiums written	343,137	316,710
Reinsurers' share of gross premiums written	-2,743	-2,259
Premiums for own account	340,394	314,451
Change in unearned premiums	-3,315	-3,687
Reinsurers' share of change in unearned premiums	0	0
Premiums earned for own account	337,079	310,764
Other income from insurance business	65	190
Total income from underwriting business	337,144	310,954
Gross payments for insurance claims	-233,270	-227,939
Reinsurers' share of payments for insurance claims	0	0
Change in technical provisions	-15,098	-27,949
Reinsurers' share of change in technical provisions	2,933	2,483
Claims incurred for own account	-245,435	-253,405
Acquisition and operating expenses	-7,418	-6,565
Depreciation of tangible assets	-204	-220
Reinsurers' share of acquisition and operating expenses	0	0
Acquisition and operating expenses for own account	-7,622	-6,785
Commissions and profit shares paid	-74,398	-66,071
Reinsurers' share of commissions and profit shares paid	0	0
Change in provisions for contractual surplus participations	842	655
Other technical expenses for own account	-73,556	-65,416
Total expenses from underwriting business	-326,613	-325,606
Underwriting result	10,531	-14,652

NON-TECHNICAL ACCOUNT		
in CHF thousand	2022	2021
Underwriting result (carried forward)	10,531	-14,652
Current income	19,695	14,840
Price gains on investments	1,934	13,955
Realised gains on investments	1,335	1,393
Unrealised gains on investments	599	12,562
Reversals of impairments on fixed-income securities	274	269
Investment income	21,903	29,064
Investment administration	-1,097	-1,056
Price losses on investments	-33,937	-3,284
Realised losses on investments	-2,663	-460
Unrealised losses on investments	-31,274	-2,824
Impairments on fixed-income securities	-191	-223
Fluctuation reserves for financial investments	12,250	0
Expenses for investments	-22,975	-4,563
Investment income	-1,072	24,501
Income from differences in exchange rates	0	518
Other financial income	0	518
Interest expense on subordinated liabilities	-1,492	-1,606
Expense from differences in exchange rates	-2,473	0
Other financial expenses	-3,965	-1,606
Profit/loss before taxes	5,494	8,761
Direct taxes	1,377	-2,259
Profit/loss	6,871	6,502

Cash Flow Statement

CASH FLOW STATEMENT		
in CHF thousand	2022	2021
Cash flow from operating activities		
Net income for the year	6,871	6,502
Change in reserves for unearned premiums	3,315	3,687
Change in gross reserves for outstanding claims	15,098	27,949
Change in retroceded reserves for outstanding claims	-2,934	-2,483
Change in provisions for profit commissions	-842	-655
Change in fluctuation reserves for financial investments	-12,250	0
Change in provisions for currency fluctuations	2,159	250
Realised gains/losses on sale of investments	3,143	-1,470
Depreciation and amortisation	204	220
Change in funds held with reinsured companies/reinsurance liabilities	-3,773	7,204
Change in other assets and liabilities	-16,851	41,385
Other non-cash expenses and income	-30,479	-17,507
Total cash flow from operating activities	-36,339	65,082
Cash flow from investing activities (net change)		
Fixed-income securities	-2,557	-34,552
Real estate funds	9,693	-12,401
Equity funds	29,317	-4,290
Commodities funds	5,062	1,390
Infrastructure energy funds	-16,626	-67
Private equity	-8,118	-7,554
Sundry investments	20,850	-9,456
Increase/decrease in tangible and intangible assets	-99	-283
Total cash flow from investing activities	37,522	-67,213
Cash flow from financing activities		
Interest-bearing liabilities	1,124	99
Payments of dividends	-5,527	0
Total cash flow from financing activities	-4,403	99
Total cash inflow/outflow	-3,220	-2,032
Cash and cash equivalents at start of period	60,305	62,337
Cash and cash equivalents at end of period	57,085	60,305
Cash inflow/outflow	-3,220	-2,032

Notes to the Financial Statements

PRINCIPLES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

General

Deutsche Rückversicherung Switzerland Ltd (DR Swiss) is a public limited company established in accordance with the Swiss Code of Obligations, with its registered office in Zurich, Switzerland.

On average, during the year the number of full-time equivalent employees at DR Swiss did not exceed 50.

The 2022 annual financial statements have been prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). The balance sheet and income statement comply with the classification rules prescribed by the FINMA (Swiss Financial Market Supervisory Authority) Insurance Supervision Ordinance (AVO-FINMA).

The accounting requires the Board of Directors to make estimates and assessments that could affect the value of the reported assets and liabilities as well as contingent liabilities at the time of preparing the accounts, and which may also have an effect on expenses and earnings for the reporting period. The Board of Directors is free to decide at its own discretion the extent to which it will make use of existing options permitted by law in its accounting and valuation policies. Within the scope permitted by the principle of prudence, depreciation, amortisation, write-downs and provisions may be recognised above and beyond the extent required for financial and accounting purposes, if this serves the well-being of the company.

Accounting and valuation policies

Direct bond investments are valued at acquisition cost on the balance sheet date, using the effective interest method.

Real estate funds in foreign currencies, infrastructure energy funds, illiquid bond funds, other investments and private equity are recognised at the lower of cost or market as at the balance sheet date. One exception is funds (bonds and real estate funds in CHF) that are valued at market value.

Intangible and tangible assets are valued at purchase cost less scheduled amortisation and depreciation.

Receivables are recognised in the balance sheet at their nominal amount. If necessary, the risk of payment default is accounted for by means of specific provisions.

Original unearned premiums and original reserves for outstanding claims are recognised in the balance sheet in accordance with the disclosures of the ceding companies. Actuarial estimates are made for the statements of account not yet received from ceding companies as at the balance sheet date.

Liabilities are included in the balance sheet at their settlement value.

Foreign currency items in the balance sheet are translated at the exchange rate on the balance sheet date. Transactions in the non-technical account are translated at current rates; transactions in the technical account are translated at annual average rates. Unrealised gains and losses on foreign exchange are recognised in income. Any surplus will be deferred. The relevant exchange rates are shown in the table below.

EXCHANGE RATES ON THE BALANCE SHEET DATE	31 Dec. 2022	31 Dec. 2021
EUR/CHF	0.98470	1.03310
USD/CHF	0.92321	0.91215
GBP/CHF	1.11023	1.22947

AVERAGE EXCHANGE RATES	31 Dec. 2022	31 Dec. 2021
EUR/CHF	1.00470	1.08110
USD/CHF	0.95413	0.91409
GBP/CHF	1.17817	1.25768

INFORMATION, BREAKDOWNS AND NOTES ON ITEMS IN THE BALANCE SHEET AND INCOME STATEMENT

NET RELEASE OF HIDDEN RESERVES IN ACCORDANCE WITH SWISS COMPANY LAW	2022	2021
in CHF thousand		
Net release of hidden reserves	12,250	0

Subordinated liabilities

Subordinated liabilities (due to mature on 30 November 2040) in the amount of EUR 60.0 million were recognised in the balance sheet at CHF 59.1 million at the end of the year (previous year CHF 62.0 million).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Share capital	Legal capital reserves	Legal retained earnings	Voluntary reserves	Disposable profit	Total
in CHF thousand						
As at 31 Dec. 2020	157,900	11,203	21,358	1,223	380	192,064
Dividends					0	0
Allocation to legal reserves			0		0	0
Net income for the year					6,502	6,502
As at 31 Dec. 2021	157,900	11,203	21,358	1,223	6,882	198,566
Dividends					-5,527	-5,527
Allocation to legal reserves			1,300		-1,300	0
Net income for the year					6,871	6,871
As at 31 Dec. 2022	157,900	11,203	22,658	1,223	6,926	199,910

Estimates of technical account items with an effect on liquidity

Technical account items with an effect on liquidity are recorded on the basis of the amounts disclosed in statements of account from ceding companies as well as estimates. The estimated figures are reported net. In other words, the opening values as at 1 January 2022 are offset against the closing values as at 31 December 2022. These estimates affected the income statement items in the 2022 financial year as follows:

ITEM	Disclosed	Estimated	Total recognised
in CHF thousand			
Premiums for own account	314,882	25,512	340,394
Claim payments	283,064	-49,794	233,270
Commissions/profit shares	69,790	4,608	74,398
Change in provisions for profit shares	-842	0	-842
Commissions and profit shares	68,948	4,608	73,556

ACQUISITION AND OPERATING EXPENSES FOR OWN ACCOUNT		
in CHF thousand	2022	2021
Personnel expenses	6,566	5,791
Material expenses	852	774
Depreciation of tangible assets	204	220
Total acquisition and operating expenses for own account	7,622	6,785

Reclassification of own asset management costs

From this year's annual financial statements onwards, own asset management costs will be recognised under the item Investment administration. Acquisition and operating expenses for own account fell by CHF 645K in the year under review (reduction of CHF 571K in the previous year).

INCOME AND EXPENDITURE ON INVESTMENTS

INCOME		
in CHF thousand	2022	2021
Fixed-income securities	6,173	6,814
Real estate funds	1,797	1,500
Equity funds	0	118
Commodities funds	0	0
Infrastructure energy funds	4,699	1,275
Private equity	2,889	1,449
Sundry investments	3,624	3,180
Other current income	513	504
Total income	19,695	14,840

APPRECIATION		
in CHF thousand	2022	2021
Fixed-income securities	275	1,161
Real estate funds	137	1,245
Equity funds	0	9,853
Commodities funds	0	172
Infrastructure energy funds	384	177
Private equity	45	223
Sundry investments	33	0
Total appreciation	874	12,831

REALISED GAINS		
in CHF thousand	2022	2021
Fixed-income securities	81	578
Real estate funds	0	0
Equity funds	207	0
Commodities funds	64	0
Infrastructure energy funds	73	84
Private equity	899	731
Sundry investments	11	0
Total realised gains	1,335	1,393

DEPRECIATION, AMORTISATION AND WRITE-DOWNS		
in CHF thousand	2022	2021
Fixed-income securities	-5,388	-421
Real estate funds	-6,373	-13
Equity funds	-15,067	-780
Commodities funds	-279	-695
Infrastructure energy funds	-2,664	-918
Private equity	-246	-33
Sundry investments	-1,448	-187
Total depreciation, amortisation and write-downs	-31,465	-3,047

REALISED LOSSES		
in CHF thousand	2022	2021
Fixed-income securities	-1,300	-267
Real estate funds	-6	-115
Equity funds	-1,165	0
Commodities funds	-109	0
Infrastructure energy funds	-10	-74
Private equity	-47	-2
Sundry investments	-26	-2
Total realised losses	-2,663	-460

Security for commitments

A rent deposit in the amount of CHF 195,035 (previous year CHF 195,015) was lodged with our bankers as security for our rental commitments for business premises.

BNP Paribas holds securities that serve as cover for our technical provisions. As at the balance sheet date of 31 December 2022, these amounted to CHF 887,611 (EUR 901,402, previous year CHF 1,099,549/EUR 1,064,320).

CONTINGENT LIABILITIES		
in CHF million	2022	2021
Commitments entered into for the future acquisition of real estate funds	3.8	7.1
Commitments entered into for the future acquisition of infrastructure energy funds	5.8	19.8
Commitments entered into for the future acquisition of fixed-income securities	2.1	4.3
Commitments entered into for the future acquisition of private equity investments	45.0	47

Rental and leasing commitments

Rental commitments amount to CHF 2,779,466 as at 31 December 2022 (previous year CHF 2,486,721). There are no leasing commitments.

Total auditor's fees

FEE ITEM		
in CHF	2022	2021
Audit services	97,928	152,396
Other services	0	106,721
Total fees	97,928	259,117

Significant events after the balance sheet date

No significant events are known to have occurred after the balance sheet date.

Proposal for the Appropriation of Profit

The following net result for the year will be available to the General Meeting on 30 March 2023 in Zurich:

PROPOSAL FOR THE APPROPRIATION OF PROFIT AS AT 31 DECEMBER 2022		
in CHF thousand	2022	2021
Profit carried forward from previous year	55	380
Net income for the year	6,871	6,502
Disposable profit	6,926	6,882
The Board of Directors proposes to the General Meeting that the disposable profit be distributed as follows:		
Dividends	5,527	5,527
Allocation to legal reserves	1,380	1,300
Balance carried forward	19	55

Report of the Statutory Auditor

To the General Meeting of Deutsche Rückversicherung Switzerland Ltd, Zurich

REPORT OF THE STATUTORY AUDITOR ON THE ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the annual financial statements of Deutsche Rückversicherung Switzerland Ltd (the company), comprising the balance sheet as at 31 December 2022, the income statement and the cash flow statement for the year ending on that date as well as the notes to the financial statements, including a summary of key accounting methods.

In our opinion, the financial statements (pages 22 to 32) comply with Swiss law and the company's articles of incorporation.

Basis for our audit opinion

We have conducted our audit in accordance with Swiss law and Swiss standards for the auditing of financial statements (SA-CH). Our responsibilities in accordance with these regulations and standards are described in more detail in the section "Auditor's responsibilities for auditing the annual financial statements" of our report. We are independent of the company in accordance with the provisions of Swiss law and the requirements of our profession and have fulfilled the rest of our duties with regard to professional conduct in accordance with these requirements.

We believe that the audit evidence we have obtained provides an adequate and appropriate basis for our audit opinion.

Other information

The Board of Directors is responsible for other information. Other information comprises all information contained in the annual report, apart from the annual financial statements and our related report.

Our audit opinion on the annual financial statements does not extend to other information, and we shall not provide any form of audit conclusion on this information.

As part of our audit, we have a responsibility to read the other information and to determine whether the other information reveals significant discrepancies in relation to the annual financial statements or the findings of our audit or appears to be presented in any other way that is significantly incorrect.

If we conclude on the basis of the work we have carried out that this other information is presented in a way that is significantly incorrect, we have a duty to report this fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the annual financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation, as well as for the internal controls that it has deemed necessary in order to enable the preparation of financial statements that are free from material misstatement due to either fraud or error.

When preparing the financial statements, the Board of Directors has a responsibility to assess the company's ability to continue as a going concern, to report any facts in connection with the continuation of business operations – where relevant – and to apply the going concern principle, unless the Board of Directors intends to either liquidate the company or cease business activities, or has no realistic alternative.

Auditor's responsibilities for auditing the annual financial statements

Our objectives are to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement due to either fraud or error and to provide a report containing our audit opinion. Reasonable assurance means a high degree of assurance, but does not guarantee that an audit conducted in accordance with Swiss law and Swiss standards for the auditing of financial statements will always reveal any material misstatement, if such a misstatement exists. Misstatements can result from fraud or error and are considered material if they could reasonably be expected, either individually or collectively, to influence economic decisions made on the basis of these financial statements by the users.

As part of an audit conducted in accordance with Swiss law and Swiss standards for the auditing of financial statements, we exercise discretion throughout the entire audit and maintain a basic critical stance. We also

- identify and assess the risks of material misstatements in the financial statements due to fraud or error, plan and implement audit procedures in response to these risks and obtain adequate and appropriate audit evidence to serve as the basis for our audit opinion. The risk that material misstatements will not be discovered is higher in the case of those resulting from fraud than in the case of those resulting from error, as fraud can include collusion, forgery, intentional omissions, misleading representations and the invalidation of internal checks;
- gain an understanding of the internal control system that is relevant to the audit of the financial statements, in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of issuing an audit opinion on the effectiveness of the company's internal control system;
- assess the appropriateness of the accounting methods applied and the validity of the estimates presented in the accounts and the associated disclosures;

- draw conclusions about the appropriateness of the going concern principle applied by the Board of Directors and, on the basis of the audit evidence obtained, about whether there is any significant uncertainty in connection with events or circumstances that could raise significant doubts about the company's ability to continue its activities. If we conclude that there is significant uncertainty, we have an obligation to draw attention in our report to the associated disclosures in the financial statements or, if these disclosures are inadequate, to amend our audit opinion. We draw our conclusions on the basis of the audit evidence we have obtained up to the date of our report. However, future events or circumstances may mean that the company is no longer able to continue its activities.

We communicate with the Board of Directors on matters such as the planned scope and schedule of the audit and the main findings of the audit, including any significant deficiencies in the internal control system that we discover during our audit.

REPORT ON OTHER STATUTORY AND LEGAL REQUIREMENTS

In accordance with section 728a(1) item 3 CO and Swiss Auditing Standard 890, we confirm the existence of an internal control system for the preparation of financial statements, which has been designed according to the instructions of the Board of Directors.

We also confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation and recommend that the financial statements be approved as submitted.

PricewaterhouseCoopers AG

Martin Schwörer

Magali Zimmermann

Audit expert

Audit expert

Auditor in charge

Zurich, 30 March 2023

COMPANY DETAILS

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