

Swiss Re Management Ltd

2017 Annual Report

100046/20



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Board of Directors, Auditor

Board of Directors

David Cole *
Thomas Wellauer
Christian Mumenthaier

Auditor

PricewaterhouseCoopers Ltd

* John Dacey (appointed as of 1 April 2018)
David Cole (until 1 April 2018)

2017 Annual Report

Swiss Re Management Ltd

Swiss Re Management Ltd (the Company), is a wholly-owned subsidiary of Swiss Re Ltd, the ultimate parent company domiciled in Zurich, Switzerland. The Company's purpose is to provide Business Support Services for Swiss Re Group entities. The Company is headquartered in Switzerland and in addition operates through branches in Slovakia and the United Kingdom.

Income Statement

Net income for 2017 amounted to CHF 12.8 million (2016: 3.9 million) and is mainly driven by the revenues from services partially offset by the administrative expenses.

Assets

Total assets increased from CHF 539 million as of 31 December 2016 to CHF 542 million as of 31 December 2017.

Total current assets decreased from CHF 421 million as of 31 December 2016 to CHF 356 million as of 31 December 2017 mainly due to a decrease in receivables from subsidiaries and affiliated companies of CHF 54 million.

Total non-current assets increased from CHF 118 million as of 31 December 2016 to CHF 186 million as of 31 December 2017 due to an increase in tangible assets of CHF 41 million and investments in subsidiaries and affiliated companies as a result of a capital contribution to Swiss Re Global Business Solutions India Private Limited of CHF 27 million.

Liabilities

Total liabilities decreased from CHF 435 million as of 31 December 2016 to CHF 425 million as of 31 December 2017.

Short-term liabilities decreased from CHF 292 million as of 31 December 2016 to CHF 275 million as of 31 December 2017 mainly due to a decrease in other current liabilities in amount of CHF 30 million due within one year, partially offset by an increase in accrued expenses of CHF 10 million.

Long-term liabilities increased from CHF 143 million as of 31 December 2016 to CHF 150 million as of 31 December 2017 mainly due to an increase in other provisions of CHF 7 million.

Shareholder's equity

Shareholder's equity increased from CHF 104 million as of 31 December 2016 to CHF 117 million as of 31 December 2017 due to net income of CHF 12.8 million.

Income statement

Swiss Re Management Ltd

For the periods ended 31 December

CHF thousands	Notes	2016	2017
Operating result			
Operating revenues			
Revenue from services	2	1 260 391	1 248 367
Total operating revenues		1 260 391	1 248 367
Operating expenses			
Administrative expenses	2	-1 233 618	-1 224 783
Other operating expenses	2	-271	-502
Total operating expenses		-1 233 889	-1 225 285
Total operating result		26 502	23 082
Non-operating result			
Non-operating revenues			
Interest income		186	494
Total non-operating revenues		186	494
Non-operating expenses			
Interest expense		-2 600	-3 065
Other non-operating expenses		-15 153	-2 128
Total non-operating expenses		-17 753	-5 193
Total non-operating result		-17 567	-4 699
Income before income tax expense		8 935	18 383
Income tax expense		-4 995	-5 574
Net income		3 940	12 809

The accompanying notes are an integral part of Swiss Re Management Ltd's financial statements.

Balance sheet

Swiss Re Management Ltd

Annual financial statement

Assets

2018 (thousands)	Notes	2018	2017
Current assets			
Cash and cash equivalents		17 032	1660
Receivables from subsidiaries and affiliated companies	3	391 506	337 474
Other receivables		824	725
Accrued income		11 720	15 758
Total current assets		421 082	355 617
Non-current assets			
Tangible assets		12 122	113 300
Investments in subsidiaries and affiliated companies	4	45 254	72 725
Total non-current assets		117 976	186 025
Total assets		539 058	541 642

The accompanying notes are an integral part of Swiss Re Management Ltd's financial statements.

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Balance sheet

Swiss Re Management Ltd

As of 31 December

Assets

CHF thousands	Notes	2016	2017
Current assets			
Cash and cash equivalents		17 032	1 660
Receivables from subsidiaries and affiliated companies	3	391 506	337 474
Other receivables		824	725
Accrued income		11 720	15 758
Total current assets		421 082	355 617
Non-current assets			
Tangible assets		72 722	113 300
Investments in subsidiaries and affiliated companies	4	45 254	72 725
Total non-current assets		117 976	186 025
Total assets		539 058	541 642

The accompanying notes are an integral part of Swiss Re Management Ltd's financial statements.

Liabilities and shareholder's equity

CHF thousands	Notes	2016	2017
Liabilities			
Short-term liabilities			
Payables to third party		36 782	24 216
Payables to subsidiaries and affiliated companies	3	9 745	26 873
Tax provisions		4 915	2 592
Other current liabilities		171 754	142 215
Accrued expenses		68 921	78 773
Total short-term liabilities		292 117	274 669
Long-term liabilities			
Loans	6	102 636	98 420
Provision for currency fluctuation		-	5 020
Other Provisions		40 265	46 684
Total long-term liabilities		142 901	150 124
Total liabilities		435 018	424 793
Shareholders' equity			
Share capital		100	100
<i>Legal reserves from capital contribution</i>		<i>100 000</i>	<i>100 000</i>
Legal capital reserves		100 000	100 000
Legal profit reserves		-	50
Voluntary profit reserves		-	3 890
Net Income for the financial year		3 940	12 809
Total shareholders' equity		104 040	116 849
Total liabilities and shareholders' equity		539 058	541 642

The accompanying notes are an integral part of Swiss Re Management Ltd's financial statements.

Notes

Swiss Re Management Ltd

1 Significant accounting principles

Basis of presentation

The financial statements are prepared in accordance with Swiss Law.

Time period

The financial year 2017 comprises the accounting period from 1 January 2017 to 31 December 2017. Comparable period is from 8 July 2015 to 31 December 2016.

Use of estimates in the preparation of annual accounts

The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Short-term investments

Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/other receivables

These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Accrued income

Accrued income consists of both other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year, but receivable in a subsequent financial year.

Loans to subsidiaries and affiliated companies

Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Investments in subsidiaries and affiliated companies

These assets are carried at cost, less necessary and legally permissible depreciation. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Tangible assets

Tangible assets are carried at cost, less individually scheduled straight-line depreciation over their useful lives. Items of minor value are not capitalised.

Intangible assets

Intangible assets, consisting of capitalised development costs for software for internal use, are measured at cost less straight-line amortisation over the estimated useful life of software.

Payables to third party / subsidiaries and affiliated companies/ other liabilities

These liabilities are carried at nominal value.

Accrued expenses

Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but which are payable in a subsequent financial year.

Loans

Loans are carried at nominal value.

Provisions for currency fluctuation

The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

Other Provisions

Other Provisions are recognised if there is an obligation in an event that took place prior to the balance sheet date, the amount and/or due date of which is uncertain but capable of being estimated. It also includes provision for staff costs and provision for taxation, which represents an estimate of taxes payable in respect of the reporting year.

Revenue from Services

Revenue from services provided are recognised in the accounting period in which the services are rendered. The Company operates on a cost-plus pricing method in line with contractual agreements.

Dividends from subsidiaries and affiliated companies

Dividends from subsidiaries and affiliated companies are recognised as other non-operating revenues in the year in which they are declared.

Foreign exchange transaction gains and losses

Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported net in other non-operating expenses or other non-operating income, respectively.

Capital and indirect taxes

Capital and indirect taxes related to the financial year are included in other non-operating expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense

The income tax expense relates to the financial year under report.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 3 May 2018. This is the date on which the financial statements are available to be issued.

Effective from 1 January 2018, the Swiss Re Management AG, organizačná zložka, entered into an agreement to transfer a part of the business activities including the respective employees to Swiss Re Corporate Solutions Services s.r.o. and to Swiss Re Europe S.A., organizačná zložka Slovensko.

2 Operating result

CHF thousands	2016	2017
Operating result		
Operating revenues		
Revenue from services	1 260 391	1 248 367
Total operating revenues	1 260 391	1 248 367
Operating expenses		
Administrative expenses including	1 233 618	1 224 783
<i>Staff costs</i>	607 252	593 448
<i>IT expenses</i>	304 065	299 386
<i>Consulting & Contractors</i>	88 875	89 912
<i>Office costs</i>	60 598	66 440
<i>Intercompany recharges in</i>	49 915	53 982
<i>Depreciation</i>	23 868	27 764
<i>Travel expenses</i>	17 250	18 154
<i>Marketing</i>	11 213	11 758
<i>Other</i>	70 581	63 939
Other Operating expenses	271	502
Total operating expenses	1 233 889	1 225 285
Total operating result	26 502	23 082

Prior year disclosure was adjusted for comparison reasons.

3 Receivables / Payables from subsidiaries and affiliated companies

As of 31 December 2017	Receivable	Payable
CHF thousands		
Swiss Re Ltd	31 219	0
Subsidiaries	30	123
Affiliated companies	306 225	26 750
Total	337 474	26 873
As of 31 December 2016	Receivable	Payable
CHF thousands		
Swiss Re Ltd	35 669	0
Subsidiaries	60	69
Affiliated companies	355 777	9 676
Total	391 506	9 745

4 Investments in subsidiaries and affiliated companies

As of 31 December 2017, Swiss Re Management Ltd held directly the following investments in subsidiaries and affiliated companies, neither of these investments have been impaired at the balance sheet date:

As of 31 December 2017	Domicile	Currency	Affiliation %	Voting Interest %
Swiss Re Management Ltd (US) Corporation	Delaware	USD	100.00	100.00
Swiss Re Global Business Solutions India Private Limited	Bangalore	INR	0.01	0.01
Swiss Re Global Business Solutions India Private Limited	Bangalore	INR	99.99	99.99

5 Contingent liabilities

Swiss Re Management Ltd has issued a number of guarantees to its subsidiaries in order to guarantee the leases of the offices occupied by the employees. These guarantees are not limited by a nominal amount but rather by the exposure of the underlying business.

The Company is part of the Swiss Re value addit tax (VAT) group and is therefore jointly liable for existing and future VAT claims for the Swiss Federal Tax Administration.

6 Loans

In December 2015 the Company entered into a revolving loan facility of USD 300 million with its parent company Swiss Re Ltd under which the Company has the obligation to pay interest of 3M USD at Libor plus 185 bps per annum with a maturity date of 6 January 2019.

As of 31 December 2017, the facility was drawn down in the amount of USD 101 million (CHF 98 million).

7 Commitments

Total off-balance-sheet commitments from operating leases for the next five years and thereafter are as follows:

CHF thousands	2017	2017
	Operating lease commitments	Other commitments
2018	48 149	53 550
2019	49 067	50 818
2020	43 504	38 880
2021	39 461	35 282
2022	35 283	0
After 2023	146 440	0
Total commitments	361 904	178 530
Non-cancellable sub-lease	0	0
Total net commitments	361 904	178 530

CHF thousands	2016	2016
	Operating lease commitments	Other commitments
2017	39 936	37 575
2018	38 830	29 838
2019	30 119	33 283
2020	29 772	0
2021	26 359	0
After 2022	75 955	0
Total commitments	240 971	100 696
Non-cancellable sub-lease	-2 405	0
Total net commitments	238 566	100 696

The operating lease commitments pertain to the non-cancellable contract periods and refer primarily to office and apartment space rented by the Company. The Other Commitments pertain to a non-cancellable IT service contracts. In addition, a financial lease of IT hardware with a net book value of CHF 3 575 thousand was recognised on the Company's balance sheet which will be fully repaid by 2019.

8 Release of undisclosed reserves

In the year under report, no undisclosed reserves on investments or on provisions were released.

9 Obligations towards employee pension fund

As of 31 December 2017, other liabilities included CHF 0,8 million (2016: CHF 2 million) payable to the employee pension fund.

10 Personnel information

As of 31 December 2017, the Company employed a staff at an average of 3 091 (2016: 2 924) full time equivalents. Personnel expenses including salary, bonus, social security and other personnel expenses for the 2017 financial year amounted to CHF 593 million (2016: CHF 607 million).

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 3 May 2018 to approve the following allocations:

Retained earnings

CHF thousands	2016	2017
Retained earnings brought forward	0	0
Net income for the financial year	3 940	12 809
Disposable profit	3 940	12 809
Allocation to legal profit reserves	50	-
Allocation to voluntary profit reserves	3 890	12 809
Retained earnings after allocation	0	0

Voluntary profit reserves

CHF thousands	2016	2017
Voluntary profit reserves brought forward	0	3 890
Allocation from retained earnings	3 890	12 809
Voluntary profit reserves after allocation	3 890	16 699

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Management Ltd, Adliswil

Report of the Statutory auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Re Management Ltd (the 'Company'), which comprise the income statement, balance sheet and notes (pages 5 to 12), for the period from 1 January 2017 to 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the period from 1 January 2017 to 31 December 2017 comply with Swiss law and the Company's Articles of Association.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn
Audit expert
Auditor in charge

Michael Stämpfli
Audit expert

Zurich, 3 May 2018

Cautionary note on forward-looking Statements

Certain statements and illustrations contained herein are forward-looking. These statements 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" and "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 Company's actual results, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- changes in global economic conditions;
- uncertainties in estimating reserves;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other
- credit-related events;
- changes in accounting standards;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive.