

Swiss Re Treasury (US) Corporation

Financial Statements

December 31, 2023 and 2022

Swiss Re Treasury (US) Corporation

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

Board of Directors
Swiss Re Treasury (US) Corporation:

Opinion

We have audited the financial statements of Swiss Re Treasury (US) Corporation (the Company), which comprise the statements of financial condition as of December 31, 2023 and December 31, 2022, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

New York, New York
March 8, 2024

Swiss Re Treasury (US) Corporation
Statements of Financial Condition

	December 31,	
	(in thousands, except for per share amounts)	
	2023	2022
Assets		
Cash and cash equivalents	\$ 47	\$ 9
Receivable from SRZ	43,580	42,704
Notes receivable from affiliate	565,990	565,784
Accrued interest receivable from affiliates	1,644	1,665
Deferred tax asset	-	164
Total assets	\$ 611,261	\$ 610,326
Liabilities		
Notes payable to third parties	\$ 315,835	\$ 315,629
Notes payable to affiliate	250,000	250,000
Accrued interest payable	5,691	5,691
Other payables	60	1,259
Income taxes payable	475	310
Total liabilities	\$ 572,061	\$ 572,889
Stockholder's equity		
Common stock, par value \$0.01 per share:		
1,000 shares authorized, issued and outstanding	-	-
Additional paid-in capital	20,000	20,000
Retained earnings	19,200	17,437
Total stockholder's equity	39,200	37,437
Total Liabilities and stockholder's equity	\$ 611,261	\$ 610,326

The accompanying notes are an integral part of these financial statements.

Swiss Re Treasury (US) Corporation

Statements of Income

	For the Years Ended December 31,	
	(in thousands)	
	<u>2023</u>	<u>2022</u>
Revenues		
Interest income on notes receivable from affiliates	\$ 19,569	\$ 33,728
Net realized gain on debt extinguishment	-	2,406
Total revenue	<u>19,569</u>	<u>36,134</u>
Expenses		
Interest expense on notes payable	19,018	32,919
Service charges from parent	317	325
Other expenses	88	89
Total expenses	<u>19,423</u>	<u>33,333</u>
Other income		
Net investment income	2,171	618
Net realized / unrealized losses	-	(2)
Total other income	2,171	616
Net income before income tax provision	2,317	3,417
Income tax expense provision		
Current	390	225
Deferred	164	560
Total income tax provision	<u>554</u>	<u>785</u>
Net income	<u>\$ 1,763</u>	<u>\$ 2,632</u>

The accompanying notes are an integral part of these financial statements.

Swiss Re Treasury (US) Corporation
Statements of Changes in Stockholder's Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
(in thousands)				
Balance, December 31, 2021	\$ -	\$ 20,000	\$ 14,805	\$ 34,805
Net income	_____	_____	2,632	2,632
Balance, December 31, 2022	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 17,437</u>	<u>\$ 37,437</u>
Net income	_____	_____	1,763	1,763
Balance, December 31, 2023	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 19,200</u>	<u>\$ 39,200</u>

The accompanying notes are an integral part of these financial statements.

Swiss Re Treasury (US) Corporation

Statements of Cash Flows

	For the Years Ended December 31, (in thousands)	
	2023	2022
Cash flows from operating activities		
Net income	1,763	2,632
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization, net	-	40
Realized / unrealized loss	-	2
Deferred Taxes	164	560
Decrease in operating assets		
Accrued interest receivable from affiliates	21	1,268
Repayment of notes receivable from affiliate	-	424,514
Increase/(decrease) in operating liabilities		
Accrued interest payable	-	(1,024)
Repayment of notes payable	-	(424,412)
Other payables	(1,199)	1,137
Income taxes payable	165	199
Net cash provided by operating activities	914	4,916
Cash flows from investing activities		
Receivable from SRZ	(876)	(9,302)
Purchase of short-term investments	-	(4,504)
Sales/Maturities of short-term investments	-	8,884
Net cash used in investing activities	(876)	(4,922)
Net increase(decrease) in cash and cash equivalents		
Increase(decrease) in cash and cash equivalents	38	(6)
Cash and cash equivalents		
Beginning of period	9	15
End of Period	47	9
Supplemental disclosure of cash flow information		
Cash paid during the year to affiliate for taxes	225	26
Cash paid for interest	18,812	33,394

The accompanying notes are an integral part of these financial statements.

Swiss Re Treasury (US) Corporation

Notes to Financial Statements

1. Nature of Operations and Organization of the Company

Swiss Re Treasury (US) Corporation (the "Company") was incorporated on May 18, 2005 in Delaware and is a wholly-owned subsidiary of Swiss Re America Holding Corporation ("SRAH") which is ultimately owned by Swiss Re Ltd. (the "Parent"). The Company's business activities comprise the issuing of debt securities to investors and related parties and the lending of funds to related parties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Estimates, Risks and Uncertainties

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are carried at amortized cost, which approximates fair value.

Investments

The Company considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments. Short-term investments are classified as trading and carried at fair value with changes in fair value recognized in net income.

Investment income is recognized when earned. Fixed income securities are amortized or accreted using the constant yield interest method. Premium amortization and discount accretion are charged or credited to net investment income on the Statement of Income. Realized gains and losses on sales are included in net income and are calculated using the specific identification method. Securities transactions are recorded on the trade date.

Fair Value Measurements

The fair value of the Company's financial instruments is based on quoted prices in active markets or observable inputs.

Service charges from affiliates

Service charges from affiliates consist of amounts paid to SRAH for services provided in accordance with the underlying terms of the service agreement.

Interest Expense

Interest expense for all interest-bearing liabilities is recognized as an expense using the effective interest method.

Swiss Re Treasury (US) Corporation

Notes to Financial Statements

Income Taxes

Income tax expense or benefit is based on income or losses reported in the financial statements. In accordance with ASC No. 740, "Income Taxes", deferred tax assets or liabilities reflect temporary differences between amounts of assets and liabilities for financial and tax reporting. Such amounts consider the tax rates expected to be in effect when the temporary differences reverse. The future tax benefits of deferred tax assets are recognized when the realization of such benefits is more likely than not.

Adoption of New Accounting Standards

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses", an update to Topic 326, "Financial Instruments – Credit Losses". ASU 2016-13 replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses. The standard is applicable to all financial assets such as financial instruments that are measured at amortized cost and available-for-sale debt securities. The objective of the expected credit loss model is that a reporting entity recognizes its estimate of expected credit losses incorporating forward-looking information in a valuation allowance for financial assets in scope. The Company adopted the standard on January 1, 2023 using a modified retrospective method. The adoption did not have an impact on the Company's financial statements.

In March 2020, the FASB issued ASU 2020-04, "Facilitation of the effects of Reference Rate Reform on Financial Reporting", an update to Topic 848, "Reference Rate Reform". In response to concerns about structural risks and interbank offered rates (LIBORs) and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates. The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP accounting principles to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of these reference rate reform initiatives. The Company adopted ASU 2020-04 on March 12, 2020, which is the issuance date of the standard. There is a choice to apply the guidance by Topic or Industry Subtopic at any time prospectively during the effective period from March 12, 2020 through December 31, 2024, with the effective period amended by ASU 2022-06 "Deferral of the Sunset Date of Topic 848", an update to Topic 848, "Reference Rate Reform". As of December 31, 2023, the Company did not apply the guidance to any Topic or Subtopic which would have material impact on the financial statements.

Future Adoption of New Accounting Standards

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". ASU 2023-09 applies to all entities subject to income taxes and will require further disaggregation for existing disclosures for the effective tax rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2025 for entities other than public business entities, with early adoption permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively. The Company is currently assessing the impact of the new requirements.

Swiss Re Treasury (US) Corporation

Notes to Financial Statements

3. Fair Value Disclosures

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements do not include transaction costs.

The Company follows ASC No. 820, "Fair Value Measurements and Disclosures", which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC No. 820 are described below:

Basis of Fair Value Measurement

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation Techniques

Fair value of the notes payable as disclosed in Note 4 is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. The fair value measurement basis for the notes payable is considered to be level 2. The fair value of notes receivable from affiliates approximates the fair value of notes payable as the underlying credit and terms are similar, as disclosed in Note 5.

There were no transfers between levels during the years ended December 31, 2023 and 2022.

Swiss Re Treasury (US) Corporation

Notes to Financial Statements

4. Notes Payable

The following represents notes payable outstanding as of December 31, 2023 and 2022:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Affiliates		
Note with a par value of USD 250.0 million at 2.05% issued January 2020, due January 2025	\$ 250,000	\$ 250,000
Total Affiliates Note Payable	<u>250,000</u>	<u>250,000</u>
To Third Parties		
Note with a par value of USD 322.0 million at 4.25% issued December 2012, due December 2042	315,835	315,629
Total Third Party Note Payable	<u>315,835</u>	<u>315,629</u>
Total Carrying Value	<u>\$ 565,835</u>	<u>\$ 565,629</u>
Total Fair Value	<u>\$ 517,258</u>	<u>\$ 510,788</u>

The Company issues debt under the Swiss Reinsurance Company European Medium-Term Note ("EMTN") Program and under U.S. Rule 144A ("Rule 144A"). The EMTN Program, with a principal amount of up to \$10.0 billion, enables the Company to borrow money which shall immediately be passed to SRAH. Rule 144A enables the Company to issue debt to qualified institutional investors or non-U.S. persons as defined within Regulation S under the U.S. Securities Act of 1933. The proceeds of such issuances shall immediately be passed to SRAH. Additionally, private placement loans are made to affiliates outside of these programs that are funded by proceeds from agreements entered into with related parties.

The notes outstanding at December 31, 2023 are in USD currency with maturity dates between January 2025 and December 2042. Interest expense recorded on the affiliate EMTN note amounted to \$5.1 million for each of the years ended December 31, 2023 and 2022, respectively of which \$4.7 million was unpaid and included in "Accrued interest payable" the year ended as of December 31, 2023 and 2022, respectively. Interest expense recorded on the Rule 144A notes amounted to \$13.9 million and \$27.8 million for the year ended December 31, 2023 and 2022, of which \$1.0 million was unpaid and included in "Accrued interest payable" for each of the years ended December 31, 2023 and 2022.

In November 2022, a Tender Offer was announced for repurchase of the debt issued under Rule 144A, whereby \$178.0 million was repurchased resulting in a gain on debt extinguishment of \$15.2 million included in "Net realized gain on debt extinguishment" for the year ended December 31, 2022.

Notes payable are recorded at amortized cost. Amortization of premium or discount is recognized using the effective interest method and is reflected as an adjustment to interest expense. All notes issued to third parties are guaranteed by Swiss Reinsurance Company Ltd.

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Notes to Financial Statements

5. Notes Receivable from Affiliate

The following represents notes receivable outstanding as of December 31, 2023 and 2022:

	(in thousands)	
	<u>2023</u>	<u>2022</u>
Affiliate		
SRAH, issued with a par value of USD 322.0 million at 4.30%, issued in December 2012, due December 2042	315,990	315,784
SRAH issued with par value of USD 250.0 million at 2.10%, issued in January 2020, due January 2025	250,000	250,000
Total Carrying Value	<u>\$ 565,990</u>	<u>\$ 565,784</u>

The notes receivable from affiliate primarily consist of the EMTN and Rule 144A proceeds loaned to SRAH. The notes outstanding are in USD currency with maturity dates between January 2025 and December 2042. Interest income recorded on the notes receivable amounted to \$ 19.6 million and \$33.7 million for the years ended December 31, 2023 and 2022 respectively, of which \$1.6 million and \$1.7 million was unpaid and included in "Accrued interest receivable from affiliate" as of December 31, 2023 and 2022, respectively.

In November 2022, a notional prepayment of \$178.0 million was received from SRAH, resulting in a loss of \$12.8 million included in "Net realized gain on debt extinguishment" for the year ended December 31, 2022.

Notes receivable from affiliate are recorded at amortized cost. Amortization of premium or discount is recognized using the effective interest method and is reflected as an adjustment to interest income.

The fair value of Notes Receivable from affiliate approximates the fair value of Notes Payable as the underlying credit and terms are similar.

6. Commitments and Guarantees

ASC No. 460; "Guarantees", requires the disclosure of representations and warranties the Company enters into which may provide general indemnification to others. In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, however, the Company expects the risk of loss to be remote.

Swiss Re Treasury (US) Corporation

Notes to Financial Statements

7. Related Party Transactions

The Company enters into transactions and relationships with affiliated companies. Because of these relationships, terms of these transactions may not be the same as those that would result in transactions with unrelated parties. The Company has an agreement with SRAH, whereby certain services are performed on behalf of the Company, including legal, finance and administrative services. For each of the years ended December 31, 2023 and 2022, such service charges of approximately \$0.3 million, respectively, were incurred pursuant to this agreement. As of December 31, 2023 and 2022 there were outstanding payables to the extent of \$0.1 million respectively, included in "other payables" on the Statement of Financial Condition. The Company also enters into transactions with Swiss Reinsurance Company Ltd. ("SRZ"), as part of the securities lending program and cash pooling program, as disclosed in Note 8 and Note 9. The Company is party to loan agreements with affiliates as disclosed in Note 4 and Note 5.

8. Securities Lending

The Company participates in a securities lending program with SRZ. Under the securities lending agreement, SRZ has the ability to borrow the Company's securities on an uncollateralized basis and lend them out to third parties. SRZ will pay the Company a fee equal to 80% of the net fee income derived from SRZ's subsequent lending of securities borrowed from the Company to various market participants. The Company is exposed to risk of loss to the extent loaned securities are not returned. As of December 31, 2023, and 2022, there are no securities on loan with SRZ. During the year ended December 31, 2023 and 2022, the Company earned \$0 million from security lending activity, respectively.

9. Cash Pooling

The Company participated in Cash Pooling program with SRZ. Under the cash pooling agreement, the Company lends surplus cash to SRZ. SRZ acts as an investment manager and invests in various overnight repurchase agreements and short term instruments. Cash is returned back to SRTUS the next day. In return for funding/lending cash into the pool, the entity gets paid an interest rate of overnight alternative risk free rates Secured Overnight Financing Rate (SOFR). The interest on cash pooling is settled on a quarterly basis. At December 31, 2023 and 2022, there is a \$43.6 million and \$42.7 million receivable outstanding from SRZ, respectively. During the year ended December 31, 2023 and 2022, the Company earned \$2.2 million and \$0.6 million from these transactions, respectively.

Swiss Re Treasury (US) Corporation

Notes to Financial Statements

10. Income Taxes

The Company is a member of a group which files a consolidated tax return with SRAH and its eligible subsidiaries. The consolidated income tax provision or benefit is allocated among the members of the group in accordance with a tax allocation agreement approved by the Board of Directors. The tax allocation agreement provides that each member's tax provision or benefit is determined on a separate company basis. The taxes paid by such member, or refund payable to such member shall be the amount that each member of the group would have paid or received if it had filed on a separate return basis. In computing their income tax liability on a separate return basis, member companies have the ability to recover taxes paid in a prior period or offset future taxable income to the extent net operating losses or other tax attributes that they generated are carried back or forward in any manner permitted under the Internal Revenue Code. Intercompany tax balances are settled no less often than annually.

The components of the income tax provision are as follows:

	For the Years Ended December 31,	
	(in thousands)	
	2023	2022
Current		
US Federal	305	140
State and Local	85	85
Total current provision	390	225
Deferred		
US Federal, State and Local	164	560
Total current benefit	164	560
Total income tax provision	\$ 554	\$ 785

Deferred taxes are comprised of the following items:

	As of December 31,	
	(in thousands)	
	2023	2022
Deferred tax asset		
Net operating loss carry forward	-	\$ 164
Total deferred tax asset	-	164
Net deferred tax asset	\$ -	\$ 164

Swiss Re Treasury (US) Corporation

Notes to Financial Statements

The Internal Revenue Service is currently examining the 2017-2018 tax returns for the SRAH consolidated group which includes the Company. New York State ("NYS") is currently examining the 2015-2017 tax returns for the SRAH consolidated group which includes the Company.

As of December 31, 2023, there were no unrecognized tax benefits, including interest and penalties. The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

Pursuant to the tax allocation agreement, the Company had recorded an income tax payable to SRAH of \$0.5 million and \$0.3 million at December 31, 2023 and 2022, respectively.

The effective tax rate of 23.9% and 22.9% at December 31, 2023 and 2022, differs from the statutory rate primarily due to the effects of state and local taxes.

The net operating loss carryforward deferred tax asset of \$0.2m at December 31, 2022 was generated in 2019 and fully realized during the year ended December 31, 2023.

11. Subsequent Events

The Company has evaluated whether events or transactions have occurred after December 31, 2023 that would require recognition or disclosure in these financial statements through March 8, 2024, which is the date these financial statements were available to be issued.

No subsequent events have been identified for disclosure in this period.