



XL Insurance Company SE, Dublin, Zurich Branch

AN AXA SA GROUP COMPANY

Financial Condition Report

Year Ended

December 31, 2022

Contents

Branch Manager's Statement	<u>3</u>
Management summary	<u>4</u>
A. Business activities	<u>6</u>
A.1 Strategy, objectives and business segments	<u>6</u>
A.2 Group information and group related transactions	<u>7</u>
A.3 Shareholder	<u>7</u>
A.4 Major branches	<u>7</u>
A.5 External auditor	<u>8</u>
A.6 Significant unusual events	<u>8</u>
B. Business performance	<u>9</u>
B.1 Underwriting result	<u>9</u>
B.1.1 Underwriting result Direct business	<u>10</u>
B.1.2 Underwriting result Indirect business	<u>11</u>
B.2 Investment income and expenses	<u>12</u>
B.3 Other income and expenses	<u>13</u>
Glossary	<u>14</u>
Appendices	<u>15</u>
1 Quantitative template "Performance solo insurance"	<u>16</u>
2 Audited annual financial statements and report of the statutory auditor	<u>17</u>

Branch Manager's Statement

The Branch Manager acknowledges his responsibility for ensuring that this Financial Condition Report has been properly prepared in all material respects in accordance with Swiss Financial Market Supervisory Authority ("FINMA") regulations. The Branch Manager confirms that:

(a) throughout the financial year disclosed in this report, the Branch has complied in all material respects with the requirements of the FINMA regulations as applicable to the Branch; and

(b) it is reasonable to believe that, at the date of the publication of this report, the Branch has continued to comply, and will continue to comply in future.



Moreno Bühler

Branch Manager

XL Insurance Company SE, Dublin, Zurich Branch

28th April 2023



Hubert Jumel

Chief Financial Officer

XL Insurance Company SE, Dublin

28th April 2023

Management summary

General remarks

This report addresses the Swiss specific disclosure requirements for Swiss branches of foreign insurance companies as defined in FINMA circular "2016/2 - Disclosure - insurers" and should be read in conjunction with:

- XL Insurance Company SE, Dublin, Zurich Branch's ("XLICSE ZH" or "the Branch") audited financial statements for the year ended December 31, 2022 disclosed in [appendix 2](#), and
- the Solvency and Financial Condition Report ("SFCR") published by the head office, XL Insurance Company SE ("XLICSE", "XL Insurance Company SE", or "the Company"). The report is available for [download](#) here.

Unless otherwise stated, all amounts in this report are presented in Swiss Francs ("CHF") being the reporting currency of the financial statements of XLICSE ZH.

Amounts shown in this report generally are disclosed in '000 CHF except for [appendix 1](#) which is displayed in CHF millions, with the consequence that the rounded amounts may not add up to the rounded total in all cases.

Business activities

The principal activity of XLICSE is the transaction of general insurance business. The business conducted is primarily commercial insurance, providing property, casualty, financial lines and specialty products to industrial, commercial and professional firms as well as private clients across its network of branches and through fronting partners.

The Company is a member of the AXA XL division within the AXA Group. The Company provides the main insurance company platform to operate under the AXA XL brand from branches within Europe and Asia Pacific. AXA XL, through its operating carriers, is a global insurance and reinsurance group of companies and other enterprises situated around the world.

AXA XL's operating entities underwrite both insurance and reinsurance business. The operating entities are structured in to regions and the Company falls within Europe and Asia Pacific region. The business products are structured in to Global Property and Casualty (P&C), Global Speciality and Reinsurance business segments. The P&C segment is structured into two further segments International and North America. AXA XL underwrites across all the platforms available to best service both brokers and clients.

XL Insurance Company SE, Dublin, Zurich Branch, domiciled in Zurich, Switzerland, operates as the main insurance platform of AXA XL in Switzerland.

Further details of the Branch's business are provided in Section A. Additional information on AXA Group's performance can be found in AXA's Annual Report for the year ended December 31, 2022.

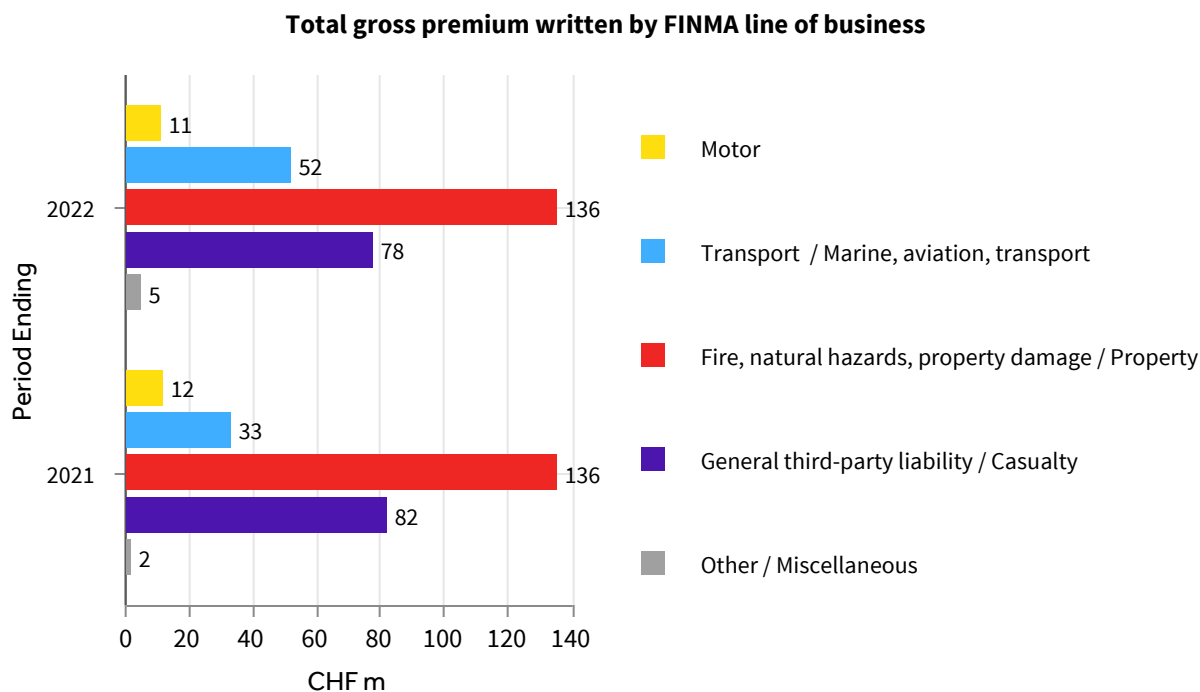
Business performance

in CHF '000	Gross premium written	Net premium earned	Net Losses incurred	Acquisition costs and administrative expenses	Combined Ratio
Total FY 2022	281,591	81,600	(61,191)	(34,869)	118 %
Total FY 2021	265,149	48,909	(86,647)	(29,971)	238 %

The Branch generated CHF 282m of gross premium written in 2022 compared to CHF 265m in the prior year. The increase is driven by strong growth in the Transport/Marine line of business whereas the volume in Third party Liability / Casualty has decreased compared to the previous year. Net premium earned increased by CHF 33m to CHF 82m as a result of business growth in areas with lower reinsurance cessions.

The Net Losses in FY 2022 decreased by CHF 25m to CHF 61m. This is the result of a favourable claims environment in many lines of business and decreasing reserve strengthening in Casualty.

Acquisition costs and administrative expense ratio decreased from 61% to 43%, as a result of the increased net premiums and expense savings.



Further details of the Branch's performance are provided in section [B](#) and the Annual Financial Statements in [appendix 2](#).

A. Business activities

A.1 Strategy, objectives and business segments

AXA XL, through its operating carriers, is a global insurance and reinsurance group of companies and other enterprises with locations around the world. AXA XL's operating entities underwrite both insurance and reinsurance business within its Global Property and Casualty ("P&C"), Global Specialty and Reinsurance business segments. The P&C segment is structured into two further segments; International and North America. AXA XL underwrites across all the platforms available to provide the best service to both brokers and clients.

The principal activity of XLICSE is the transaction of general insurance business. The Company provides the main insurance company platform to operate under the AXA XL brand within Europe and Asia Pacific.

XL Insurance Company SE, Dublin, Zurich Branch, domiciled in Zurich, Switzerland, operates as the main insurance platform of AXA XL in Switzerland. The business conducted is primarily commercial insurance, providing property, casualty, financial lines and specialty products to industrial, commercial and professional firms as well as private clients across its network of branches and through fronting partners. The Branch offers its clients excess of loss, pro-rata and facultative insurance business both direct and through insurance brokers and fronting partners. In addition, the Branch assumes a series of Group-internal reinsurance contracts from XL Insurance Switzerland Ltd ("XLIS").

The Branch prudently manages insurance obligations through controlled risk taking, clear accountability and strong underwriting discipline.

XL Insurance Company SE is domiciled in Dublin, Ireland. The Company issues policies globally through its network of branches or fronting partners in the major locations of its (re)insurance clients and their respective (re)insurance risks. Apart from Switzerland, the Company operates branches in the rest of Europe, Australia, Hong Kong, Malaysia, Singapore and India. This allows the Company to service brokers and clients efficiently providing both local service and global expertise, ensuring that it is able to deliver solutions to the often complex risks of multinational companies. As the Company's clients expand into new and emerging markets, the Company seeks to ensure that it can support that international expansion with the capability to provide local (re)insurance solutions and local service.

A.2 Group information and group related transactions

AXA is one of the best-known brands in the insurance market. It owes this to a long and continuous track record of developing and introducing innovative insurance solutions.

XLICSE ZH is part of the AXA Group and thus one of the world's leading insurance groups. The company has been able to continuously strengthen its position in recent years, among other things through optimized cost efficiency and sustainable growth. Its large portfolio of private and corporate customers, combined with a large and dense distribution network is a key competitive advantage and leads to an influential market position. The diverse range of products and services is supported by many years of expertise, particularly in the areas of asset management, pricing, risk- and claims management.



Related party transactions

The Branch actively monitors all related party transactions. The material transactions with the shareholder, persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body include the Intra-Group reinsurance arrangements.

A.3 Shareholder

XLICSE ZH is a Branch of XLICSE Dublin, Ireland, which owns all capital rights.

A.4 Major branches

XLICSE ZH belongs to the international Branch network of XLICSE Dublin, Ireland.

¹ Simplified Organisation Chart

A.5 External auditor

According to Article 28 of the Insurance Supervisory Act the Branch has appointed Ernst & Young Switzerland ("EY") as statutory auditor.

Ernst & Young Switzerland
Maagplatz 1
8005 Zurich
Switzerland

The auditor in charge is Philip Kirkpatrick. EY is accredited with the Federal Audit Oversight Authority in Berne, Switzerland.

A.6 Significant unusual events

Significant events during the year:

On February 24, 2022, Russia invaded Ukraine, triggering a war and worldwide geopolitical tensions, leading the United States, Europe and some other countries to impose unprecedented financial and trade sanctions on the Russian economy, including asset freezes and restrictions on individuals and institutions, notably the Russian Central Bank. As a consequence, the Ruble has significantly weakened and the Russian economy is facing a major crisis with repercussions on the global economy.

Under a new law signed Russia in early March 2022, Russian insurers have been banned from entering into transactions with foreign insurers, reinsurers and brokers from a group of “unfriendly countries” that includes every EU state, Japan, Switzerland, the UK and the US. The ban also applies to the transfer of funds by Russian insurers under contracts that were agreed prior to the new rules coming into effect. The newly introduced law is still in effect. The amount of premium derived from Russian cedants is immaterial to XLICSE ZH but XLICSE ZH had direct losses through exposure through its Property, Casualty and Specialty policies.

XLICSE ZH continues to closely monitor the Group’s exposures to the conflict, including:

(i) the operational impact on its business, (ii) the consequences from a potential deterioration in macroeconomic conditions, (iii) exposure through its Property, Casualty and Specialty policies and (iv) change in asset prices and financial conditions (including interest rates, reinsurance pricing).

Significant events post year end:

none

B. Business performance

B.1 Underwriting result

The table below provides the key performance indicators by FINMA line of business for both, direct and indirect business:

CHF '000	FY 2022	FY 2021	Change
Gross premium written	281,591	265,149	16,442
Net earned premium	81,600	48,909	32,691
Acquisition costs and administrative expenses for own account	(34,869)	(29,971)	(4,898)
Expenses for claims incurred for own account	(61,191)	(86,647)	25,456
Net underwriting result	(14,460)	(67,709)	53,249
Ratios			
Acquisition and administrative expense ratio	43 %	61 %	(18)%
Loss ratio	75 %	177 %	(102)%
Combined ratio	118 %	238 %	(120)%

The Branch generated CHF 282m of gross premium written compared to CHF 265m in the prior year. The increase is driven by strong growth in the Transport/Marine line of business whereas the volume in Third party Liability / Casualty has decreased compared to the previous year.

Net premium earned increased by CHF 33m to CHF 82m as a result of business growth in areas with lower reinsurance cessions.

Acquisition costs and administrative expense ratio decreased from 61% to 43%, as a result of the increased net premiums and expense savings.

Net losses in FY 2022 amount to CHF 61m, compared to CHF 87m in the prior year, as a result of a favourable claims environment in many lines of business and decreasing reserve strengthening in Casualty. The combined ratio for FY 2022 decreased to 118% compared to 238% in the prior year, in line with higher net premium basis and lower net losses.

Further details on the quantitative performance are included in [appendix 1](#).

B.1.1 Underwriting result Direct business

The tables below provide the key performance indicators by FINMA line of business:

CHF '000					FY 2022
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Transport	25,782	12,082	(9,358)	(21,033)	(18,309)
Fire, natural hazards, property damage	89,761	6,768	(7,234)	4,130	3,664
General third-party liability	74,207	14,631	(6,318)	(5,082)	3,231
Other	4,850	531	(252)	576	855
Total	194,600	34,012	(23,162)	(21,409)	(10,559)

CHF '000					FY 2021
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Transport	25,887	8,782	(7,588)	(5,953)	(4,759)
Fire, natural hazards, property damage	102,443	7,436	(14,733)	(35,344)	(42,641)
General third-party liability	80,286	6,606	(3,441)	(26,626)	(23,461)
Other	1,637	687	(565)	(1,185)	(1,063)
Total	210,253	23,511	(26,327)	(69,108)	(71,924)

Total direct premiums decreased to CHF 194.6m from CHF 210.3m in the previous year driven by lapses in the Property and General Liability lines whilst the turnover in Transport remained stable and the business volume in Other lines increased.

Net acquisition costs and administrative expenses decreased to CHF 23.2m compared to CHF 26.3m in the previous year.

Net losses in FY 2022 amount to CHF 21.4m, compared to CHF 69.1m in the previous year, driven by a more favourable claims environment and lower reserve strengthening in Casualty with loss ratio decreasing from 294% in the previous year to 63% in FY 2022.

The combined ratio for FY 2022 reduced to 131% compared to 406% in the previous year in line with the positive impacts of the loss ratio as mentioned above.

In the Transport line of business, gross premiums written remained stable at CHF 25.8m. Net losses increased to CHF 21.0m and in connection with higher acquisition costs and administrative expenses the net underwriting result decreased to CHF -18.3m.

Gross premiums written in the Fire, natural hazards, property damage line of business decreased to CHF 89.8m from CHF 102.4m in the previous year. The decrease was driven by business lapses. The cession ratio remained stable, leading to a lower net premium base compared to the prior year. The net losses were impacted by favourable reserve development, leading to a net underwriting profit of CHF 3.7m.

In General third-party liability the gross premiums written decreased to CHF 74.2m from CHF 80.3m in the previous year. Net losses decreased due to positive reserve development, leading to a net underwriting profit of CHF 3.2m.

In the other lines of business, gross premiums written increased to CHF 4.9m. Net losses are showing a positive result of 0.6m CHF leading to a net underwriting profit of CHF 0.9m.

B.1.2 Underwriting result Indirect business

The tables below provide the key performance indicators by FINMA line of business:

CHF '000					FY 2022
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Motor	10,985	6,827	(909)	(13,094)	(7,176)
Marine, aviation, transport	26,409	22,761	(6,081)	(11,411)	5,269
Property	45,851	16,816	(4,431)	(11,866)	519
Casualty	3,747	1,179	(283)	(992)	(96)
Miscellaneous	(1)	6	(1)	(2,419)	(2,414)
Total	86,992	47,589	(11,705)	(39,782)	(3,898)

CHF '000					FY 2021
Line of business	Gross premium written	Net premium earned	Acquisition costs and administrative expenses	Net losses	Net underwriting result
Motor	12,162	7,622	(1,419)	(3,503)	2,700
Marine, aviation, transport	7,322	2,826	(385)	(1,219)	1,222
Property	33,462	14,306	(1,797)	(3,635)	8,874
Casualty	1,920	640	(42)	(9,388)	(8,790)
Miscellaneous	30	4	(1)	204	207
Total	54,896	25,398	(3,644)	(17,541)	4,213

The indirect business mainly encompasses assumed treaties from AXA Insurance Switzerland in the Aviation, Motor and Property (Art) lines of business and cessions from local policies of international programs. It also includes various assumed IGR's from XL Insurance Switzerland Ltd. With the subject business of XLIS being in run-off.

In total indirect business provides CHF 87.0m of gross written premium and CHF 47.6m net earned premiums. Total net losses amounted to CHF 39.8m and acquisition costs and administrative expenses to CHF 11.7m, leading to a net underwriting loss of CHF 3.9m.

The combined ratio for FY 2022 increased to 108.2% compared to 83.4% in the prior year driven by higher Net losses in all lines as well as higher Acquisition and administrative expenses.

The Motor line of business encompasses assumed reinsurance business from AXA Insurance Switzerland. Gross premium written was CHF 11.0m, Acquisition expenses CHF 0.9 with net losses of CHF 13.1m leading to a net underwriting loss of CHF 7.2m.

The Marine, Aviation and Transport lines of business has seen a strong increase in turnover to CHF 26.4m gross written premiums and net losses of CHF 11.4m leading to a positive net underwriting result of CHF 5.3m.

The Property line of business is assuming CHF 45.9m of gross written premiums. Acquisition costs amounted to CHF 4.4m and net losses to CHF 11.9m leading to a net underwriting profit of CHF 0.5m.

In the Casualty line of business, assumed gross premiums written amounted to CHF 3.7m. Net losses were at CHF 1.0m and Acquisition and administrative expenses at -0.3m, leading to a net underwriting loss of CHF 0.1m.

In 2022 there is no significant business in the miscellaneous line, net premiums earned were at CHF 0.0m. The net underwriting result of -2.4m is driven by negative prior year developments.

B.2 Investment income and expenses

Investment Income				FY 2022
CHF '000	Investment income	Realized gains	Unrealized gains	Total
Fixed income securities	3,775	—	—	3,775
Total	3,775	—	—	3,775

				FY 2021
CHF '000	Income	Realized gains	Unrealized gains	Total
Fixed income securities	4,154	3	—	4,157
Total	4,154	3	—	4,157

The investment income amounts to CHF 3.8m compared to CHF 4.2m in FY 2021. The decrease is mainly driven by lower interest income on the assets.

The investment portfolio of the Branch has an average rating of AA, being highly secure and liquid. XLICSE ZH holds fixed income portfolios, which broadly correspond to the respective liabilities of the Branch, held in CHF, USD and EUR portfolios. All assets are pledged for tied-asset purposes to fulfill Swiss regulatory requirements.

Investment Expenses				FY 2022
CHF '000	Investment expenses	Realized losses	Unrealized losses	Total
Fixed income securities	(1,911)	(415)	—	(2,326)
Total	(1,911)	(415)	—	(2,326)

				FY 2021
CHF '000	Expenses	Realized losses	Unrealized losses	Total
Fixed income securities	(2,256)	(30)	—	(2,286)
Total	(2,256)	(30)	—	(2,286)

The investment expenses are stable at CHF -2.3m compared to CHF -2.3m in FY 2021.

The Branch has recognized no profits or losses in the Branch capital.

B.3 Other income and expenses

CHF '000	FY 2022	FY 2021	Change
Other income	2,450	3,487	(1,036)
Other expenses	(115)	(77)	(39)
Extraordinary income	—	—	—
Total	2,335	3,410	(1,075)

Other income amounts to CHF 2.5m in 2022 and decreased from last year due to lower foreign exchange rate gains.

Other expenses have slightly increased to CHF -0.1m in 2022 driven by losses on foreign exchange rates movements.

There was no extraordinary income in 2022.

Glossary

ACPR	Autorité de Contrôle Prudentiel et de Résolution
ALM	Asset-Liability Management
AXA	AXA SA
AXA ART	AXA ART AG, Cologne, Swiss Branch
AXA CS	AXA Corporate Solutions Assurance SA, Paris, Swiss Branch
AXA XL	Property, casualty, specialty and reinsurance division of AXA
Branch (the)	XL Insurance Company SE, Dublin, Zurich Branch / XLICSE ZH
CBI	Central Bank of Ireland
Company (the)	XL Insurance Company SE, Dublin / XLICSE
FCA	Financial Conduct Authority
FCR	Financial Condition Report
FED	United States Federal Reserve
FINMA	Swiss Financial Market Supervisory Authority
FX	Foreign Exchange
GPW	Gross premium written
IGR	Intra-group reinsurance
PRA	Prudential Regulatory Authority
P&C	Property & Casualty
PwC	PricewaterhouseCoopers Ltd
SFCR	Solvency and Financial Condition Report
UK	United Kingdom
XL	XL Group Ltd
XLB	XL Bermuda Ltd
XLICSE	XL Insurance Company SE, Dublin
XLICSE ZH	XL Insurance Company SE, Dublin, Zurich Branch
XLIS	XL Insurance Switzerland Ltd

Appendices

Appendix 1 Quantitative template "Performance solo insurance"

CHF millions	Total		Direct Swiss business								Indirect business									
	2021	2022	Transport		Fire, natural hazards, property damage		General third-party liability		Other		Motor		Marine, aviation, transport		Property		Casualty		Miscellaneous	
			2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Gross premiums	265.15	281.59	25.89	25.78	102.44	89.76	80.29	74.21	1.64	4.85	12.16	10.99	7.32	26.41	33.46	45.85	1.92	3.75	0.03	—
Reinsurers' share of gross premiums	(216.56)	(199.11)	(18.31)	(13.09)	(94.24)	(84.34)	(73.91)	(60.18)	(1.07)	(3.75)	(3.40)	(4.19)	(4.39)	(3.81)	(20.08)	(27.51)	(1.15)	(2.25)	(0.02)	—
Premiums for own account	48.59	82.48	7.58	12.69	8.21	5.42	6.37	14.03	0.57	1.10	8.76	6.80	2.93	22.60	13.38	18.34	0.77	1.50	0.01	—
Change in unearned premium reserves	(0.48)	(2.67)	2.23	(0.43)	0.51	2.48	(5.01)	2.39	0.75	(2.94)	(0.68)	0.03	(0.26)	0.40	2.30	(3.81)	(0.32)	(0.80)	(0.02)	0.02
Reinsurers' share of change in UPR	0.81	1.79	(1.03)	(0.18)	(1.28)	(1.14)	5.24	(1.78)	(0.63)	2.37	(0.46)	—	0.15	(0.24)	(1.38)	2.29	0.19	0.48	0.01	(0.01)
Premiums earned for own account	48.91	81.60	8.78	12.08	7.44	6.77	6.61	14.63	0.69	0.53	7.62	6.83	2.83	22.76	14.31	16.82	0.64	1.18	—	0.01
Other income from insurance business	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total income from underwriting business	48.91	81.60	8.78	12.08	7.44	6.77	6.61	14.63	0.69	0.53	7.62	6.83	2.83	22.76	14.31	16.82	0.64	1.18	—	0.01
Payments for insurance claims (gross)	(106.58)	(188.29)	(8.63)	(22.52)	(21.74)	(41.64)	(14.43)	(57.81)	(4.83)	(2.24)	(11.32)	(6.85)	(4.08)	(4.97)	(33.20)	(48.55)	(8.34)	(3.63)	(0.01)	(0.10)
Reinsurers' share of payments for insurance claims	62.68	112.83	7.09	5.31	13.23	34.46	9.30	32.30	2.44	3.69	3.24	2.72	2.45	2.98	19.92	29.13	5.00	2.18	0.01	0.06
Change in technical provisions	(210.50)	21.93	(10.42)	(2.43)	(97.59)	36.81	(118.25)	(10.63)	1.64	(0.67)	3.59	(9.39)	1.03	(9.57)	24.11	18.88	(15.13)	1.15	0.52	(2.23)
Reinsurers' share of change in technical provisions	167.74	(7.66)	6.01	(1.39)	70.75	(25.51)	96.76	31.06	(0.44)	(0.21)	0.99	0.42	(0.62)	0.14	(14.47)	(11.33)	9.08	(0.69)	(0.31)	(0.15)
Expenses for insurance claims for own account	(86.65)	(61.19)	(5.95)	(21.03)	(35.34)	4.13	(26.63)	(5.08)	(1.18)	0.58	(3.50)	(13.09)	(1.22)	(11.41)	(3.64)	(11.87)	(9.39)	(0.99)	0.20	(2.42)
Acquisition and administration expenses	(65.92)	(72.94)	(10.67)	(10.42)	(29.40)	(22.31)	(19.23)	(21.23)	(0.79)	(1.65)	(1.65)	(1.15)	(0.78)	(9.20)	(3.37)	(6.58)	(0.03)	(0.41)	—	—
Reinsurers' share of acquisition and admin. expenses	35.95	38.07	3.08	1.06	14.67	15.07	15.79	14.91	0.22	1.40	0.23	0.24	0.40	3.12	1.57	2.15	(0.01)	0.12	—	—
Acquisition and admin. expenses for own account	(29.97)	(34.87)	(7.59)	(9.36)	(14.73)	(7.23)	(3.44)	(6.32)	(0.57)	(0.25)	(1.42)	(0.91)	(0.38)	(6.08)	(1.80)	(4.43)	(0.04)	(0.28)	—	—
Total expenses from underwriting business	(116.62)	(96.06)	(13.54)	(30.39)	(50.08)	(3.10)	(30.07)	(11.40)	(1.75)	0.32	(4.92)	(14.00)	(1.60)	(17.49)	(5.43)	(16.30)	(9.43)	(1.28)	0.20	(2.42)
Investment income	4.16	3.78																		
Investment expenses	(2.29)	(2.33)																		
Net investment income	1.87	1.45																		
Other financial income	—	—																		
Other financial expenses	—	—																		
Operating result	(65.84)	(13.01)																		
Interest expenses for interest-bearing liabilities	—	—																		
Other income	3.49	2.45																		
Other expenses	(0.08)	(0.12)																		
Extraordinary income/expenses	—	—																		
Profit / loss before taxes	(62.43)	(10.68)																		
Direct taxes	(0.32)	(0.10)																		
Profit / (loss)	(62.75)	(10.78)																		

Appendix 2 Audited annual financial statements and report of the statutory auditor



XL Insurance Company SE, Dublin, Zurich Branch

AN AXA SA GROUP COMPANY

Financial Statements

Year Ended

December 31, 2022

To the General Manager of
XL Insurance Company SE, Dublin, Zurich Branch, Zurich

Zurich, 28 April 2023

Report of the independent auditor



Opinion

As an audit firm under state supervision, we have audited the financial statements of XL Insurance Company SE, Dublin, Zurich Branch, which comprise the balance sheet as at 31 December 2022, the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, pursuant to Art. 28 (2) of the Insurance Supervision Act (ISA) and with reference to the supplementary information for audit reporting of insurance companies in Annex 19 to FINMA Circular 13/3 concerning the "Preparation and audit of the financial statements of branches of foreign insurance companies" of 4 November 2020 (Annex 19 to FINMA Circular 13/3).

In our opinion, the accompanying financial statements of XL Insurance Company SE, Dublin, Zurich Branch comply in all material respects with the financial reporting provisions of Annex 19 to FINMA Circular 13/3.



Basis for opinion

We conducted our audit in accordance with the Swiss Standards on Auditing (SA-CH) as well as the framework for the audit of the financial statements as set out in section 3.2 of Annex 19 to FINMA Circular 13/3. Our responsibilities under those provisions and standards are further described in the "Independent Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other matter

The financial statements for the year ended 31 December 2021 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 28 April 2022.



Other information

The General Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



General Manager's responsibilities for the financial statements

The General Manager is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of Annex 19 to FINMA Circular 13/3 and for such internal control as the General Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the General Manager is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern, and using the going concern basis of accounting unless the General Manager either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Independent Auditor's responsibilities for 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SA-CH and Annex 19 to FINMA Circular 13/3 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- ▶ 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.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- ▶ Conclude on the appropriateness of the General Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the General Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ltd

Licensed audit expert
(Auditor in charge)

Chartered certified accountant (UK)

Enclosure

- ▶ Financial statements (balance sheet, profit and loss account and notes)



Balance Sheet

	Notes	31 Dez 2022 CHF	31 Dez 2021 CHF
Assets			
Fixed income securities		418'639'081	387'595'177
Total investments		418'639'081	387'595'177
Cash and cash equivalents	1)	8'751'637	21'166'008
Reinsurer's share in insurance technical provisions	3)	452'863'103	454'259'865
Receivables from insurance business	2)	106'591'390	84'558'902
Other receivables	5)	42'609'037	39'209'928
Accrued income and prepaid expenses		2'248'857	2'154'615
Fixed assets		0	65'924
Total other assets		613'064'024	601'415'241
Total assets		1'031'703'105	989'010'418
Liabilities			
Technical Provisions	3)	664'967'146	661'917'963
Payables from insurance business	4)	39'821'516	41'306'160
Other liabilities	6)	272'380'523	220'653'688
Accrued expenses and deferred income		3'830'157	3'650'193
Total liabilities		980'999'342	927'528'004
Branch capital	7)	50'703'763	61'482'414
Branch capital and retained earnings carried forward		61'482'414	105'618'625
Transfers from head office in current year		0	18'612'000
Profit / (loss) of the year		-10'778'651	-62'748'211
Total branch capital		50'703'763	61'482'414
Total liabilities and branch capital		1'031'703'105	989'010'418



Profit and loss account

	Notes	FY 2022 CHF	FY 2021 CHF
Gross written premium		281'591'239	265'149'379
Premium ceded to reinsurer		-199'112'346	-216'563'619
Premium written for own account		82'478'892	48'585'760
Change in provision for unearned premiums		-2'668'508	-484'555
Share of reinsurer in change in provision for unearned premiums		1'789'472	808'062
Earned premium for own account	8)	81'599'857	48'909'268
Total income out of insurance business		81'599'857	48'909'268
Claims paid		-188'292'401	-106'576'851
Share of reinsurer in claims paid		112'832'143	62'681'758
Change in reserves for losses and loss expenses		21'926'210	-210'495'702
Share of reinsurer in change in reserves for losses and loss expenses		-7'656'629	167'743'422
Expenses for claims incurred for own account	9)	-61'190'676	-86'647'372
Acquisition costs and administrative expenses		-72'941'164	-65'924'315
Share of reinsurer in acquisition costs and administrative expenses		38'072'642	35'953'626
Acquisition costs and administrative expenses for own account	10)	-34'868'522	-29'970'689
Total expenses from insurance business		-96'059'198	-116'618'061
Investment income	11)	3'775'295	4'156'627
Investment expenses	12)	-2'325'888	-2'286'122
Investment result		1'449'407	1'870'505
Operating result		-13'009'934	-65'838'288
Other income		2'450'074	3'486'543
Other expenses		-115'434	-76'574
Result before tax		-10'675'294	-62'428'319
Direct taxes		-103'356	-319'892
Result		-10'778'650	-62'748'211



Notes to the financial statements

The 2022 income statement and balance sheet within this report are consolidated and include former AXA Corporate Solutions Assurance, Paris, Swiss Branch, and AXA ART Versicherung AG, Cologne, Swiss Branch.

Basis of preparation and summary of significant accounting policies

The financial statements as of 31 December, 2022 of XL Insurance Company SE, Dublin, Zurich Branch ("XLICSE ZH" or the "Branch") have been prepared in accordance to the requirements by the 32nd title of the Swiss Code of Obligations and with additional requirements defined by FINMA (art. 5-6a AVO-FINMA, valid as of 15 December, 2015 - Preparation and audit of the financial statements of branch offices of foreign insurance companies ("WNL")). The valuation principles applied for each line item are further specified in the respective sections below.

Investments

Fixed Income Securities are recorded no higher than according to the "Amortised Cost Scientific Method". Any further risk to the intrinsic value is taken into account by means of depreciation on individual bonds.

Receivables and payables

Receivables and payables are recorded with their nominal value.

Technical provisions

Provision is made at the year end, on the basis of best available information, for the following estimates:

- The ultimate costs of claims notified but not yet settled at the year end, i.e. "outstanding claims";
- The claims incurred but not reported at the year end, i.e. "IBNR claims";
- Related internal and external claims handling costs attributable to the above; and
- Where applicable, deductions for salvage and other recoveries.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its estimated claim exposures and these are set so that no adverse run-off deviation is envisaged. Given the uncertainty in establishing claims provisions, however, it is likely that the final liability for such claims will prove different from the original estimates established.

FX Rates

The financial statements of XLICSE ZH are disclosed in Swiss Francs ("CHF"). Transactions in foreign currencies are calculated using respective foreign exchange rates applicable to the period in which the transactions take place. Assets and liabilities are revalued at exchange rates prevailing at the balance sheet date, resulting unrealised exchange gains are deferred and recorded as a separate line item on the balance sheet. Unrealised exchange losses are either offset against the provision for currency fluctuation or recorded in the income statement.

1) Cash pool facility

The Branch is part of AXA XL's notional cash pool facility and is thereby provided with additional liquidity. The facility is provided by Bank Mendes Gans, a subsidiary of ING and a market leader in notional cash pooling.

2) Receivables from re/insurance business	31 Dez 2022	31 Dez 2021
	CHF	CHF
Receivables from policyholders	35'700'960	27'189'070
Receivables from agents and brokers	25'350'893	6'313'891
Receivables from external re/insurance companies	25'960'656	27'851'043
Receivables from internal re/insurance companies	19'578'881	23'204'899
Total	106'591'390	84'558'902

3) Technical Provisions	31 Dez 2022	31 Dez 2021
	CHF	CHF
Reserve for gross unearned premiums	Direct 44'280'182	46'313'435
	Assumed 31'197'291	26'376'850
Reserve for ceded unearned premiums	-47'527'815	-46'844'893
Net reserve for unearned premiums	27'949'658	25'845'391
Reserve for gross claims outstanding	Direct 401'180'121	501'544'030
	Assumed 188'309'552	87'683'649
Reserve for ceded claims outstanding	-405'335'288	-407'414'972
Net reserve for claims outstanding	184'154'385	181'812'707
Total	212'104'043	207'658'098

4) Payables from re/insurance business	31 Dez 2022	31 Dez 2021
	CHF	CHF
Payables to policyholders	0	736'964
Payables to agents and brokers	0	171'139
Payables to external re/insurance companies	29'147'253	31'625'973
Payables to internal re/insurance companies	10'674'263	8'772'084
Total	39'821'516	41'306'160

5) Other receivables	31 Dez 2022	31 Dez 2021
	CHF	CHF
Other receivables from internal parties	42'521'174	38'240'941
Other receivables from external parties	87'863	968'986
Total	42'609'037	39'209'928

6) Other liabilities	31 Dez 2022	31 Dez 2021
	CHF	CHF
Other liabilities to internal parties	246'611'894	186'654'509
Other liabilities to external parties	12'606'661	16'685'776
Provision for currency fluctuation	13'161'968	17'313'403
Total	272'380'523	220'653'688

7) Branch capital	31 Dez 2022	31 Dez 2021
	CHF	
Opening Capital	61'482'414	105'618'625

Transfers from head office in current year	0	18'612'000
Profit / (loss) of the year	-10'778'650	-62'748'211
31 Dez 2022	50'703'764	61'482'414

The amount reflected in the branch capital is the capital provided by the home office XL Insurance Company SE, Dublin.

8) Earned premium for own account		FY 2022	FY 2021
		CHF	CHF
Gross written premium	Direct	194'599'346	210'253'175
	Assumed	86'991'893	54'896'204
Premium ceded to reinsurer		-199'112'346	-216'563'619
Net written premiums		82'478'892	48'585'760
Change in unearned premium reserve	Direct	1'501'073	-1'515'921
	Assumed	-4'169'581	1'031'366
Ceded change in unearned premium reserve		1'789'472	808'062
Net change in unearned premium reserve		-879'035	323'508
Total		81'599'857	48'909'268

9) Expenses for claims incurred for own account		FY 2022	FY 2021
		CHF	CHF
Gross claims paid	Direct	-124'203'191	-49'626'472
	Assumed	-64'089'210	-56'950'379
Ceded claims paid		112'832'143	62'681'758
Net paid losses and loss expenses		-75'460'257	-43'895'092
Change in gross reserves for losses and loss expenses	Direct	23'079'892	-224'618'970
	Assumed	-1'153'682	14'123'269
Change in ceded reserves for losses and loss expenses		-7'656'629	167'743'422
Net change in reserves for losses and loss expenses		14'269'581	-42'752'280
Total		-61'190'676	-86'647'372

10) Acquisition costs and administrative expenses for own account		FY 2022	FY 2021
		CHF	CHF
Gross acquisition costs	Direct	-20'314'525	-24'234'702
	Assumed	-9'635'092	-4'522'947
Reinsurer's share of acquisition costs		38'072'642	35'953'626
Net acquisition costs		8'123'025	7'195'977
Administrative expenses		-42'876'453	-36'964'473
Audit fees		-115'095	-202'192
Total		-34'868'522	-29'970'689

There are no full time equivalents employed by the Branch for Q4 2022.

11) Investment income				FY 2022
	Investment income	Realized gains	Unrealized gains	Total
	CHF	CHF	CHF	CHF
Fixed income securities	3'775'295	0	0	3'775'295
Total	3'775'295	0	0	3'775'295

				FY 2021
	Income	Realized gains	Unrealized gains	Total
	CHF	CHF	CHF	CHF
Fixed income securities	4'153'961	2'666	0	4'156'627
Total	4'153'961	2'666	0	4'156'627

12) Investment expenses				FY 2022
	Investment expenses	Realized losses	Unrealized losses	Total
	CHF	CHF	CHF	CHF
Fixed income securities	-1'910'803	-415'085	0	-2'325'888
Total	-1'910'803	-415'085	0	-2'325'888

				FY 2021
	Expenses	Realized losses	Unrealized losses	Total
	CHF	CHF	CHF	CHF
Fixed income securities	-2'256'196	-29'926	0	-2'286'122
Total	-2'256'196	-29'926	0	-2'286'122

13) Pledged assets		31 Dez 2022	31 Dez 2021
		CHF	CHF
Swiss Tied Assets		420'614'697	403'974'173
Total		420'614'697	403'974'173

14) Contingent Liabilities

The company belongs to the VAT group of AXA Versicherungen AG and is jointly and severally liable for its VAT liabilities to the tax authorities

15) Significant Events during the year

On February 24, 2022, Russia invaded Ukraine, triggering a war and worldwide geopolitical tensions, leading the United States, Europe and some other countries to impose unprecedented financial and trade sanctions on the Russian economy, including asset freezes and restrictions on individuals and institutions, notably the Russian Central Bank. As a consequence, the Ruble has significantly weakened and the Russian economy is facing a major crisis with repercussions on the global economy.

Under a new law signed Russia in early March 2022, Russian insurers have been banned from entering into transactions with foreign insurers, reinsurers and brokers from a group of "unfriendly countries" that includes every EU state, Japan, Switzerland, the UK and the US. The ban also applies to the transfer of funds by Russian insurers under contracts that were agreed prior to the new rules coming into effect. The newly introduced law is still in effect. The amount of premium derived from Russian cedants is immaterial to XLICSE ZH but XLICSE ZH had direct losses through exposure through its Property, Casualty and Specialty policies.

XLICSE ZH continues to closely monitor the Group's exposures to the conflict, including:

- (i) the operational impact on its business,
- (ii) the consequences from a potential deterioration in macroeconomic conditions,
- (iii) exposure through its Property, Casualty and Specialty policies and
- (iv) change in asset prices and financial conditions (including interest rates, reinsurance pricing).

16) Subsequent Events

No events and transactions occurred subsequent to 31 December, 2022.